

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

THIS LOAN AGREEMENT ("Agreement") is made and entered into this 11 day of October, 2023, 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 **DAVIS PARK STATION LIMITED LIABILITY LIMITED PARTNERSHIP**, a Kentucky limited liability limited partnership, 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 by application dated September 7, 2022 (hereinafter referred to as the "Application"), attached hereto and incorporated herein as **Exhibit A**, has applied for 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 the terms of its Commitment Letter, dated August 16, 2023 (hereinafter referred to as the "Commitment") attached hereto and incorporated herein as **Exhibit B**; and

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

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

ARTICLE 1 – COMMITMENT

1.1 LFUCG'S COMMITMENT. Pursuant to the Application and this Agreement, LFUCG will make available an amount not to exceed **TWO MILLION NINE HUNDRED THOUSAND DOLLARS AND 00/100 CENTS (\$2,900,000.00)** ("AHF 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 in the Commitment, conditioned upon Borrower's continued satisfactory performance under the terms of this Agreement. The AHF Loan will be made available in the form of a twenty-year (20) loan, which shall accrue interest at the rate of zero percent (0%) per annum. The AHF Loan will be evidenced by

one or more promissory notes (“Notes”) in form and substance satisfactory to LFUCG payable to LFUCG and signed by Borrower. Principal and interest (if any) of the AHF Loan shall be deferred until the Maturity Date (as defined below) so long as there is no Event of Default that has occurred and is continuing. All unpaid principal and accrued interest shall be due **January 1, 2046 (“Maturity Date”)**. In the event of any inconsistency between the Application and this Agreement, this Agreement will control. The AHF Loan will be expended only for the purpose of new construction on 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 AHF 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,” the terms and conditions of which are incorporated herein).
- 1.3 ELIGIBLE ACTIVITY.** The AHF Loan has been made available based upon the information provided by Borrower in the Application. The sole purpose of this allocation is to construct 73 units known as Davis Park Station on the property located at **501 and 512 De Roode Street, Lexington, Kentucky 40508** (“Project” or “Property”).
- 1.4 SITES.** In the event the Project includes new construction activities, Borrower must identify specific units (the “Units”) to be assisted. Once identified, 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.** The Property will be free and clear of all encumbrances, except for that certain loan from **Cedar Rapids Bank and Trust Company** in the amount of **\$5,305,000.00** (“Cedar Rapids Loan "); an Open-End Swap Leasehold Mortgage, Assignment Of Rents, Security Agreement and Fixture Filing from **Cedar Rapids Bank and Trust Company** in the amount of **\$1,350,000.00** (“SWAP Mortgage”); a construction loan from **HOPE of Kentucky** in the amount of **\$9,000,000.00** (“HOPE Loan”); and a certain subordinate loan from LFUCG, by and through its **Division of Grants and Special Programs**, in the amount of **\$950,000.00** (“HOME Loan”), (together with the Cedar Rapids Loan, the SWAP Mortgage, the HOPE Loan, and the HOME Loan, the “Permitted Encumbrances”), and clear of 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. The AHF Loan shall be in all respects subordinate to the Cedar Rapids Loan, the SWAP Mortgage, and the HOPE Loan. The HOME Loan shall be subordinate to the AHF Loan.

- B. All funds disbursed hereunder will be used only for 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 or construction 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 Notes, 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 AHF 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 Notes, recordation of a valid mortgage lien against the Property securing repayment of the AHF Loan, recordation of a Declaration of Covenants and Restrictions, 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 **DISBURSEMENT OF DEVELOPER FEE.** If a Developer fee is paid with the AHF Loan proceeds, it will be disbursed on a pro-rata share equal to the percent of the Project completion, with the exception of the initial draw as follows:

- A. up to 40% of the Project's developer fee may be disbursed at the initial draw; and
- B. the remaining 60% may be drawn based upon the percentage of construction completion.

Developer fee shall be used to cover all funding shortfalls before additional funds can be requested. LFUCG will continue to hold the ten percent (10%) retainage until all project completion and closeout documents are received.

- 3.3 **AFFORDABILITY PERIOD.** The 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 twenty (20) years from the date the AHF Loan proceeds are first expended on the Project. Affordability must be ensured by recorded deed restrictions for all properties receiving Affordable Housing Funds. Only LFUCG, or its successors and assigns, has the right to release the deed restrictions prior to the date on which the restrictions expire.
- 3.4 **SECTION 8 RENTAL ASSISTANCE.** If AHF 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.
- 3.5 **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 all 73 units 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.
- 3.6 **CLOSING COSTS.** All costs associated with funding under this Agreement will be borne by the Borrower, including but not limited to the cost of attorneys' fees, documentation, recording fees, and costs associated with disbursement. There will be a one percent (1%) Closing Cost Fee of **TWENTY NINE THOUSAND DOLLARS AND 00/100 CENTS (\$29,000.00)**.
- 3.7 **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.

- 3.8 **LEGAL MATTERS.** All legal matters incident to the contemplated transaction will be concluded to the satisfaction of LFUCG's Department of Law.
- 3.9 **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 30 days after an advance is made hereunder for the Property 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 acquisition 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 or the amount including and up to an amount which has not been forgiven 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 ordinances, the Notes evidencing the Affordable Housing Funds under this Agreement, the Declaration of Covenants and Restrictions, 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 Notes 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 Notes 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 Notes, Mortgage, 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), (other than liens or encumbrances evidencing loan proceeds for the Permitted Encumbrances), 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 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.

L. A proceeding is filed to foreclose the Property.

5.3 CURE OF BREACH OR DEFAULT; PENALTIES. If any breach or default is not cured within thirty (30) days from the date LFUCG notifies Borrower and Borrower's limited partner of the breach or default in writing, LFUCG may continue suspension of disbursements. However, the limited partner of the Borrower shall have the right, but not the obligation, to cure any default on the same terms and conditions as Borrower, and such cure shall be accepted or rejected by LFUCG, as if such cure was made by Borrower. 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 a material misrepresentation in any document furnished to LFUCG in connection with the Borrower's Application for Funds, 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 then (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 Notes 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 Notes 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 AHF 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 Notes, 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.

5.7 TRANSFERS OF INTERESTS. Notwithstanding anything to the contrary herein, any transfers of partnership interests in the Borrower (including the removal of the general partner) are expressly permitted and shall not constitute a default hereunder.

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, Senior Lender, 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: Davis Park Station Limited Liability Limited Partnership
159 Old Georgetown Street
Lexington, Kentucky 40508
Attn: Johan Graham, Member

With a copy to:

Community Equity Fund XXVII Limited Partnership
c/o Community Affordable Housing Equity Corporation
7700 Falls of Neuse Road, Suite 200
Raleigh, North Carolina 27615
Attention: Legal Department

and:

Kutak Rock LLP
1650 Farnam Street

Omaha, Nebraska 68102
Attention: Asher Ball

Senior Lender: Cedar Rapids Bank and Trust Company
501 First Avenue NE, Suite 100
Cedar Rapids, Iowa 52401
Attn: Sam D. Kramer

LFUCG: Lexington-Fayette Urban County Government
200 East Main Street, 12th Floor
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.
- 7.12 **COUNTERPARTS.** This Agreement may be executed by the parties in any number of counterparts, each of which shall be an original, but such counterparts together shall constitute one and the same instrument.

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

THE REMAINDER OF THIS PAGE LEFT INTENTIONALLY BLANK

SIGNATURE PAGES TO FOLLOW

SIGNATURE PAGE - BORROWER

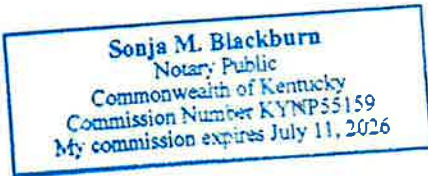
**DAVIS PARK STATION LIMITED
LIABILITY LIMITED PARTNERSHIP,
a Kentucky limited liability limited partnership**


By: DAVIS PARK STATION GP, LLC,
a Kentucky limited liability company,
its General Partner

By: 
Johan Graham, Member

COMMONWEALTH OF KENTUCKY)
) SCT
COUNTY OF FAYETTE)

The foregoing instrument was subscribed, sworn to and acknowledged before me this 10th day of October, 2023, by Johan Graham, as **Member** of DAVIS PARK STATION GP, LLC, a Kentucky limited liability company, the General Partner of DAVIS PARK STATION LIMITED LIABILITY PARTNERSHIP, a Kentucky limited liability limited partnership, for and on behalf of said company.




Notary Public, State At Large, Kentucky
My Commission Expires: July 11 2026
Commission Number: KYNP 55159

THIS INSTRUMENT PREPARED BY:


Brittany Griffin Smith, Esq.
Lexington-Fayette Urban County Government
200 West Main Street
Lexington, KY 40507
(859) 258-3500

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EXHIBIT A

Application

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Affordable Housing Fund

Application for Funding

Please review the guidelines and eligible uses at [\(link\)](#) prior to filling out this application. If you have any questions please contact the Office of Affordable Housing at [\(phone\)](#) or [\(email\)](#).

General Information

Applicant Name: AU Associates, Inc

MWBE Status: WBE

Tax Status: For Profit

Type of Entity: Affordable Housing Developer

Development Name: Davis Park Station

Development Location: 512 De Roode Street, Lexington, KY 40508

Contact Person: Brandon Shetler

Contact Title: Director of Development

Mailing Address: 159 Old Georgetown Street

City: Lexington **State:** KY **Zip:** 40508

Phone: 859-233-2009 ext 211

Fax: 859-259-0401

Email Address: Brandon@auassociates.com

Funds Requested: \$4,200,000 - AHF, \$950,000 - HOME-ARP

Other Funding (Specify on Pro-Forma):

Total Development Cost: \$18,794,432

Development Information

Development Type (Check all that apply):

- New Construction:
- Rehabilitation:
- Adaptive Re-Use:
- Rental (11 Units or Less):
- Rental (12 Units or More):
- Single Site:
- Scattered Site:
- Historic Property:

Total Number of Units: 73

Total Number of Buildings: 4

Square Feet of Units by Bedroom Size:

Unit Size: 1 Bed	Square Footage: 738
Unit Size: 2 Bed	Square Footage: 995
Unit Size: 3 Bed	Square Footage: 1134
Unit Size:	Square Footage:
Unit Size:	Square Footage:

Monthly Rents by Bedroom Size:

Unit Size:1 Bed	Monthly Rent: \$850
Unit Size:2 Bed	Monthly Rent: \$995
Unit Size:3 Bed	Monthly Rent: \$1,269
Unit Size:	Monthly Rent:
Unit Size:	Monthly Rent:

Target Area Median Income (AMI): 60% AMI

Amenities (Check all that apply):

- Stove:
- Refrigerator:
- Dishwasher:
- Garbage Disposal:

Dishwasher:
 Wash/Dryer Hookup:
 Help/Call System:
 Community Room:
 Playground:
 Other (Please specify):

Location Amenities (Check all that apply):

Public Transportation: <input checked="" type="checkbox"/>	Proximity to Development: <1 Mile	Description: This project is located
Shopping: <input checked="" type="checkbox"/>	Proximity to Development: <1 Mile	Description: near the center of
Restaurants: <input checked="" type="checkbox"/>	Proximity to Development: < 1 Mile	Description: downtown lexington,
Medical Facilities: <input checked="" type="checkbox"/>	Proximity to Development: < 1 Mile	Description: near the corner of Oliver
Banks: <input checked="" type="checkbox"/>	Proximity to Development: <1 Mile	Description: Lewis and Broadway, in
Other: <input type="checkbox"/>	Proximity to Development:	Description: the former Davis Bottom.

Populations to be Served (Check all that apply):

Elderly:
 Single Parent:
 Homeless:
 Victims of Domestic Violence:
 Physically Disabled:
 Acquired Traumatic Brain Injury:
 Aging out of Foster Care:
 Veterans:
 Severe Mental Illness:
 Drug/Alcohol Addiction:

Description of services to be provided, service providers, and how services will be paid:

Application for Funding Agreement

The applicant certifies that the information submitted in this application is accurate and consistent with the applications submitted to other funding sources. The applicant commits to keeping the staff and board of the Affordable Housing Fund of Lexington, KY updated with changes in the project structure, funding, and development team. The applicant and any other borrower consents to a possible credit check as part of the underwriting process.

I have read the above agreement and consent to its terms:

Name: Brandon Shetler

Title: Director of Development

Date: 9/7/2022

EXHIBIT B

Commitment Letter



August 16, 2023

Mr. Johan Graham, President
AU Associates, Inc.
159 Old Georgetown Road
Lexington, KY. 40508

Dear Mr. Graham,

The Lexington-Fayette Urban County Government (LFUCG) Affordable Housing Fund Board of Directors has approved your request for a \$4,200,000 second mortgage loan for the development of Davis Park Station, a 73-unit development located at 525 and 530 DeRoode Street in Lexington, Kentucky. The development will include a Community Service Facility that will house some of LFUCG's workforce training initiatives.

The second mortgage loan will be in the form of a 20-year, 0%, \$2,900,000 deferred loan and a \$1,300,000, 0%, surplus cash note with a 20-year term and 40-year amortization. Annual scheduled payments of \$32,500 on the surplus cash note shall be made prior to any annual payment on the deferred developer fee. The \$2,900,000 will be funded from the Affordable Housing Fund and the \$1,300,000 will be funded from State and Local Fiscal Recovery Funds.

There will be a 1% loan fee (\$42,000) due at closing.

The Affordable Housing Fund Board also approved a \$950,000, 0%, 20-year, deferred third mortgage loan for Davis Park Station. These funds come from HOME ARPA dollars and require that 5 of the 73 units be leased to households whose incomes are at or below 30% of area median income. Please know the \$950,000 requires approval from the Lexington-Fayette Urban County Council and that approval is anticipated later this month.

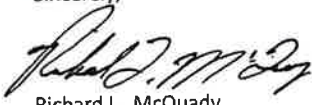
In addition to the mortgages, a Deed Restriction will be placed on the property requiring the units remain in compliance with Affordable Housing Fund and HOME ARPA Program Guidelines.

Please indicate your acceptance of this commitment letter by signing below in the space provided.



We look forward to working with you on this much needed development in Lexington.

Sincerely,



Richard L. McQuady
Affordable Housing Manager

Accepted:

