

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
AFFORDABLE HOUSING FUND
LOAN AGREEMENT**

September THIS LOAN AGREEMENT ("Agreement") is made and entered into this 5th day of *September* 2018 by and between **LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**, an urban county government created pursuant to KRS Chapter 67A, whose principal address is 200 East Main Street, Lexington, Kentucky 40507 (hereinafter referred to as "LFUCG") through its **OFFICE OF AFFORDABLE HOUSING**, and **AU ASSOCIATES, INC.**, whose principal address is 159 Old Georgetown Street, Lexington, Kentucky 40508 (hereinafter referred to as the "Borrower").

WITNESSETH:

WHEREAS, pursuant to Chapter 2, Article XXXXV, Section 2-482 of the Lexington-Fayette Urban County Code of Ordinances ("the Code"), the Affordable Housing Fund ("the Fund") was created to preserve, produce, and provide safe, quality, and affordable housing; and

WHEREAS, pursuant to Chapter 2, Article XXXXV, Section 2-479 of the Code, the Affordable Housing Governing Board oversees and manages the administration of the Fund; and

WHEREAS, Borrower has applied for (hereinafter referred to as the "Application"), attached hereto and incorporated herein as Exhibit A, and has received approval for funds for a specific housing related project described below (hereinafter referred to as the "Eligible Activity"); and

WHEREAS, in order to assist Borrower in the funding of the Eligible Activity, LFUCG is willing to make funds available to Borrower from the Fund under the terms and conditions of this Agreement; and

WHEREAS, on the June 19, 2018, LFUCG issued to Borrower a Commitment Letter under LFUCG's Affordable Housing Fund Program (hereinafter referred to as the "Program") which was accepted by Borrower ("Commitment Letter"), attached hereto as Exhibit B and the terms and conditions of which are incorporated herein; and

WHEREAS, the project for which Borrower has been approved includes construction activities.

NOW, THEREFORE, the parties do hereby agree as follows:

Article 1 - Commitment

1.1 LFUCG'S COMMITMENT. Pursuant to the Application, the Commitment Letter and this Agreement, LFUCG will make available an amount not to exceed **SIX HUNDRED EIGHT-SEVEN THOUSAND SIX HUNDRED SIXTY-SIX AND 00/100 DOLLARS (\$687,666.00)** ("Loan") to Borrower from the Fund. Affordable Housing Funds will be disbursed by LFUCG to Borrower in accordance with the requirements set forth in this Agreement and conditioned upon Borrower's continued satisfactory performance under the terms of this Agreement. The Loan will be made available in the form of a 30-year amortizing mortgage loan, which shall accrue interest at the rate of two percent (2%) per annum from the date of the completion of the construction of Meadowthorpe Landing or January 1, 2020, whatever occurs first, until paid in full. The Loan will be evidenced by a promissory note ("Note") in form and substance

satisfactory to LFUCG payable to LFUCG and signed by Borrower. Principal and interest (if any) of the Loan shall be amortized in equal, consecutive monthly installments of principal and accrued but unpaid interest, commencing as set forth in the Note and continuing until principal and interest have been paid in full. All unpaid principal and accrued interest shall be due January 1, 2050 (“Maturity Date”). In the event of any inconsistency between the Application, the Commitment Letter and this Agreement, this Agreement will control. The Loan will be expended only for the purpose of construction and/or rehabilitation of the Property (defined below) described in the mortgage(s) executed pursuant to Section 1.2 below and in conformity with the other provisions of this Agreement, the Commitment and the Application. Further, LFUCG will not be required to advance any amount under this Agreement if an Event of Default (as hereinafter defined) has occurred and is continuing.

1.2 MORTGAGE; OTHER SECURITY. The performance of the Borrower’s obligations under this Agreement shall be secured by a mortgage lien, or mortgage liens, in favor of LFUCG in the total principal amount of the Loan in form and substance satisfactory to LFUCG. In the sole discretion of LFUCG, the performance of Borrower’s obligations under this Agreement may also be secured by an Assignment of Leases and Rents, Security Agreement, UCC-1 Financing Statement, Fixture Filing, and such other documents as LFUCG may in its sole discretion require (collectively, the mortgage(s) and the other security documents described in this subsection are referred to as the “Security Documents”, as attached hereto as Exhibit C, the terms and conditions of which are incorporated herein).

1.3 ELIGIBLE ACTIVITY. The Loan has been made available based upon the information provided by Borrower in the Application. The sole purpose of this allocation of funds is to cause Borrower to acquire property and enter into Ground Lease Agreement to be executed between the Borrower and Meadowthorpe Senior Housing, LLLP (the “Ground Lease”) and cause the construction of property, which will contain 71 units of affordable housing, located at 1447 Antique Way, Lexington, KY (“Site”). LFUCG hereby approves the Ground Lease with such modifications as may be approved by it.

1.4 SITES. In the event the Project includes new construction activities and/or rehabilitation activities, Borrower must identify specific units (the “Assisted Units”) to be assisted. Once identified, the Assisted Units may not be changed, removed or substituted without prior written approval of LFUCG.

ARTICLE 2 - REPRESENTATIONS AND WARRANTIES OF BORROWER

2.1 Borrower represents and warrants that:

(a) Except for the Ground Lease, the Property will be free and clear of all encumbrances, except easements, restrictions, stipulations and rights-of-way of record, applicable zoning rules and regulations and taxes which may be due and payable or which have been assessed and become a lien against the property whether or not yet due and payable;

(b) All funds disbursed hereunder will be used only for construction, rehabilitation, acquisition or development expenses, as applicable, of the Property, as approved by LFUCG, and said funds will not be used in any other manner or for any other purpose; and

(c) The acquisition, construction, or rehabilitation work has been approved by the appropriate local, regional and state agencies, including those concerned with planning and zoning, public works and health.

2.2 Borrower understands and acknowledges that projects assisted with LFUCG Funds must, at a minimum, meet the requirements set out in this Agreement. Borrower will supply, at LFUCG's request, all necessary documentation to substantiate compliance with this paragraph.

2.3 Borrower represents and warrants that, at the time any advances are made by LFUCG as provided herein, the Property will contain no substance known to be hazardous such as hazardous waste, lead-based paint (in violation of Federal or State law), asbestos, methane gas, urea formaldehyde, insulation, oil, toxic substances, polychlorinated biphenyls (PCBs) or radon, and Borrower shall take all action necessary to insure that the Property contains no such substances. Further, the Property will not be affected by the presence of oil, toxic substances or other pollutants that could be a detriment to the Property, nor is Borrower or the Property in violation of any local, state or federal environmental law or regulation and no violation of the Clean Air Act, Clean Water Act, Resource Conservation and Recovery Act, Toxic Substance Control Act, Safe Drinking Water Control Act, Comprehensive Environmental Resource Compensation and Liability Act or Occupational Safety and Health Act has occurred or is continuing. Borrower will take all actions within its control necessary to insure that no such violation occurs. Borrower will immediately deliver to LFUCG any notice it may receive about the existence of any of the foregoing hazardous conditions on the Property or about a violation of any such local, state or federal law or regulation with respect to the Property.

2.4 Borrower is duly organized and validly existing and in good standing under the laws of the Commonwealth of Kentucky; has the power and authority, corporate or otherwise, to own its properties and carry on its business as being conducted; and is duly qualified to do business wherever qualification is required. Borrower has been organized pursuant to state law for the primary purpose of providing housing to persons and families of lower and moderate income. Borrower is not presently under any cease or desist order or other orders of a similar nature, temporary or permanent, of any federal or state authority which would have the effect of preventing or hindering the performance of its duties under this Agreement, nor are there any proceedings presently in progress or to its knowledge contemplated which would, if successful, lead to the issuance of any cease or desist order.

2.5 Plans and specifications for the Project are satisfactory to Borrower and, to the extent required by applicable law, have been approved by all governmental agencies and authorities having jurisdiction thereof, and the use of the Project site(s) contemplated hereby will comply with all local zoning requirements.

2.6 There are no actions, suits or proceedings pending or, to the knowledge of the Borrower, threatened against or affecting it or the Project or involving the validity or enforceability of any mortgage or the priority of the mortgage lien granted by or to Borrower, at law or in equity, on or before or by any governmental authority or any other matters which would substantially impair the ability of Borrower to pay when due any amounts which may become payable in respect to the Note, and to the Borrower's knowledge, it is not in default with respect to any order, writ, judgment, injunction, decree or demand of any court of any governmental authority.

2.7 The consummation of the transaction contemplated hereby and the performance of this Agreement and any Mortgage, if so required, will not result in any breach of, or constitute a default under, any mortgage, deed of trust, lease, bank loan or other loan, credit agreement, corporate charter, bylaw or any other instrument to which the Borrower is a party or by which it may be bound or affected.

ARTICLE 3 – REQUIREMENTS FOR DISBURSEMENT

3.1 **DISBURSEMENT OF AFFORDABLE HOUSING FUNDS.** The Loan will be disbursed to Borrower upon receipt by LFUCG of the following:

- (a) an executed original of the Authorized Signature form; and
- (b) evidence that the Project will remain affordable as provided below;
- (c) an executed LFUCG Construction Start-Up Form;
- (d) proof of costs in adherence to LFUCG's requirements for draws and inspections for the Program activity under this Agreement (construction draws);
- (e) execution of the Note, recordation of a valid mortgage lien against the Property securing repayment of the Loan and execution of any and all other Security Documents which may be required by LFUCG.

LFUCG will not be required to advance any amount hereunder if an Event of Default (hereinafter defined) has occurred and is continuing.

3.2 **AFFORDABILITY PERIOD.** Property must remain affordable to persons at or below eighty percent (80%) of the area median income pursuant to the guidelines of the United States Department of Housing and Urban Development (HUD) for a minimum of thirty (30) years from date the Loan proceeds are first expended on each unit in the Project. Affordability must be ensured by recorded deed restrictions for all properties receiving Affordable Housing Funds.

3.3 **SECTION 8 RENTAL ASSISTANCE.** If Loan proceeds are used to construct rental property, Borrower will not refuse to lease any Unit assisted with Affordable Housing Funds to a holder of a voucher or certificate of eligibility under Section 8 of the United States Housing Act of 1937, as amended, solely because of the status of the prospective tenant as a holder of a certificate or voucher. Provided, however, if the rent required for the Unit is based upon a percentage of the prospective tenant's income through project design, or the assisted housing unit(s) utilize project-based rental housing assistance through another source, this section will not apply. This section does not apply to homeowner-occupied units of housing assisted with Affordable Housing Funds.

3.4 **INSURANCE.** For all properties assisted with Affordable Housing Funds, the Borrower or Property Owner must maintain all risk, fire and extended coverage, in form and with companies acceptable to LFUCG, for each Unit of the Project and any improvements to be constructed thereon in an amount of not less than the Affordable Housing Funds made available to Borrower for each Unit of the Project. Each policy must include appropriate loss payable clauses in favor of LFUCG or Borrower, as applicable, as beneficiary and without right of cancellation or change except upon thirty (30) days' written notice to LFUCG. Borrower will deliver proof of all insurance to LFUCG upon request.

3.5 **REPAYMENT.** In the event that repayment of the Affordable Housing Funds is

required, Borrower agrees to repay funds to the Fund through LFUCG on a timely basis.

3.6 CLOSING COSTS. All costs associated with funding under this Agreement will be borne by the Borrower, including but not limited to the cost of attorney's fees, documentation, recording fees, and costs associated with disbursement. There will be a one percent (1%) Closing Cost Fee of **SIX THOUSAND EIGHT HUNDRED SEVENTY SEVEN AND 00/100 DOLLARS (\$6,877.00)** payable to LFUCG at the date of the closing.

3.7 LEGAL MATTERS. All legal matters incident to the contemplated transaction will be concluded to the satisfaction of LFUCG's Department of Law.

3.8 PROOF OF CORPORATE ACTION. Prior to execution of this Agreement, LFUCG shall have received (i) copies of Borrower's organizational documents; (ii) confirmation from the Secretary of State of Borrower's organizational jurisdiction that Borrower is a validly existing entity in good standing, and (iii) a resolution from the Borrower's Board of Directors, member, manager or general partner, as appropriate, authorizing the execution of the legal documents evidencing the funding received under this Agreement. If Borrower is a foreign entity, it shall, in addition to jurisdictional organizational documents provide evidence of its authority to conduct business in the Commonwealth of Kentucky.

ARTICLE 4 - CONSTRUCTION LOAN TERMS

4.1 PLANS AND SPECIFICATIONS. Borrower will develop the Property in accordance with plans and specifications which have been approved by LFUCG, or by any other agency approved by LFUCG, which plans and specifications, upon such approval, will be incorporated herein by reference. Said plans and specifications will include and specifically identify all roads, sewer lines and water lines and will provide for the development of the Property in conformance with applicable Affordable Housing Program requirements. Said plans and specifications may be subject to minor changes as required to comply with state and local building codes and to conform to the Property, provided such changes are approved by LFUCG. In addition to said plans and specifications, Borrower will prepare or cause to be prepared from time to time such additional plans and drawings, including working drawings, shop drawings and supplemental specifications, as may be necessary or desirable to facilitate expeditious construction of the improvements in accordance with the approved plans and specifications and will cause copies of all such additional items to be delivered to LFUCG. All of said plans and specifications and any such additional items so approved are hereinafter collectively referred to as the "Plans and Specifications." Borrower will not deviate nor permit any such deviation from the Plans and Specifications without the prior written consent of LFUCG.

4.2 NO LIENS. Borrower will cause all work to be performed, including all labor, materials, supervision, supplies, equipment, architectural, and engineering services necessary to complete the improvements, in accordance with the Plans and Specifications. The Borrower will complete the improvements free from all materialmen's liens and all mechanic's liens and claims. All contracts with subcontractors and materialmen will contain, upon the request of LFUCG, a provision for not less than ten percent (10%) retainage to ensure adequate and complete performance in connection with interim or progress payments hereunder. Advances of the Affordable Housing Funds by LFUCG will not be made until a representative of LFUCG has inspected the improvements, certified their completion and received from the general contractor

and all subcontractors affidavits, in form and substance satisfactory to LFUCG, stating that payment will constitute payment in full of all amounts due and owing to them and their suppliers.

4.3 DEADLINE ON PROPERTY DEVELOPMENT. Borrower will begin development of the Property within 180 days after an advance is made hereunder for the Property or such later date as the Mayor may approve in writing, and will cause all development work to be pursued with diligence and without delay. Borrower will cause the improvements to be constructed in a good and workmanlike manner in substantial compliance with the Plans and Specifications and in all respects in full compliance with all laws, rules, permits, requirements and regulations of any governmental agency or authorities having jurisdiction over the Property.

4.4 USE OF FUNDS. Borrower will cause all Affordable Housing Funds borrowed or advanced pursuant hereto to be applied entirely and exclusively for the construction, acquisition, rehabilitation or development, as applicable, of the Property and payment of labor and materials in the completion of development work in substantial compliance with the Plans and Specifications and for the payment of such other costs incidental thereto as may be specifically approved in writing by LFUCG.

4.5 RIGHT OF INSPECTION. Borrower will permit access by LFUCG to the books and records of Borrower and to the Property and all improvements at reasonable times. In the event LFUCG determines that any work or materials are not substantially in conformance with the Plans and Specifications, or are not in conformance with any applicable laws, regulations, permits, requirements or rules of any governmental authority having or exercising jurisdiction thereover or are not otherwise in conformity with sound building practices, LFUCG may stop the work and order replacement or correction of any such work or materials. Such inspection will not be construed as a representation or warranty by LFUCG to any third party that the improvements are, or will be, free of faulty materials or workmanship.

4.6 UNDERTAKING. If required by LFUCG prior to disbursement of Affordable Housing Funds hereunder and thereafter as LFUCG may require, Borrower will deliver to LFUCG (a) an agreement between Borrower and the architect who has prepared the Plans and Specifications whereby such architect agrees that the agreement is assignable to LFUCG upon the same terms and conditions as exist in said agreement; (b) an agreement between Borrower and Borrower's contractor whereby Borrower's contractor agrees that the agreement is assignable to LFUCG upon the same terms and conditions as exist in said agreement; (c) copies of all subcontracts and material purchase orders between Borrower's contractor and any persons, firms, or corporations with whom it has contracted to provide labor, materials or services with respect to the construction of the improvements, where any such contract exceeds a minimum price of Five Thousand Dollars (\$5,000.00); and (d) if requested in writing by LFUCG, a list of all persons, firms and corporations who have provided or proposed to provide labor, materials or services in connection with construction of the improvements.

4.7 NONLIABILITY OF LFUCG. This Agreement will not be construed to make LFUCG liable to materialmen, contractors, craftsmen, laborers or others for goods and services delivered by them to or upon the Property or for debts or claims accruing to said parties against the Borrower. There are no contractual relationships, either express or implied, between LFUCG and any materialman, contractors, craftsmen, laborers or any other persons supplying work, labor or materials on the job, nor will any third person or persons, individual or corporate, be deemed

to be beneficiaries of this Agreement or any term, condition or provisions hereof or on account of any actions taken or omitted by LFUCG pursuant hereto.

ARTICLE 5 – BREACH OR DEFAULT

5.1 RECAPTURE OF FUNDS; BREACH OF AGREEMENT. In the event of a breach, LFUCG may suspend Borrower's authority to draw Affordable Housing Funds at any time by giving notice to Borrower. LFUCG has the right, in its sole discretion, to terminate disbursement of funds and/or recapture any remaining portion of Affordable Housing Funds and/or require repayment of Affordable Housing Funds already disbursed upon the occurrence of one or more of the following events (“Breach”):

(a) Borrower does not diligently pursue the activity detailed in Borrower’s Application and for which Affordable Housing Funds have been awarded;

(b) Borrower violates of any of the terms of this Agreement, the Affordable Housing Program statutes, the Note evidencing the Affordable Housing Funds under this Agreement or any other Security Document entered into pursuant to this Agreement;

(c) Borrower does not submit reports or submits inadequate reports pursuant to Article 6 below;

(d) Borrower defaults under any of the terms of this Agreement or any other document executed in conjunction with funding under this Agreement, and such default is not cured within any applicable cure period;

(e) Borrower is unable to draw all Affordable Housing Funds, as set forth in the closing documents, in no instance later than twenty-four (24) months from the date of this Agreement;

(f) Borrower is unable to document its participation in the project throughout the compliance period as required of nonprofit material participation per IRC Section 42;

(g) the information submitted to LFUCG by Borrower, upon which LFUCG relied in its decision to allocate funds to Borrower, proves to be untrue or incorrect in any material respect; or

(h) LFUCG determines in its sole discretion that it would be inadvisable to disburse Affordable Housing Funds to Borrower because of a material and adverse change in Borrower’s condition.

5.2 EVENTS OF DEFAULT. Occurrence of one or more of the following events will, in the sole discretion of LFUCG, constitute an event of default:

(a) Any installment of principal or interest required by the Promissory Note remains unpaid for more than ten (10) days after the due date thereof;

(b) Any representation or warranty made herein, or in any certificate, report or statement furnished to LFUCG in connection the Affordable Housing Funds or the Note proves to have been untrue or misleading in any material respect when made;

(c) Failure of Borrower to perform any of the provisions of the Note, this Agreement or any other document executed in connection with this Agreement;

(d) Borrowers violation of the affordability requirements, whether evidenced by recorded Deed Restriction or owner certification of continued compliance;

(e) The entry of any lien or encumbrance against the Project site(s), except for ad valorem taxes which are not yet due and payable and liens incurred in the ordinary course of business with respect to amounts which are not yet due and payable without penalty or interest;

(f) Borrower fails to prosecute Project site development work with diligence so that construction thereof will be completed in a timely manner;

(g) Any party obtains or seeks an order or decree in any court of competent jurisdiction seeking to enjoin the construction of the improvements or to delay construction of the same or to enjoin or prohibit Borrower or LFUCG from carrying out the terms and conditions hereof, and such proceedings are not discontinued or such decree is not vacated within thirty (30) days after LFUCG has given Borrower notice under the provisions hereof;

(h) Borrower discontinues the construction/rehabilitation work and abandonment continues for a period of ten (10) days;

(i) Borrower permits cancellation or termination of any insurance policy required under this Agreement or fails, if required, to obtain any renewal or replacement thereof satisfactory to LFUCG;

(j) Borrower (A) becomes bankrupt, or ceases, becomes unable, or admits in writing its inability to pay its debts as they mature, or makes a general assignment for the benefit of, or enters into any composition or arrangement with, creditors; (B) applies for, or consents (by admission of material allegations of a petition or otherwise) to the appointment of a trustee, receiver or liquidator of the Borrower or of a substantial portion of its assets, or authorizes such application or consent, or proceedings seeking such appointment are commenced without such authorization, consent or application against it and continue un-dismissed and unstayed for a period of fifteen (15) days; (C) authorizes or files a voluntary petition in bankruptcy, reorganization, readjustment of debt, insolvency, dissolution, liquidation or other similar law of any jurisdiction; or authorizes such application or consent; or proceedings to such end are instituted against the Borrower without such authorization, application or consent and are approved as properly instituted, remain undismissed for fifteen (15) days, or result in adjudication of bankruptcy or insolvency; or

(k) Borrower is found to have violated any law or regulation, whether federal or state.

5.3 CURE OF BREACH OR DEFAULT; PENALTIES. If any breach or default is not cured within sixty (60) days from the date LFUCG notifies Borrower of the breach or default, LFUCG may continue suspension of disbursements. Additionally, LFUCG may declare the loan and/or grant immediately due and payable and may institute proceedings for its collection. LFUCG may terminate this Agreement by giving written notice to Borrower. In the event of a termination, Borrower's authority to draw Affordable Housing Funds will terminate as of the date of the notice of termination and Borrower will have no right, title or interest in or to any remaining Affordable Housing Funds.

5.4 MISAPPROPRIATION OF FUNDS. Borrower will be liable for any and all misappropriation of Affordable Housing Funds, audit exceptions by state or federal agencies, and violations of the terms of this Agreement. LFUCG also has the right to require Borrower to repay

to LFUCG a portion of or all Affordable Housing Funds drawn by Borrower in cases of breach involving misappropriation of funds or fraudulent uses of funds.

5.5 RIGHTS UPON DEFAULT. If one or more of the events of default described above occur, LFUCG may declare Borrower to be in default under this Agreement by giving not less than ten (10) days prior written notice (or other notice required by applicable default provisions in other LFUCG loan documents) to Borrower, except for a default in payment, in which case no notice is required, and thereafter, LFUCG may exercise any one or more of the following remedies:

(a) Terminate the credit hereby extended, declare the entire unpaid balance and all accrued but unpaid interest under the Note due and payable and institute proceedings for collection thereof. Provided, however, LFUCG may make advances under the occurrence of an event of default without waiving any of its rights hereunder;

(b) Exercise its rights under the Note or any other Security Document;

(c) Enter upon the Project site(s), expel and eject Borrower and all persons claiming through or under Borrower and collect the rents and profits therefrom;

(d) Complete the Project site development work at the cost and expense of Borrower and add such cost to the debt evidenced by the loan and/or grant and this Agreement and secured by the Security Documents;

(e) Have discharged of record any mechanic's and materialmen's lien or other lien against the Project site(s);

(f) Institute such legal proceedings or other proceedings in the name of Borrower or LFUCG as LFUCG may deem appropriate for the purpose of protecting the Project site(s) and LFUCG's interests therein; or

(g) Do and perform all acts and deeds in the name of Borrower or LFUCG as LFUCG deems necessary or desirable to protect the Project site(s) and LFUCG's interests therein.

(h) All of the rights and remedies of LFUCG under this Agreement shall be cumulative and to the fullest extent permitted by law and shall be in addition to all those rights and remedies afforded LFUCG at law or in equity or in bankruptcy.

5.6 PAYMENTS DUE TO DEFAULT. Borrower shall reimburse and fully compensate LFUCG upon demand for all loss, damage and expense, including without limitation reasonable attorney's fees and court costs, together with interest on the amount thereof from the date the same accrues at the rate of twelve percent (12%) per annum, incurred by LFUCG (a) by reason of any default or defaults hereunder or under this Agreement, the Note, or the Security Documents or any other loan document executed by Borrower, (b) by reason of the neglect by Borrower of any duty or undertaking hereunder or under the Security Documents and (c) in the exercise of any right or remedy hereunder or under the Security Documents.

ARTICLE 6 – RECORDS; REPORTING

6.1 RECORDS; ACCESS. Borrower agrees to keep adequate records pertaining to the Project and the uses of Affordable Housing Funds. Borrower agrees to provide LFUCG or its

designee access to all of its books and records, including fiscal records, for the purpose of program assessment reviews, and to retain all books and records until the later of three (3) years from the termination of this Agreement, or until all audits of performance during the term of this Agreement have been completed, or until any pending litigation involving this grant or related books and records is settled. Borrower agrees to maintain its books and records in accordance with generally accepted accounting principles. Nothing in this Agreement will be construed to limit the ability of LFUCG to monitor implementation of the project funded by this Agreement.

6.2 REPORTING REQUIREMENTS. In the event project activity reports are required, reports must be submitted as requested by LFUCG, on the forms provided by LFUCG, beginning the first calendar quarter after Borrower receives a disbursement of Affordable Housing Funds.

6.3 ANNUAL FINANCIAL REPORTING. Borrower agrees to provide LFUCG or its designee audited financials and/or Financial Compilation Reports on an annual basis during the term of this Agreement.

6.4 WARRANTY AS TO INFORMATION. Borrower acknowledges that its award of Affordable Housing Funds has been based upon information received from Borrower. Borrower warrants that the financial and other information furnished by Borrower to LFUCG was, at the time of application, and continues to be, true and accurate.

6.5 PROGRAM COMPLIANCE. Borrower agrees to comply with the LFUCG Affordable Housing Program guidelines and criteria relating to the Fund.

ARTICLE 7 - MISCELLANEOUS

7.1 NOTICES. Any notice required or permitted to be given pursuant to this Agreement will be deemed to have been duly given when properly addressed and hand-delivered, or mailed by registered or certified mail with postage prepaid, to Borrower or LFUCG, as the case may be, at the following addresses or to such other place as any of the parties may for themselves designate in writing from time to time for the purpose of receiving notices pursuant hereto:

Borrower: AU Associates, Inc.
159 Old Georgetown Street
Lexington, KY 40508
ATTN: Holly B. Wiedemann

LFUCG: Lexington-Fayette Urban County Government
101 East Vine Street, Suite 400
Lexington, Kentucky 40507
ATTN: Richard McQuady, Affordable Housing Manager

7.2 COSTS TO BE PAID BY BORROWER. All items which Borrower agrees to furnish under this Agreement will be furnished at Borrower's sole cost and expense.

7.3 NON-DISCRIMINATION AND FAIR HOUSING RULES. The Project and all contractors and major subcontractors engaged in connection therewith shall comply with all fair

housing and non-discrimination statutes and regulations as they are amended from time to time, which include but are not limited to the following, each of which is hereby incorporated by reference into this Agreement:

Fair Housing Act (Title VIII of the Civil Rights Act of 1968);
24 CFR § 5.105, which prohibits discrimination on the basis of actual or perceived sexual orientation or gender identity, and marital status
Title VI of the Civil Rights Act of 1964;
Section 504 of the Rehabilitation Act of 1973;
Section 109 of Title I of the Housing and Community Development Act of 1974;
Title II of the Americans with Disabilities Act of 1990;
Architectural Barriers Act of 1968;
Age Discrimination Act of 1975;
Title IX of the Education Amendments Act of 1972; and
Presidential Executive Orders 11063, 11246, 12892, 12898, 13166, 13217.
Nondiscrimination and Equal Opportunity requirements [24 CFR §5.105(a)]
Chapter 2, Article 2, §§2-26 – 2-46 of the Code

7.4 SUSPENSION AND DEBARMENT. Borrower certifies by submission of its application and execution of this Agreement that to the best of its knowledge and belief after reasonable investigation, that it and/or its principals are not presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from participation in any transaction under this Agreement by any federal department or agency, or under LFUCG's Suspension and Debarment Policy. Borrower further agrees that any future principal will meet the requirements of this section.

7.5 INDEMNIFICATION. Borrower shall indemnify, defend and hold LFUCG harmless from and against any and all liabilities, claims, demands, losses, damages, costs and expenses (including without limitation, reasonable attorney's fees and litigation expenses), actions or causes of actions, arising out of or relating to any breach of any covenant or agreement or the incorrectness or inaccuracy of any representation and warranty of Borrower contained in this Agreement or in any document delivered to LFUCG or by Borrower, or any other person on behalf of Borrower pursuant to the terms of this Agreement, except for that which occurs as a result of LFUCG's gross negligence or willful misconduct.

7.6 GOVERNING LAW. This Agreement and the loan referred to herein will be governed by the laws of the Commonwealth of Kentucky.

7.7 ASSIGNABILITY. Borrower may not assign this Agreement nor any part hereof without the prior written consent of LFUCG. Subject to the foregoing restriction, this Agreement will inure to the benefit of LFUCG, its successors and assigns and will bind Borrower, Borrower's successors, assigns and representatives.

7.8 MODIFICATION. No variance or modification of this Agreement will be valid and enforceable except by supplemental agreement in writing, executed and approved in the same manner as this Agreement.

7.9 EXHIBITS. Any exhibits attached to this Agreement and the matters contained therein are incorporated herein and deemed to be a part hereof as if fully recited in this

Agreement prior to the date of execution hereof.

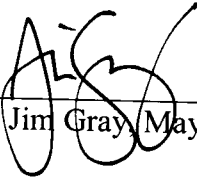
7.10 WAIVER. LFUCG may waive Borrower's performance of any of the terms of this Agreement or Borrower's default hereunder; provided, however, such waiver must be in writing, signed by LFUCG, and any such written waiver hereunder will not be construed as a waiver of any other term or condition of this Agreement or of any act of continuing default.

7.11 INVALID PROVISIONS. The invalidity or unenforceability of a particular provision of this Agreement will not affect the other provisions hereof, and this Agreement will be construed in all respects as if such invalid or unenforceable provisions were omitted.

WITNESS the signatures of the parties hereto as of the date and year first above written.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT

By: _____



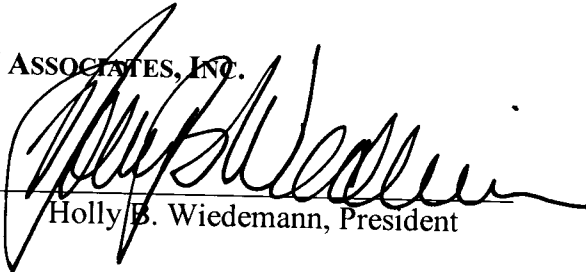
Jim Gray, Mayor

ATTEST:


Clerk, Urban County Council

AU ASSOCIATES, INC.

By: _____



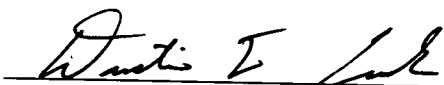
Holly B. Wiedemann, President

COMMONWEALTH OF KENTUCKY)

COUNTY OF FAYETTE)

Subscribed, sworn to and acknowledged before me this 28th day of August 2018, by Holly B. Wiedemann, as President on behalf of AU Associates, Inc.

My commission expires: 11/29/2018


Notary Public #545656

**2018 KHC Multifamily Underwriting Model
For 9% LIHTC and Non-Credit Projects**

Project Name & Location:

Lindbergh Landing at Meadowthorpe

County: Fayette

Submitted by:

AU Associates, Inc.

Lindbergh Landing at Meadowthorpe Underwriting Criteria

KHC Guidelines

Vacancy Rates	Minimum	Maximum	KHC Notes	Applicant's #	Within Limits?	If outside limits, briefly explain.
Vacancy Rate for 11 Units or Less	10.0%		Can increase with justification.	10.0%	Yes	N/A
Vacancy Rate Year 1-3	7.0%		Default is 7%; applicant may modify with justification.	7.0%	Yes	
Vacancy Rate Year 4-15	7.0%			7.0%	Yes	
Rent Inflation						
Rent Inflation Rate Years 1-3	2.0%		Default is 2%; applicant may modify with justification.	2.0%	Yes	
Rent Inflation Rate Years 4+	2.0%			2.0%	Yes	
Operating Cost Inflation Rates						
Administrative	3.0%		Default is 3%; applicant may modify with justification.	3.0%	Yes	
Operating/Maintenance	3.0%			3.0%	Yes	
Utilities	3.0%			3.0%	Yes	
Taxes/Insurance	3.0%			3.0%	Yes	
Reserve For Replacement						
All Projects	\$400		Greater of \$400 PUPA or amount required in PCNA or capital reserve replacement schedule.	\$400	Yes	
Interest Per Year Earned on Replacement Reserve	2.0%		KHC default rate; applicant may modify with justification.	2.0%	Yes	
Operating Costs & Inflation Factors						
Management Fee		8.5%	% of Effective Gross Income	6.7%	Yes	
Annual Operating Costs Per Unit	\$2,500	\$4,500	Guideline only	\$3,495	Yes	
Property Insurance (Per Unit Per Year)	\$250		Guideline only	\$295	Yes	
Development & Construction Costs						
Construction Contingency		10.0%	Capped at 10% of hard costs	3.78%	Yes	
Operating Deficit Reserve	\$181,326		6 mo. operating + 6 mo. debt service	\$183,040	Yes	
Developer Fee (complete calculation below)		\$1,122,000		\$1,122,000	Yes	
Development Costs/SF for Group Homes		\$150		N/A	N/A	
Debt Coverage Ratio						
Debt Coverage Ratio Year 1	1.20		1.20 minimum DCR; 1.25 DCR for Risk-Sharing loans.	1.20	Yes	
Lowest Allowed DCR for all 15 Years	1.10			1.20	Yes	
Deferred Developer Fee Repayment						
Deferred Fee repaid within 10 years?		Yes				

Construction Type	Units Entered on Income Sheet	Units Entered in Calculation Below
New Construction	71	71
Rehabilitation	0	0
Adaptive Reuse/Historic Rehab	0	0
Total Residential Units:	71	71

Developer Fee Calculation

The allowable fees for developers of 9% Housing Credit and non-credit projects are based on the total number of units and construction type. Developer fees must be the lesser of the calculation below or \$1,200,000. Consulting fees are considered part of the developer fee.

Level	Unit Count	KHC Fee Per Unit Limits	# Units in Project	Maximum Developer Fee
First 15 Units (≥ 15)				
New Construction		\$20,000	15	\$300,000
Rehabilitation		\$20,000		\$0
Adaptive Reuse/Historic		\$23,500		\$0
Next 30 Units (16-45)				
New Construction		\$17,000	30	\$510,000
Rehabilitation		\$15,000		\$0
Adaptive Reuse/Historic		\$22,500		\$0
Next 30 Units (46-75)				
New Construction		\$12,000	26	\$312,000
Rehabilitation		\$12,000		\$0
Adaptive Reuse/Historic		\$18,500		\$0
>75 Units (> 75)				
New Construction		\$7,000		\$0
Rehabilitation		\$7,000		\$0
Adaptive Reuse/Historic		\$8,000		\$0
Calculated Maximum Developer Fee:				\$1,122,000
Absolute Maximum Total Developer Fee:				\$1,200,000
Total Maximum Developer Fee				\$1,122,000

(Lesser of calculated maximum fee and absolute maximum fee)

Lindbergh Landing at Meadowthorpe

PROJECT SUMMARY

Developer: AU Associates, Inc.
Contact Person: Johan Graham
Phone: 859-233-2009 **Email:** johan@auassociates.com
Project Name: Lindbergh Landing at Meadowthorpe
Street Address: 1447 Antique Drive
City: Lexington **County:** Fayette
Zip Code: 40511

Total Units: 71 **Construction Type:** New Construction
Primary Unit Type: Elevator Apts **Target Population:** Elderly 55+
Additional Unit Type: _____ **Group Home?** No
Total Residential Square Feet: 53,746 **Community Service Facility?** No
Avg Sq Ft/Unit: 757

KHC Funding Type: Tax Credit Only
Tax Credit: Is project located in a DDA and/or QCT? No
 Is project located in a census tract with a poverty rate less than 20%? Yes
Census Tract(s): 22
Tax Credit Set-Aside Election: 40/60
 Is a local PHA providing project-based vouchers?* No

**If requesting KHC to perform subsidy layering review, refer to Compliance Checks page for requirement*

Unit Mix	Efficiency	1-BR	2-BR	3-BR	4-BR	Totals
30% AMI	0	0	0	0	0	0
50% AMI	0	12	3	0	0	15
60% AMI	0	45	11	0	0	56
80% AMI	0	0	0	0	0	0
120% AMI	0	0	0	0	0	0
Unrestricted	0	0	0	0	0	0
Totals	0	57	14	0	0	71

Operating Budget	Annual	Per Unit
Adjusted Gross Income	\$472,380	\$6,653
Other Income/Subsidies	\$5,400	\$76
Vacancy	7% \$33,067	\$466
Effective Gross Income	\$444,713	\$6,264
Operating Expenses	\$248,128	\$3,495
Replacement Reserve	\$28,400	\$400
Net Operating Income	\$137,466	\$1,936
Debt Service	\$114,523	\$1,613
Cash Flow Year 1	\$22,943	\$323

Operating Cash Flow	DCR	Cash Flow Per Unit
Year 1	1.20	\$323
Year 5	1.22	\$351
Year 10	1.22	\$358
Year 15	1.20	\$328

Key Assumptions	
Vacancy Rate Year 1-3:	7.0%
Vacancy Rate Year 4+:	7.0%
Rent Inflation Year 1-3:	2.0%
Rent Inflation Year 4+:	2.0%

Expense Inflation:	
Administrative	3.0%
Operating/Maintenance	3.0%
Utilities	3.0%
Taxes/Insurance	3.0%

Development Costs	Total	Per Unit	% of TDC
Acquisition	\$0	\$0	0.0%
Hard Costs	\$8,585,000	\$120,915	75.3%
<i>Building Costs</i>	<i>\$7,347,033</i>	<i>\$103,479</i>	<i>64.4%</i>
Construction Contingency	\$324,250	\$4,567	2.8%
Soft Costs	\$1,373,505	\$19,345	12.0%
Developer Fee	\$1,122,000	\$15,803	9.8%
TDC	\$11,404,755	\$160,630	

Capital Reserve Balance		
	Total	Per Unit
Year 10	\$54,047	\$761
Year 15	\$2,978	\$42
Year 20	(\$609,172)	(\$8,580)

Housing Credit Allowed	
Annual Credit Allowed:	\$1,081,369
Per Unit:	\$15,231
LIHTC Applicable Fraction	100.0%

Sources	Total	Per Unit	% of Total
Debt Sources			
HOME	\$0	\$0	0.0%
AHTF	\$0	\$0	0.0%
NHTF	\$0	\$0	0.0%
SMAL	\$0	\$0	0.0%
Risk-Sharing	\$0	\$0	0.0%
Other KHC loan (identify):	\$0	\$0	0.0%
Non-KHC Loans	\$1,992,500	\$28,063	17.5%
Equity Sources			
Deferred Dev Fee	\$57,874	\$815	0.5%
M2M/Cash Flow Loan	\$0	\$0	0.0%
LIHTC Equity	\$9,352,906	\$131,731	82.0%
Other Equity/Grants	\$1,475	\$21	0.0%
Total	\$11,404,755	\$160,630	100.0%

KHC Sources	
Total KHC Sources:	\$0
KHC Cost Per Unit:	\$0
KHC Costs as % of TDC:	0.0%

(Gap) or Surplus \$0 \$0 0.0%

Applicant's Initial Submission Underwriting Notes to KHC

1	Land Lease Payment has been entered on the Operating Proforma by Anthony Wright and matches the land lease document (#28) in site control.
2	
3	The CRRS is \$1.00 off from the CRRS in tab 7 due to a rounding error in the formula I cannot correct. It stays \$1.00 though year 15 but has no substantive effect on the analysis.
4	Engineering Fees are Grouped with Architect Fees
5	Construction insurance contained within General Conditions line item (which on the estimate is grouped with Overhead). I've separated the General Conditions and Overhead for the UM.
6	
7	
8	
9	
10	

KHC Underwriting Review Notes

Applicant Response

Issue Resolved?

	KHC Underwriting Review Notes	Applicant Response	Issue Resolved?
1	FHLB's approval indicates 61 units, with 13 restricted to 50% AMI. The UM is for 71 units, with 15 restricted to 50% AMI. Need verification from FHLB that they agree to the revised unit count.	Forthcoming	
2	Costs not paid during construction don't add up. Underwriter calculated \$1,061,676. Developer fee paid post construction: \$860,636 + \$183,040 ODR + \$7,000 Marketing (half) + \$11,000 Cost Cert.	Corrected.	
3	Reduced 9% reservation fee and 1% construction inspection fee based on new credit request; this resulted in a corresponding decrease in deferred developer fee to		
4			
5			
6			
7			
8			
9			
10			
11			
12			
13			
14			
15			

Lindbergh Landing at Meadowthorpe Sources & Uses

Total Units: 71 Primary Unit Type: Elevator Apts
Construction: New Construction County: Fayette

Do not create additional formulas in any cells as this may interfere with KHC's project underwriting

SOURCES OF FUNDING

Match Eligible?	Permanent Debt Sources:	Amount	Per Unit	Interest Rate	Amortization Term (In Years)	Lien Position	Annual Payment
n/a	KHC HOME, amortizing		\$0				
n/a	KHC HOME, deferred, due at maturity		\$0				
n/a	KHC HOME, forgiven at maturity (excluded from basis)		\$0				
n/a	AHTF, amortizing		\$0				
n/a	AHTF, deferred, due at maturity		\$0				
n/a	AHTF, forgiven at maturity		\$0				
n/a	NHTF, amortizing		\$0				
n/a	NHTF, deferred, due at maturity		\$0				
n/a	NHTF, forgiven at maturity (excluded from basis)		\$0				
n/a	SMAL		\$0				
n/a	Risk-Sharing		\$0				
n/a	Other KHC loan (identify)		\$0				
NON-KHC DEBT:							
	Non-KHC loan #1 (identify lender): RiverHills Bank	\$1,550,000	\$21,831	6.25%	30	First	\$114,523
	Non-KHC loan #2: FHLB Cincinnati Loan (deferred)	\$442,500	\$6,232	0.00%	30	Second	\$0
	Non-KHC loan #3 (identify lender)	\$0	\$0	0.00%	30	Third	\$0
	Total Debt Sources:	\$1,992,500	\$28,063				\$114,523

If any of the above non-KHC loans require payment of a mortgage insurance premium, identify loan and MIP amount: N/A

Is the MIP included in the rate/payment amount shown above? No Frequency: _____

Match Eligible? (as defined in Guidelines)	Permanent Equity Sources:	Federal Grant?	Amount	Per Unit	Affordability Period	Frequency:
	Deferred Developer Fee (amount unpaid by Yr 10 deducted from basis)		\$57,874	\$815		
	Cash Flow Loan (Mark-to-Market or Other Cash Flow Loan)			\$0		
n/a	Federal Historic Tax Credit Equity (credit amount is deducted from basis)			\$0		
	FHLB Member Bank Contribution		\$500	\$7	N/A	
	General Partner Equity		\$975	\$14	N/A	
	Other equity/grant (identify):			\$0		
	Other equity/grant (identify):			\$0		
	Other equity/grant (identify):			\$0		
	Donated or volunteer labor (total cost must include value of donation)			\$0		
	Donated materials (total cost must include value of donation)			\$0		
	Donated land value (total acquisition cost must include value of donation)			\$0		
	Net present value of waived or reduced taxes (not in development budget)			\$0		
n/a	LIHTC Anticipated Net Syndication Proceeds (4% / 9%)		\$9,352,906	\$131,731	15 years	
	Total Equity Sources:		\$9,412,255	\$132,567		
	TOTAL PERMANENT SOURCES:		\$11,404,755	\$160,630		
	Total Development Costs:		\$11,404,755	\$160,630		
	Permanent Funding Sources out of balance by:		\$0	\$0		
	Construction Financing Sources:					
	(May include permanent sources listed above)	Amount Available During Construction	% TDC		Developer Notes	
	Bank Construction Loan	\$7,600,080	66.6%			
	Developer Equity (Self-Financing)		0.0%			
	Deferred Developer Fee	\$57,874	0.5%			
	Housing Credit Equity Available During Construction	\$2,805,872	24.6%			
	Costs Not Paid During Construction (Must Identify)	\$196,040	1.7%		Cost Cert + Op. Reserve + Developer Fee	
	Other:		0.0%			
	Other: Developer Fee	\$744,889	6.5%		Paid at Completion or later	
	Other:		0.0%			
	Other:		0.0%			
	Total Construction Sources:	\$11,404,755	100.0%			
	Const. Financing Sources out of balance by:	\$0	0.0%			

Pricing: \$ _ N/A

Describe repayment of cash flow loan:

Estimated Credit Pricing: \$0.8650 cents per dollar
Equity Provider/Syndicator: CAHEC

Annual Credit Allocation:
\$1,081,369

From Uses of Funding Below

USES OF FUNDING

	TOTAL COST	Per Unit Cost	Tax Credit Project: Eligible Costs		Non-Tax Credit Project OR Excluded from Tax Credit Basis
			70% Present Value Credit	30% Present Value Credit	
ACQUISITION					
Building Acquisition	\$0	\$0			
Land Acquisition (include value of donated land)	\$0	\$0			
TOTAL ACQUISITION	\$0		\$0	\$0	\$0
HARD COSTS					
Building Costs					
Appliances	\$216,122	\$3,044	\$216,122		
Building - New Construction Costs	\$7,130,911	\$100,435	\$7,130,911		
Building - Rehabilitation Construction Costs	\$0	\$0			
Lead-based paint controls or abatement	\$0	\$0			
Site Work					
Demolition	\$0	\$0			
Earth Work	\$75,000	\$1,056			\$75,000
Lawn/Plantings	\$55,000	\$775			\$55,000
Off Site Work	\$0	\$0			
Roads/Walks	\$139,699	\$1,968	\$54,850		\$84,849
Site Utilities	\$0	\$0			
Unusual Site Conditions	\$0	\$0			
Contractor Fees					
Payment and Performance Bond	\$0	\$0	\$0		
General Requirements	\$500,000	\$7,042	\$500,000		
Builder's Overhead	\$124,868	\$1,759	\$124,868		5.82% of Hard Costs
Builder's Profit	\$343,400	\$4,837	\$343,400		1.45% of Hard Costs
Construction Manager's Fee	\$0	\$0			4.00% of Hard Costs
Builder's Risk Insurance	\$0	\$0			
Builder's Liability Insurance	\$0	\$0			
Worker's Compensation Insurance	\$0	\$0			
Other Hard Costs					
Other:	\$0	\$0			
Other:	\$0	\$0			
Other:	\$0	\$0			
TOTAL HARD COSTS	\$8,585,000		\$8,370,151	\$0	\$214,849
CONSTRUCTION CONTINGENCY					
Source: Equity	\$324,250	\$4,567	\$324,250		3.78% of Hard Costs

SOFT COSTS

Construction Interim Costs

Bridge Loan Fees	\$0	\$0		
Building Loan Legal Fees	\$0	\$0		
Building Permits/Fees	\$70,000	\$986	\$70,000	
Construction Credit Enhancement	\$0	\$0		
Construction Financing Fees	\$66,500	\$937	\$66,500	
Construction Hazard Insurance	\$0	\$0		
Construction Interest	\$175,000	\$2,465	\$115,000	\$60,000
Construction Legal Fees	\$45,000	\$634	\$45,000	
Construction Liability Insurance	\$2,500	\$35	\$2,500	
Construction Loan Points	\$0	\$0		
Construction Title and Recording	\$28,000	\$394		
Other Construction Finance Fees	\$0	\$0		\$28,000

Permanent Financing

Permanent Credit Enhancement	\$0	\$0		
Permanent Financing Fees	\$0	\$0		
Permanent Legal Fee	\$30,000	\$423		\$30,000
Permanent Loan Points	\$0	\$0		
Permanent Title and Recording	\$0	\$0		
KHC SMAL Loan Origination Fee (1% of loan amount)	\$0	\$0		
Other Permanent Loan Financing Fees	\$0	\$0		

KHC Risk-Sharing Fees

Application Fee (\$3,000)	\$0	\$0		
Commitment Fee (3% of loan amount)	\$0	\$0		\$0
Uprfront MIP (5% of loan amount)	\$0	\$0		\$0
Closing Fee (\$5,000)	\$0	\$0		\$0

Professional Fees

Accounting Fees	\$0	\$0		
Architect Fees	\$503,374	\$7,090	\$503,374	
Engineering Fees	\$0	\$0		

Reserves

Escrows	\$0	\$0		
Operating Deficit Reserve (Source MUST be identified)	\$183,040	\$2,578		\$183,040
Rent Up Reserves	\$50,000	\$704		\$50,000
Replacement Reserve Deposit	\$0	\$0		
Other:	\$0	\$0		
Other:	\$0	\$0		

\$181,326 Minimum

Syndication Costs

Syndication Legal Fees	\$15,000	\$211		\$15,000
Syndication Organization Expenses	\$2,554	\$36		\$2,554
Other Syndication Expenses	\$0	\$0		

Other Soft Costs

Relocation Expenses	\$0	\$0		
Appraisal	\$7,000	\$99		\$7,000
Market Study	\$4,500	\$63		\$4,500
Environmental Study	\$2,900	\$41	\$2,900	
Environmental Review Contractor (HOME/Risk Sharing)	\$0	\$0		
Lead-Based Paint Assessment and Testing	\$0	\$0		
Survey	\$12,500	\$176		\$12,500
Physical Capital Needs Assessment	\$0	\$0		
Marketing	\$12,000	\$169		\$12,000
Property Taxes	\$8,000	\$113	\$8,000	
Cost Certification	\$13,000	\$183		\$13,000
Asset Management Fee	\$0	\$0		
KHC Non-Tax Credit Application Fee	\$0	\$0		
KHC Tax Credit Application Fee	\$3,500	\$49		\$3,500
KHC Tax Credit Reservation Fee (9% of credit request)	\$97,323	\$1,371		\$97,323
KHC Tax Credit Inspection Fee (1% of credit request)	\$10,814	\$152		\$10,814
KHC Initial Inspection Fee (rehab projects only)	\$0	\$0		
Non-KHC Tax Credit Fees	\$0	\$0		
Other: Inspection & Geotech	\$30,000	\$423	\$30,000	
KHC Market Study Review Fee	\$1,000	\$14		\$1,000
Other:	\$0	\$0		

Total Dev. & Consult. Fees

11.2% of allowable TDC

Consulting Fee:

0.0% of Total Fees

21.9% of TDC

Developer's Fee

Consulting Fee	\$0	\$0		
Developer Fee	\$1,122,000	\$15,803	\$1,065,900	\$56,100
AHTF-Paid Developer Fee (Limit 7.5% of AHTF request)	\$0	\$0		

TOTAL SOFT COSTS

TOTAL SOFT COSTS	\$2,495,505	\$35,148	\$1,909,174	\$0	\$586,331
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TOTAL DEVELOPMENT COSTS

TOTAL DEVELOPMENT COSTS	\$11,404,755	\$160,630	\$10,603,575	\$0	\$801,180
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Reductions to Eligible Basis:

HOME/NHTF forgiven at maturity	\$0				
Federal Historic Tax Credits	\$0				\$0
Other Federal Grants & Subsidies	\$0				
Excess Cost Units	\$0				
Other	\$0				
Unpaid Deferred Developer Fee (after 10 Years)	\$0				
ELIGIBLE BASIS	\$10,603,575				
High Cost Adjustment (Basis Boost)	130%		130%	100%	
ADJUSTED ELIGIBLE BASIS	\$13,784,648		\$13,784,648	\$0	
Applicable Fraction			100%	100%	
QUALIFIED BASIS	\$13,784,648		\$13,784,648	\$0	
Tax Credit Rate			9.00%	0.00%	
MAXIMUM ANNUAL TAX CREDIT	\$1,240,618		\$1,240,618	\$0	

Lindbergh Landing at Meadowthorpe UNITS & INCOME

Utility Allowances

Amenities Included in Units:

Oven/Range	Yes	Garbage Disposal	No
Refrigerator	Yes	Washer/Dryer	No
Microwave	Yes	Washer/Dryer Hookup	Yes
Dishwasher	Yes		

Heating System

Heating Fuel:	Electric
System Type:	Forced Air

Utility	Utility Fuel Source (electric, gas, oil, etc.)	Utilities Paid By				Allowance for Utilities Paid by Tenant Only							
		0 BR	1 BR	2 BR	3 BR	4 BR	3 BR	2 BR	1 BR	0 BR			
Cooking	Electric		Tenant										
Other, Lighting	Electric		Tenant										
Hot Water	Electric		Tenant										
Water			Owner										
Heating	Electric		Tenant										
Air Conditioning	Electric		Tenant										
Sewer			Owner										
Trash Collection			Owner										
TOTAL													

Source for utility allowance:

\$0	\$100	\$130	\$0	\$0
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Unit Distribution

Required Unit Distribution by Funding Source

Based on KHC funding requested, distribution is calculated by the percentage of total sources each funding type represents. Refer to the "Compliance Checks" sheet to see the required distribution of HOME & NHTF units by bedroom type.

Funding Source	% of Sources	Min. Units	Min. Low HOME Units:
HOME units	0.0%	0	0
AHTF units	0.0%	0	
NHTF units	0.0%	0	
SMAL units	0.0%	0	

NOTE: If the project will receive project-based rental assistance, input the entire rent to be collected under "Proposed Contract Rent" or enter operating subsidy below.

0 Bedroom Units

Construction Type	# of Units	Rent Restriction Program	Housing Credit Unit(s)?	Project Based Rental Assistance if applicable	Income Restriction	# of Baths	Square Footage Per Unit	Proposed Contract Rent (excludes utility allowance)	Monthly Rent	Annual Rent	Contract Rent + Utility Allowance
									\$0	\$0	\$0
									\$0	\$0	\$0
									\$0	\$0	\$0
Subtotal	0		0						\$0	\$0	\$0

1 Bedroom Units

Construction Type	# of Units	Rent Restriction Program	Housing Credit Unit(s)?	Project Based Rental Assistance if applicable	Income Restriction	# of Baths	Square Footage	Proposed Contract Rent (excludes utility allowance)	Monthly Rent	Annual Rent	Contract Rent + Utility Allowance
New Construction	12	Housing Credit 50% Rents	Yes		50% AMI	1	712	\$515	\$6,180	\$74,160	\$615
New Construction	45	Housing Credit 60% Rents	Yes		60% AMI	1	712	\$540	\$24,300	\$291,600	\$640
									\$0	\$0	\$100
									\$0	\$0	\$100
									\$0	\$0	\$100
Subtotal	57		57						\$30,480	\$365,760	

2 Bedroom Units

Construction Type	# of Units	Rent Restriction Program	Housing Credit Unit(s)?	Project Based Rental Assistance if applicable	Income Restriction	# of Baths	Square Footage	Proposed Contract Rent (excludes utility allowance)	Monthly Rent	Annual Rent	Contract Rent + Utility Allowance
New Construction	3	Housing Credit 50% Rents	Yes		50% AMI	1	941	\$615	\$1,845	\$22,140	\$745
New Construction	11	Housing Credit 60% Rents	Yes		60% AMI	1	941	\$640	\$7,040	\$84,480	\$770
									\$0	\$0	\$130
									\$0	\$0	\$130
Subtotal	14		14						\$8,885	\$106,620	

3 Bedroom Units

Construction Type	# of Units	Rent Restriction Program	Housing Credit Unit(s)?	Project Based Rental Assistance if applicable	Income Restriction	# of Baths	Square Footage	Proposed Contract Rent (excludes utility allowance)	Monthly Rent	Annual Rent	Contract Rent + Utility Allowance
									\$0	\$0	\$0
									\$0	\$0	\$0
									\$0	\$0	\$0
									\$0	\$0	\$0
Subtotal	0		0						\$0	\$0	

4 Bedroom Units

Construction Type	# of Units	Rent Restriction Program	Housing Credit Unit(s)?	Project Based Rental Assistance if applicable	Income Restriction	# of Baths	Square Footage	Proposed Contract Rent (excludes utility allowance)	Monthly Rent	Annual Rent	Contract Rent + Utility Allowance
									\$0	\$0	\$0
									\$0	\$0	\$0
									\$0	\$0	\$0
									\$0	\$0	\$0
Subtotal	0		0						\$0	\$0	

Unit Totals

New Construction Units	71	Monthly	Annual
Rehabilitation Units	0	\$39,365	\$472,380
Adaptive Reuse/Historic Rehab	0	Per Unit Average Rent	\$6,653
Total Residential Units:	71	# Housing Credit Units	71
Square Footage of Residential Units:	53,746	Square Footage of Housing Credit Units	53,746
Commercial Square Footage:	0		
Common Area(s) Square Footage:	16,725		
CSF Square Footage (if applicable):	0		
Total Square Footage:	70,471		

Rental Assistance

Is project-based rental assistance (PBRA) or project-based voucher (PBV) assistance provided? _____ Source of rental assistance: _____ Name of other source: _____

Number of units receiving rental assistance: _____ Rental assistance contract expiration date: _____

Other Income

(These will be trended at the same rate as rents on the Operating Proforma)

	Year 1	Year 2	Year 3	Year 4	Year 5	Monthly	Annually
Rent from Commercial Space						\$450	\$5,400
Interest							\$0
Laundry						\$50	\$600
Parking						\$150	\$1,800
Tenant Charges (late fees, insufficient funds fees, etc)							\$0
Other (Identify):						\$250	\$3,000
							\$0
Total Other Income:						\$450	\$5,400

Annual Operating Subsidies

	Year 1	Year 2	Year 3	Year 4	Year 5
Source 1:					
Source 2:					
Source 3:					
Total Operating Subsidy:	\$0	\$0	\$0	\$0	\$0

	Year 6	Year 7	Year 8	Year 9	Year 10
Source 1:					
Source 2:					
Source 3:					
Total Operating Subsidy:	\$0	\$0	\$0	\$0	\$0

	Year 11	Year 12	Year 13	Year 14	Year 15
Source 1:					
Source 2:					
Source 3:					
Total Operating Subsidy:	\$0	\$0	\$0	\$0	\$0

	Year 16	Year 17	Year 18	Year 19	Year 20
Source 1:					
Source 2:					
Source 3:					
Total Operating Subsidy:	\$0	\$0	\$0	\$0	\$0

Lindbergh Landing at Meadowthorpe ANNUAL OPERATING EXPENSES

County: Fayette
 Number of units: 71
 Target population: Elderly 55+

Administrative	Total	Per Unit	% of Total	% EGI
Accounting Services		\$0	0.0%	
Administrative Rent Free Unit(s)		\$0	0.0%	
Bad Debt		\$0	0.0%	
Rent Concessions		\$0	0.0%	
Advertising	\$1,000	\$14	0.4%	
KHC Compliance Monitoring Fees	\$2,840	\$40	1.1%	
Compliance Fees (Other)		\$0	0.0%	
Asset Management Fee		\$0	0.0%	
Legal Auditing	\$5,500	\$77	2.2%	
Management Fee	\$29,820	\$420	12.0%	6.71%
Manager(s) Salaries	\$31,200	\$439	12.6%	
Office Salaries	\$24,960	\$352	10.1%	
Office Supplies	\$6,000	\$85	2.4%	
Telephone	\$3,500	\$49	1.4%	
Other (identify): Training, Resident Screening	\$3,000	\$42	1.2%	
Total Administrative	\$107,820	\$1,519	43.5%	
Operating/Maintenance				
Elevator Maintenance/Contract	\$3,500	\$49	1.4%	
Exterminating Contract	\$4,260	\$60	1.7%	
Grounds Expense	\$7,560	\$106	3.0%	
Janitorial Services	\$3,550	\$50	1.4%	
Repairs/Maintenance	\$21,300	\$300	8.6%	
Security Payroll/Contract		\$0	0.0%	
Waste Collection	\$4,260	\$60	1.7%	
Other (identify): fire safety, snow removal	\$6,500	\$92	2.6%	
Total Operating/Maintenance	\$50,930	\$717	20.5%	
Utilities				
Electricity	\$18,000	\$254	7.3%	
Gas		\$0	0.0%	
Sewer	\$8,654	\$122	3.5%	
Water	\$8,654	\$122	3.5%	
Other (identify):		\$0	0.0%	
Total Utilities	\$35,308	\$497	14.2%	
Taxes/Insurance				
Property Insurance	\$20,945	\$295	8.4%	
Other Insurance	\$6,950	\$98	2.8%	
Payroll Taxes	\$6,740	\$95	2.7%	
Real Estate Taxes	\$17,750	\$250	7.2%	
Workmen's Compensation	\$1,685	\$24	0.7%	
Other (identify):		\$0	0.0%	
Total Taxes/Insurance	\$54,070	\$762	21.8%	
Total Operating Expenses	\$248,128	\$3,495	100.0%	

	Tenant Utilities	Responsible Party
Who will be responsible for tenant utilities? Does not include common areas.	Electricity	Tenant
	Gas	Tenant
	Water	Owner/Project
	Sewer	Owner/Project
	Other: Trash	Owner/Project

For which county was the KHC historical expense data utilized? Fayette

Enter the most current year's historical PUPA expense, excluding utilities, for the above county (see database below): \$3,847

KHC Historical Expense Database

Lindbergh Landing at Meadowthorpe

INITIAL HOUSING CREDIT ALLOCATION ANALYSIS

Applicable Fraction <i>(Use lower of unit fraction or square footage fraction)</i>	
Housing Credit units	71
Total units	71
Applicable Fraction	100.00%
Housing Credit Residential Square Footage	53,746
Total Gross Residential Square Footage	53,746
Applicable Fraction	100.00%
Equity Gap Calculation Test	
Total Development Cost (TDC)	\$11,404,755
Less Financing	\$2,051,849
Equity Gap	\$9,352,906
Anticipated Credit Pricing (per dollar of eligible basis)	\$0.8650
Percentage of Credits to Investor(s)	99.99%
Total Credit Need	\$10,813,689
Annual Credit Need	\$1,081,369
Housing Credit Per Unit Test	
Maximum Housing Credit Per Unit (\$12,000 urban or \$13,500 rural) <i>(Urban: \$12,000 or \$15,600 with boost; Rural: \$13,500 or \$17,550 with boost)</i>	\$15,600
Number of Housing Credit units	71
Total Tax Credit Amount	\$1,107,600
30% Present Value Credit (4%)	
Housing Credit Allocation Requested	\$0
Qualified Basis Test	\$0
4% Credit	
70% Present Value Credit (9%)	
Housing Credit Allocation Requested	\$1,081,369
Qualified Basis Test	\$1,240,618
9% Credit	
Total Credit Allowed	
Equity Gap Test	\$1,081,369
Qualified Basis Test	\$1,081,369
Housing Credit Per Unit Test	\$1,107,600
Total Credit Allowed (lesser of 3 tests above)	\$1,081,369

Lindbergh Landing at Meadowthorpe Compliance Checks

Required Unit Distribution by Funding Source

Distribution is calculated based on percentage of total sources each funding type represents.

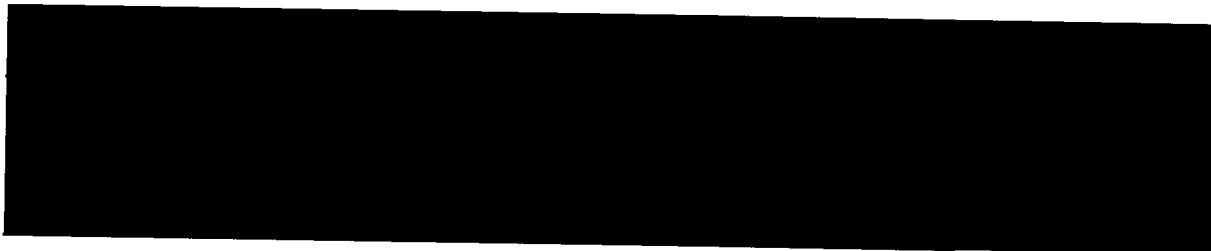
Funding Source	% of Sources	Minimum Units	
HOME units	0.0%	0	<i>Min. Low HOME Units: 0</i>
AHTF units	0.0%		
NHTF units	0.0%	0	
SMAL units	0.0%		

Match Compliance

Match Requirements	Match %	Match Requirements	Match Provided
HOME Match	5%	\$0	\$0
AHTF Match	5%	\$0	\$0
Total		\$0	\$0

Development Cost Containment Limits

Bedroom Type	No. of Units	Applicable KHC Cost Limit	Cost per Unit Type
0 Bedroom	0		\$0
1 Bedroom	57	\$165,108	\$9,411,156
2 Bedroom	14	\$200,770	\$2,810,780
3 Bedroom	0		\$0
4 Bedroom	0		\$0
Maximum Development Cost Allowable:			\$12,221,936
Total Development Costs:			\$11,404,755
TDC Per Unit:			\$160,630
Within Limits?			Yes
TDC as % of Cost Containment			93%



HOME Compliance		
HOME Funds Requested		\$0
HOME Dev. Subsidy as % of Total Development Costs		0.0%
Total Units		21
Required HOME Units	HOME Requirement	# Develop. Checks Higher # of HOME Units
# of HOME Assisted Units	0	
# of Low HOME Units Required	0	
HOME Subsidy Per Unit	#DIV/0!	#DIV/0!
Minimum HOME Affordability Period	#DIV/0!	#DIV/0!
	OR	OR
	20 Years	20 Years

Breakdown of HOME Units Required by Bedroom Type:			
Bedrooms	# of Units	HOME as % TDC	Required HOME Units
0 Bedroom	0	0.0%	0
1 Bedroom	57	0.0%	0
2 Bedroom	14	0.0%	0
3 Bedroom	0	0.0%	0
4 Bedroom	0	0.0%	0
Total	71		0
Actual Breakdown of HOME Units: (Must match or exceed requirements listed above)			
Bedroom Type	# High HOME Units	# Low HOME Units	Total
0 Bedroom			0
1 Bedroom			0
2 Bedroom			0
3 Bedroom			0
4 Bedroom			0
Total	0	0	0
HOME Subsidy Limits:			
Bedroom Type	# Units	HOME Subsidy Limit	Gross Maximum per Unit Limit
0 Bedroom	0		\$0
1 Bedroom	0		\$0
2 Bedroom	0		\$0
3 Bedroom	0		\$0
4 Bedroom	0		\$0
Maximum HOME Subsidy Allowed			\$0
HOME Funds Requested Within Limits?			Yes

NHTF Compliance			
NHTF Funds Requested	\$0		
NHTF Dev. Subsidy as % of Total Development Costs	0.0%		
Total Units	71		
Required NHTF Units	NHTF Requirement		
# of NHTF-Assisted Units	0		
NHTF Subsidy Per Unit	\$0/VAH		
Minimum NHTF Affordability Period	Always 30 years		
Breakdown of NHTF Units Required by Bedroom Type:			
Bedrooms	# of Units	NHTF as % TDC	Required NHTF Units
0 Bedroom	0	0.0%	0
1 Bedroom	0	0.0%	0
2 Bedroom	0	0.0%	0
3 Bedroom	0	0.0%	0
4 Bedroom	0	0.0%	0
Total	0		0
Actual Breakdown of NHTF Units: (Must match or exceed requirements listed above)			
Bedroom Type	Total		
0 Bedroom			
1 Bedroom			
2 Bedroom			
3 Bedroom			
4 Bedroom			

Total 0

NHTF Subsidy Limits:		NHTF	Gross Maximum per
Bedroom Type	# Units	Subsidy Limit	Unit Limit
0 Bedroom	0		\$0
1 Bedroom	0		\$0
2 Bedroom	0		\$0
3 Bedroom	0		\$0
4 Bedroom	0		\$0
Maximum NHTF Subsidy Allowed			\$0
NHTF Funds Requested			\$0
Within Limits?			Yes

Community Service Facility:

CSF eligible basis:	\$0
Total project eligible basis (unboosted):	\$10,603,575
CSF basis % of total eligible basis:	0.00%
Within Limits?	Yes

The CSF must be located in a QCT. Eligible basis attributable to the CSF cannot exceed 25% of the project's total eligible basis (before the boost) and total project cost cannot exceed \$15 million.

HUD Project-Based Rental Assistance Subsidy Layering Checks

HUD Administrative Guidelines for Subsidy Layering Reviews for Project-Based Vouchers

	HUD Safe Harbor Limit	Project #'s	Project-Limit Variance	Max
Development Costs				
General Conditions	6%	5.82%	0.2%	
Overhead	2%	1.45%	0.5%	
Builder's Profit	6%	4.00%	2.0%	
Total	14%	11.28%	2.7%	
Developer's Fee	12%	9.84%	2.2%	15%
Debt Coverage Ratio	HUD Limits	Project #'s	Project-Limit Variance	
Minimum required	1.10	1.20	0.10	
Maximum allowed	1.45	1.22	-0.23	
Trending	HUD Guideline	Project #'s	Project-Limit Variance	
Operating Expenses, Year 1-3	1%-3%	3.0%	0.0%	
Operating Expenses, Year 4-15	3%	3.0%	0.0%	
Rent Increases, Year 1-3	1%-3%	2.0%	-1.0%	
Rent Increases, Year 4-15	3%	2.0%	-1.0%	
Net Cash Flow As % of Operating	HUD Limits	Project #'s	Project-Limit Variance	
Year 1	10%	0.0%	-10.0%	
Year 5	10%	6.0%	-4.0%	
Year 10	10%	5.4%	-4.6%	
Year 15	10%	4.2%	-5.8%	

Johan Graham

From: Johan Graham
Sent: Thursday, April 26, 2018 8:31 AM
To: Holly Wiedemann
Cc: Brandon Shetler
Subject: FW: Meadowthorpe

See below, but I'll restate it here. This is our Meadowthorpe request from Rick which he has consented too (in person) after looking at the details.

Simultaneously with the equity closing, AU Associates would borrow \$687,666 fully amortized loan at 2% over 30 years from Rick. We would deed restrict all 71 units to 60% AMI. AU is the borrower because we own the land and lease to Meadowthorpe. He would get 1st mortgage as collateral and attorney would help structure so that equity was comfortable with cross defaults. The property services the debt via lease payments.

This is not \$687,666 of new money!!!! Right now, he has about \$292,000 (I think) in money outstanding on a predevelopment loan on Meadowthorpe. So we would return that at the closing and borrow \$687,666. So we really only need "new" money of roughly \$395k. And it is fully amortizable at that!

Note: I "think" it is \$292,000:

- I believe we borrowed \$742,000 from Rick with the predevelopment loan but there are no documents. We did pay off, for certain, \$450,000 when we transferred the land to Central. That would leave ~\$292k.

Johan

Johan Graham
Director of Development
AU Associates, Inc.
Development - Construction - Management
159 Old Georgetown Street
Lexington, Kentucky 40508
Office: (859) 233-2009
Cell: (859) 967-3674
Fax: (859) 259-0401
www.auassociates.com

From: Richard McQuady [<mailto:rmcquady@lexingtonky.gov>]
Sent: Monday, February 26, 2018 4:58 PM
To: Johan Graham
Subject: Re: Meadowthorpe

That might work. I will get back to you as soon as I look at cash flow.

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On Mon, Feb 26, 2018 at 4:56 PM -0500, "Johan Graham" <johan@auassociates.com> wrote:

[EXTERNAL] Use caution before clicking links and/or opening attachments.

Not before August 2018...more likely September. It is not as complicated as the VA.

Johan Graham
Director of Development
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Development - Construction - Management
159 Old Georgetown Street
Lexington, Kentucky 40508
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www.auassociates.com

From: Richard McQuady [<mailto:rmcquady@lexingtonky.gov>]
Sent: Monday, February 26, 2018 4:55 PM
To: Johan Graham
Subject: Re: Meadowthorpe

Sounds like a great idea. I just need to make sure I have cash available. When you project a closing?

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On Mon, Feb 26, 2018 at 4:52 PM -0500, "Johan Graham" <johan@auassociates.com> wrote:

[EXTERNAL] Use caution before clicking links and/or opening attachments.

A few more questions.

I think CAHEC could do my predevelopment loan (in lieu of needing the AHF to do it). That way I could pay back the outstanding loan.

However, it would be simultaneous with you being the permanent lender to AU on the land? \$687,666 fully amortized loan at 2% over 30 years. We would deed restrict all 71 units to 60% AMI.

So at the closing we would pay your back from CAHEC proceeds and re-borrow the permanent loan portion and you would get the land as collateral in the tax credit deal (Lewis would help structure so that it worked).

Johan

Johan Graham
Director of Development
AU Associates, Inc.
Development - Construction - Management
159 Old Georgetown Street
Lexington, Kentucky 40508

MAYOR JIM GRAY



LEXINGTON

RICHARD MCQUADY
DIRECTOR
AFFORDABLE HOUSING

June 19, 2018

Ms. Holly Wiedeman, President
AU Associates, Inc.
159 Old Georgetown Street
Lexington, KY. 40508

Dear Ms. Wiedeman,

This letter serves as a commitment of \$687,666 in funding from the Affordable Housing Fund of Lexington-Fayette Urban County Government (LFUCG) for the acquisition of land at 1447 Antique Way which will contain 71 units of affordable housing for elderly households. The \$687,666 is allocated in the form of a first mortgage loan at an interest rate of 2% and a 30 year amortization. No interest will be charged while the units are under construction and principal and interest payments will be due beginning one month after the 71 affordable housing units obtain a Certificate of Occupancy. Additionally, a 1% fee totaling \$6,877 will be due at closing.

This commitment is contingent upon the acceptance of a 15 year deed restriction on the property that will ensure the units remain in compliance with Affordable Housing Fund guidelines and an assignment of lease payments made from the Limited Liability Company owning the development to AU.

Please indicate your acceptance of this commitment and upon acceptance LFUCG will work to close the transaction.

Sincerely,

Richard L. McQuady
Affordable Housing Manager

Accepted by:

