

Coleman
TSP

ROBERT TAYLOR HOMES PHASE C-2

ADMISSIONS AND CONTINUED OCCUPANCY POLICY

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1.0 PURPOSE

This Policy governs admission and occupancy of units at Robert Taylor Homes Phase C-2 in the City of Chicago. Robert Taylor Homes Phase C-2 is a mixed income community consisting of 118 apartments, to be known as "Phase C-2" of Legends South. There will be 95 low-income tax credit units, 52 of which will receive public housing assistance, and 23 market rate units.

This policy is subject to the United States Housing Act of 1937, as amended, Title VI of the Civil Rights Act of 1964, and all other civil rights requirements, regulations promulgated by the U.S. Department of Housing and Urban Development (HUD), Annual Contributions Contract, Regulatory and Operating Agreement, Section 42 of the Internal Revenue Code of 1986, and state and local laws, the CHA Leaseholder Housing Choice and Relocation Right's Contract (hereinafter "RRC") and CHA Relocation Rights Contract for Families with Initial Occupancy After 10/01/1999. Applicants who are governed by the Relocation Rights Contract (as defined in that contract) will be referred to as "RRC applicants".

The Agent will not discriminate on the basis of race, color, creed, national origin, religion, age, sex, handicap, or familial status in any phase of the occupancy process. The occupancy process includes, but is not necessarily limited to, application processing, leasing, transfers, access to management and services, access to common facilities, treatment of residents and termination of occupancy.

2.0 DEFINITIONS

Definitions are identified in appendix A.

NOTE: Definitions may be modified from time to time because of issuance of Federal, State or local regulations.

3.0 DETERMINATION OF ELIGIBILITY AND SUITABILITY

Prior to the execution of any lease between the Agent and the applicant, the Agent will certify in writing that the family meets, or, in the case of an RRC applicant, is engaged in activities to meet, all conditions governing eligibility and suitability. The specific requirements for eligibility and suitability are critical to the success of the property and are outlined below.

3.1 Eligibility for Admission

Eligibility for Public Housing Units:

- A. Applicant must qualify as a family as defined in Appendix A;
- B. All of the Public Housing Units are also Low-Income Housing Tax Credit (LIHTC) Units. As such, they are regulated by Tax Credit Requirements and must also meet the eligibility requirements for LIHTC Units listed below.

Eligibility for LIHTC Units:

- A. Income. The income limits used by the Agent for admission are established by HUD and usually change on an annual basis. In no case will an applicant be admitted to a LIHTC unit if the applicant family's income exceeds the LIHTC income limits. Additionally, an applicant must earn enough gross income to satisfy Agent of an ability to pay the rental amount. Generally, except for persons who are using a housing choice voucher to rent the unit or Public Housing Applicants, the applicant must earn at least 3 times the rental amount. The Agent, based on market conditions, may adjust this amount from time to time.
- B. Students. Applicants whose household, in its entirety, consists of full-time students any of whom do not meet one of the exemptions listed below will not be considered eligible for housing. For the purposes of Section 42 of the Internal Revenue Code, a full-time student is one who attends, or plans to attend during the next twelve months, an educational organization which normally maintains a regular facility and curriculum for a minimum of five months per calendar year and is considered a full time student by the institution.

Exemptions Include:

- 1) Any one of the students filing a joint federal income tax return. A copy of the joint federal tax return must be included in the applicant's file;
- 2) A household consisting of a single parent (with custody) and a school age child or children, both of whom are not dependents of a third party;
- 3) A household receiving assistance under Title IV of the Social Security Act;
- 4) A household receiving Temporary Assistance for Needy Families; or
- 5) A member of the household enrolled in and receiving assistance under the Job Training Partnership Act or similar governmental job training program.

Eligibility for Market Units:

Applicant must earn enough gross income to satisfy Agent of an ability to pay the unrestricted rental amount. Generally, except for persons who are using a housing

choice voucher to rent the unit, the applicant must earn at least 3 times the rental amount. The Agent based on market conditions may adjust this amount from time to time.

3.2 Screening, Verification, Selection of Applicants

A. Screening (Property Specific Requirements)

Eligible applicants will be screened, and those who meet the screening criteria will be considered suitable for housing. In the effort to determine which applicants meet the screening criteria, the Agent shall work closely with the applicants to ensure they receive complete information on the history the applicant has on each of the screening criteria. The Agent shall consider all information received prior to making a determination on the eligibility of each applicant.

If a determination has been made that the applicant is eligible and satisfies all requirements for admission, the applicant shall be notified of the approximate date of occupancy insofar as that date can be reasonably determined.

The Agent shall not deny admissions to any applicant on the basis that the applicant is or has been a victim of domestic violence, dating violence or stalking, if the applicant otherwise qualifies for assistance or admissions, and nothing in this section shall be construed to supercede any provisions of Federal, state or local law that provide greater protection for victims of domestic violence, dating violence or stalking.

The following property specific requirements apply for initial determination of suitability. Property specific requirements for continued occupancy are discussed under section 5.0 "Continued Occupancy".

1. Employment.

Applicants who are employed a minimum of 30 hours per week shall meet the employment requirement. An applicant means head of household or co-head of household. Additionally, all family members ages 18-61, other than the employed head or co-head of household, must be working 30 hours per week, be enrolled full-time and regularly attending secondary or post secondary education program or involved in at least 30 hours per week of any combination of (1) employment; (2) enrollment in and regular attendance in an economic self-sufficiency program; (3) enrollment in and regular attendance in a regular program of education including GED classes, secondary or post-secondary

education, or English proficiency or literacy classes; and (4) a verifiable employment search or employment counseling.

Notwithstanding the foregoing, a member of a household shall not be required to comply with the employment requirements when such member of the household is: (a) age 62 or older; (b) blind or disabled as defined under 42 U.S.C. 416(i)(1) or 42 U.S.C. 1382c and provides third party verification of same; (c) the primary caretaker of such a blind or disabled individual; (d) the primary caretaker of a minor and there is at least one additional adult member of the household who is employed at least 30 hours per week; or (e) retired and receiving a pension.

2. Criminal Background Screening.

- a. The Agent shall prohibit admission of applicant families with members:
 - i. Who were evicted from federally assisted housing for drug related criminal activity for three years following the date of eviction (unless the family can demonstrate that the person who engaged in the drug related activity has been rehabilitated or is no longer a member of the household); or
 - ii. Who are currently engaging in illegal use of a drug; or
 - iii. If the Agent has reasonable cause to believe that a household member's illegal use or pattern of illegal use of a drug may threaten the health, safety, or right to peaceful enjoyment of the premises by other residents; or
 - iv. Who are subject to a lifetime registration requirement or a 10 year registration requirement under the Illinois Sex Offender Statute; or
 - v. If the Agent has reasonable cause to believe that a household member's abuse of alcohol or pattern of abuse of alcohol may threaten the health, safety or right to peaceful enjoyment of the premises by other residents; or
 - vi. Who have ever been convicted of arson; or
 - vii. Who have ever been convicted of drug related criminal activity for manufacture of methamphetamine on the premises of federally assisted housing.

- b. The Agent may prohibit admission of applicant families with members:
 - i. Who have any history of criminal activity, including arrest or conviction, in the past ten years involving violence to a person; or
 - ii. Who, in the past five years, have any history of arrest or conviction involving drug activity, violence to a person, theft, illegal use or possession of a weapon, or damage to property; or any pattern of such activity in the past 10 years.
- c. In the event of receipt of unfavorable information regarding conduct of the applicant, the Owner shall give consideration to mitigating circumstances as outlined in section 3.2 D below.

3. Drug Activity

Applicants who successfully pass a drug screening test shall meet the drug activity screening requirement. Drug screening tests shall only be administered to family members 18 years of age and older.

4. Credit History

Applicants who are current in their rent and utilities or are currently up to date on any payment plan for outstanding rent or utilities and have no outstanding obligations over 90 days past due, exclusive of medical related charges and student loans (and excluding those obligations where an applicant is current in a payment plan) shall meet the credit history requirement, provided that a credit history covering the last 5 years will be used to conduct an overall review of an applicant's credit and current ability to pay rent. Such a review includes consideration of payment history, landlord judgments, consumer debt, and prior debts owed to public housing programs.

5. Landlord Reference

Applicants who, during their tenancy with their current landlord or the landlord immediately preceding their current landlord, have no history of rent delinquencies, conflict with other residents, damage to property, violations of lease provisions, or complaints in Landlord/Tenant court shall meet the landlord reference screening requirement.

6. Childcare

Applicants who can demonstrate their school-aged children attend school regularly and that there is adequate supervision of children under the age of 13 when school is not in session shall meet the childcare screening requirement. If a child legally drops out of school, that child must be engaged in at least 30 hours per week of any combination of (1) employment; (2) enrollment in and regular attendance in an economic self-sufficiency program; (3) enrollment in and regular attendance in a program of education such as GED classes, English proficiency or literacy classes; and (4) a verifiable employment search or employment counseling.

7. Housekeeping Habits

Applicants who successfully pass a housekeeping inspection that shows no signs of poor health habits, physical abuse of the facilities, negligent dependent care, unauthorized occupants, or habits that could be detrimental to the property or other residents such as poor care of appliances, plumbing fixtures, etc at their current residence, shall meet the housekeeping habit screening requirement.

B. Engaged in Activities to Meet Property Specific Requirements.

Those RRC Applicant families who do not meet the screening criteria may be considered suitable for housing, after the processing of all Priority 1 RRC Applicants (as defined in the RRC) who meet the property specific requirements, if they are determined to be engaged in activities to meet the property specific requirements or if they can demonstrate the circumstances set forth below.

The Agent will promptly notify Applicant families that they have been determined to be engaged in activities to meet property specific requirements (such applicants are referred to herein as "working to meet"). When requested in writing by a working to meet Applicant, the Agent shall provide such Applicant, within 10 days of the written request, with an opportunity for an informal hearing to present information the Applicant may wish the Agent to consider in re-evaluating their designation. The Agent shall notify the Applicant within 10 days of the informal hearing of the Agent's determination to uphold their initial determination (classifying such tenants as "working to meet") or overturning their initial determination.

Employment

The head or co-head of household of an RRC Applicant engaged in at least 30 hours of (1) employment; (2) enrollment in and regular attendance in an economic self-sufficiency program; (3) enrollment in and regular attendance

in a regular program of education including GED classes, secondary or post-secondary education, or English proficiency or literacy classes; and (4) a verifiable employment search or employment counseling.

All other members of an RRC Applicant household between the ages of 18 and 61 engaging in one or a combination of the following activities for 30 hours each week: (1) employment; (2) enrollment in and regular attendance in an economic self-sufficiency program; (3) enrollment in and regular attendance in a regular program of education including GED classes, secondary or post-secondary education, or English proficiency or literacy classes; and (4) a verifiable employment search or employment counseling.

Notwithstanding the foregoing, a member of a household shall not be required to comply with the employment requirements when such member of the household is: (a) age 62 or older; (b) blind or disabled as defined under 42 U.S.C. 416(i)(1) or 42 U.S.C. 1382c and provides third party verification of same; (c) the primary caretaker of such a blind or disabled individual; (d) the primary caretaker of a minor and there is at least one additional adult member of the household who is employed at least 30 hours per week; or (e) retired and receiving a pension.

Credit History

RRC Applicants who can demonstrate, to the satisfaction of the Agent, successful completion of a budgeting course and/or efforts, over the course of at least one year, to repay outstanding balances or other activities that demonstrate, to the Agent's satisfaction, that the family is working towards meeting the credit history requirement.

Childcare

RRC Applicants who can demonstrate, to the satisfaction of the Agent, successful completion of parenting classes and/or documentation of improved attendance record at school showing no significant absences of the applicant's child(ren) or other activities that demonstrate, to the Agent's satisfaction, that the family is working towards meeting the childcare requirement.

Housekeeping Habits

RRC Applicants who can demonstrate, to the satisfaction of the Agent, that they have successfully completed a housekeeping training course and can demonstrate improvement in their housekeeping habits or other activities that demonstrate, to the Agent's satisfaction, that the family is working towards meeting the housekeeping habits requirement.

C. Rejection and Grievance Hearings

If the Agent determines the applicant is ineligible, the Agent shall promptly notify the Applicant. When requested, and within 10 days after the receipt of the notice, the Applicant shall be provided an opportunity for an informal hearing to discuss the reason(s) for their ineligibility and to hear any other mitigating circumstances the Applicant may wish the Agent to consider relating to their application for housing. The Agent shall notify the Applicant within 10 days of the informal hearing of their determination to uphold their initial determination of ineligibility or to overturn their initial determination of ineligibility.

RRC applicants shall have the additional right to a grievance hearing with an independent hearing officer, in accordance with the Grievance procedure.

D. Mitigating Circumstances

In the event an ineligible applicant requests an informal hearing as described in section 3.2 C above, the Owner shall give consideration, on a case by case basis, to any mitigating circumstances presented by the applicant at the informal hearing, focusing on the concrete evidence of the seriousness and recentness of the unfavorable information, to the time, nature, and extent of applicant's conduct, and to factors that might indicate a reasonable probability of favorable future conduct or financial prospects in determining eligibility of the applicant. Factors to be considered in such a case will include, but are not limited to, one or more of the following:

1. Evidence of rehabilitation;
2. Evidence of applicant family's participation in or willingness to participate in social service or other appropriate counseling service programs and the availability of such programs;
3. Evidence of the applicant's willingness to attempt to increase family income and the availability of training or employment programs in the locality; and,
4. Evidence that any negative Landlord/Tenant court complaint was not caused by actions of the Resident but was due to other factors involving their tenancy.

E. Verification

In conjunction with the application process, the Agent shall require whatever documentation is needed to verify information the applicant has provided. The applicant (and other family members as the Agent designates) may be required to execute a release and consent form(s) authorizing any person, firm, or association, including any federal, state or local agency to furnish or release to the Agent such information as the Agent determines to be necessary. Verification of eligibility, suitability and preferences, along with any other information, is to be accomplished by thorough evaluation from information submitted by the applicant or received from third parties, including:

1. Verification of age of family members when the sole factor determining eligibility is age, or to support exemptions claimed for minors;
2. Pregnancy when it is the sole basis for determining eligibility;
3. Full-time student status;
4. Social Security numbers for all members of the household six (6) years of age and older if they have been issued a number. Verification of Social Security numbers will be done through a Social Security Card issued by the Social Security Administration. If a family member cannot produce a Social Security Card, only the documents listed below showing his or her Social Security number may be used for verification:

A driver's license, identification card issued by a Federal, State or local agency, identification card issued by a medical insurance company or provider (including Medicare and Medicaid), earnings statements or payroll stubs, bank statements, IRS Form 1099, benefit award letters from government agencies, retirement benefit letter, Life insurance policies, and verification of benefits or Social Security Number from Social Security Administration;

5. Disability, handicap, veteran, or serviceman status when they are a factor in determining eligibility. For persons who claim disability but are not recipients of benefits under Section 223 of the Social Security Act or Section 102(b)5 of the Developmental Disabilities Services and Facilities Construction Amendment of 1970, a doctor's certification as to the degree and possible length of such disability shall be required. The receipt of veteran's benefits for disability, either service incurred or otherwise, does not automatically establish eligibility for disability; and
6. Eligible immigration status.

4.0 ADMISSION AND SELECTION

4.1 PHA-Assisted Units

Agent will continuously set aside 52 units in the Development as PHA-Assisted Units during the term of this Agreement, which units will initially contain a total of 121 bedrooms. Provided that Agent continues operating the PHA-Assisted Units in accordance with the United States Housing Act of 1937, as amended from time to time, and in accordance with the terms of the Regulatory and Operating Agreement, such units shall be eligible to receive Operating Subsidy Payments from the Authority. The PHA-Assisted Units shall initially comprise the following mixture of unit sizes and descriptions:

<u>Unit Size</u>	<u>Number</u>	<u>Bedrooms</u>
1 Bedroom	7	7
2 Bedrooms	25	50
3 Bedrooms	16	48
4 Bedrooms	4	16

The PHA-Assisted Units shall, to the extent feasible, be scattered evenly throughout the Development, and within structures within the Development. PHA-Assisted Units and Non-PHA-Assisted Units shall be maintained and operated without distinction, excepting such differences in admissions procedures, lease terms and other conditions as are mandated by Public Housing Requirements or intended by Agent and Authority to effectuate Public Housing Requirements and/or benefit the PHA-Assisted Units.

4.2 Applications

- A. An Application for Admission, as defined in Section 2.3, is required for a person to be considered for admission. Applications for Admission will be accepted between the hours of 9:00 a.m. and 5:00 p.m. on Monday through Friday, except designated holidays, at the following address: [to be provided]
- B. The location, facilities and circumstances for accepting applications will afford persons the greatest opportunity to apply.
- C. Periodically, Agent will attempt to contact each person on the waiting list to determine if they are still in need of assistance.
- D. All RRC-applicants shall be referred by CHA with corresponding HOP numbers in accordance with the RRC. RRC-applicants will be required to complete an application form that will be entered on the waiting list in sequential order of their HOP number. RRC-applicants will be processed in order of their HOP

number. Once all of the RRC-priorities have been processed, the Agent will begin accepting referrals from the CHA's current public housing residents waiting list. If no such waiting list exists, the Agent shall create a waiting list in conformance with All Applicable Public Housing Requirements. As applications are received, the date and time the application is received should be noted on the application form. All data is subject to verification. Each adult member of the family must sign the completed application.

- E. The Agent will keep a copy of each resident's application for admission in the resident's file. Any other occupancy information the Agent collects must be retained for at least three (3) years or in accordance with Federal Regulations. This will include data on current applicants and residents, and applications from families who were never admitted.

4.3 Record of Applications / Waiting List

The Authority has approved, through the Regulatory and Operating Agreement, the establishment of a site-based waiting list for Public Housing Residents. The Agent will maintain a site based waiting list for Public Housing Residents subject to the following requirements:

- A. The Agent will maintain two lists of potential tenants to lease the PHA-Assisted Units. One list will be comprised of referrals from the Washington Park HOP list to fill 26 of the PHA-Assisted Units, and the other will be comprised of referrals from the Robert Taylor HOP list to fill the other 26 PHA-Assisted Units. The Agent will engage in simultaneous and similar outreach for the two referral lists.
- B. The RRC-applicants on the waiting list for PHA-Assisted Units shall be processed pursuant to the RRC, including the priorities detailed in the RRC and the HOP numbers given to each resident according to the RRC.
- C. Upon the exhaustion of all RRC-Applicants, applicant names will be placed on each waiting list based on the date and time the application is received by the Agent.
- D. The Agent will maintain each waiting list by the required number of bedrooms. The Agent also will indicate on each waiting list the following about each applicant's family:
 - 1. Race / ethnicity;
 - 2. Determination of eligibility or ineligibility for selection and screening (including, for RRC-applicants, information that the resident is engaged in activities to meet the screening requirements);

3. Preference determination;
 4. Date assigned to dwelling unit and identification of unit to which assigned, or date and unit offered and rejected with reason for the rejection noted; and
 5. Reason for removing applicant from consideration for housing; i.e., upon applicant's request, failure to communicate continued interest, or applicant no longer qualifies.
- E. Consistent with the objectives of Title VI of the Civil Rights Act of 1964, the Regulatory and Operating Agreement, other statutory requirements, and HUD regulations and policies, offers from the waiting list to appropriate sized units will be made after preferences are applied. Preferences for housing will be applied in accordance with the terms outlined in section 4 d. of the Relocation Rights Contract for all PHA-Assisted units. There will be no preferences for housing applied for other Low-Income Housing Tax Credit Units or Market Rate Units.

4.4 Transfers

The Agent shall maintain a centralized list of PHA-Assisted families (by number of bedrooms) that request to be or need to be transferred. The family name shall be placed on this list on the day the Agent becomes aware of a family composition change or receipt of a transfer request from the family Head of Household or other adult family member. Transfers will be made without regard to race, color, creed, national origin, religion, age, sex, handicap, or familial status.

Transfers of PHA-Assisted families may be approved at the discretion of the Agent, or his/her designee, for the following reasons:

A. Under Housed

If, upon re-examination, it is found that the size or composition of a family or household has changed so that the unit occupied by the family contains a number of rooms less than necessary to provide decent, safe and sanitary accommodations, and allow separate sleeping accommodations for children and parents, in accordance with local regulations and codes, and state and federal laws, to the extent applicable, management may reassign or transfer residents to other dwelling units. The Agent may also split the family in accordance with CHA policy to cure an overcrowded situation.

B. Over Housed

If, upon re-examination, it is found that the size or composition of a family or household has changed so that the unit occupied by the family contains a number of rooms greater than necessary to provide decent, safe, and sanitary accommodations, in accordance with local regulations and codes, and state and federal laws, to the extent applicable, management may reassign or transfer residents to other dwelling units.

C. Medical

A resident may be transferred upon request for medical reasons when a transfer to another unit would eliminate or decrease the advancement of a medical condition or is required in order to be closer to available and necessary medical treatment. A doctor's statement verifying the need for such transfer may be required.

D. Emergency

An adult family member may be transferred upon request if an abusive situation exists within the household (i.e. battered spouse) that warrants emergency housing elsewhere. Transfer may be made only after proper verification and/or investigation. Children may accompany the custodial parent.

E. Natural Disaster

A resident family may be transferred because of a natural disaster (i.e. tornado, fire, flood), which makes the existing unit uninhabitable.

F. Section 504 Compliance

Any resident who has special needs requiring a handicapped accessible unit may be transferred upon request.

G. Safety / Security

If a resident living alone should die while residing on the Agent's premises, all their personal belongings should be boxed up for a family member to collect and the apartment secured.

H. Home Ownership

When a Public Housing family is eligible for and desires to participate in a Home Ownership Program, a transfer may occur as long as that resident meets all eligibility requirements and a unit can be made available to him/her.

I. Other - For Good Cause

Situations may arise which are not included in items A-H whereby in the judgment of the Agent and/or designee determine that it is in the best interest of a resident and/or other residents of the community that a transfer be approved. For example: Continual resident conflict that undermines peaceful community living. Such transfer shall only be approved if both the resident and Agent agree to the transfer.

PRIORITY

Families under housed shall be given preference over families over housed in the transfer process. Families needing special consideration because of handicap, disability, medical conditions or emergency cases shall be accommodated before over housed families whenever possible.

Normally, transfers for hardship reasons, or to correct over/under housing, shall have priority over new applicants. The Agent will not require a family residing in a unit too large for its need to transfer into a smaller unit unless the waiting list reflects a need for the occupied unit.

GENERAL TRANSFER REQUIREMENTS

- A. Families who are requesting permission to transfer in situations described in 4.4 (A), (B) (F) and (H) above shall be in "Good Standing" under the terms of their lease. All other transfers, which are transfers based on the health and well being of the Tenant, can occur regardless of the status of the Tenant provided, however, that the transfer does not waive any of the Landlord's rights to pursue an eviction action against the Tenant. All Tenants must leave the premises in a condition satisfactory to management.
- B. The remaining adult member of a resident family, legally on the lease, will be allowed to remain in occupancy but will be required to transfer to an appropriate size and type of unit. Foster care adults and live-in-aides do not have any rights under the lease.
- C. Resident initiated transfer requests during the first twelve (12) months of tenancy will be for Medical, Natural Disaster, Safety and Security, Section 504 Compliance, and Emergency situations only and will require the approval of the Agent.
- D. The number of units offered to a family transferring will be one unless there is a hardship situation as determined by the Agent.

TRANSFER PROCEDURE:

- A. Each person who desires to transfer shall submit an Application for Transfer to the appropriate Site Manager. It will be the responsibility of the Site Manager to verify the reason for and approve such transfer. The Application of each person shall be dated and time stamped when submitted, and if approved, shall be placed on a Transfer Waiting List within each category of each unit size for which the Family is eligible.
- B. Persons who apply for transfer under this plan shall not be required to re-establish their eligibility for public housing, but shall be required to provide information on their Transfer Application to include name, address, number of persons in family, the sex and age of each family member and reasons for the transfer request along with any supporting documentation deemed necessary by Agent.

4.5 Income Limits

The income limits used by the Agent for admission are established by HUD and usually change on an annual basis. In no case will an applicant be admitted to a LIHTC unit if the applicant family's income exceeds the LIHTC income limits. No minimum income limits are established for PHA-Assisted Units.

In accordance with the income restrictions required by sources of funding for the development, the following unit mix will be maintained among the 52 Public Housing Units.

- a. 46 of the 52 Public Housing Units shall be rented to applicants whose income at the time of their admission is at or below 50% of area median income.
- b. 6 of the 52 Public Housing Units shall be rented to applicants whose income at the time of their admission is at or below 60% of area median income.

In addition 1 of the non-Public Housing LIHTC units shall be rented to applicants whose income at the time of their admission is at or below 50% of area median income. In no event shall any applicant be admitted to a Public Housing Unit or LIHTC Unit whose income exceeds the maximum income allowable under Tax Credit and Other Requirements.

4.6 Resident Rent Charges

Residents of the PHA-Assisted units are to be charged Resident Rent in accordance with 24 CFR §960.253, 24 CFR § 5.628, and the earned income disallowance procedures of the Chicago Housing Authority.

Residents of LIHTC units will be charged a rent established by the Agent but in no case shall the LIHTC rent exceed the maximum rent allowable under section 42 of the Internal Revenue Code of 1986, as amended.

The Agent shall establish rental rates for the Market Rate Units.

4.7 Other Charges

The resident will be charged for special goods and services and for the cost of all repairs and damages caused by carelessness, misuse, or neglect on the part of the resident or guest. Such charges will be for the actual cost of the materials and labor required. A standard list of charges shall be posted in the rental office.

4.8 Occupancy Standards

To avoid overcrowding and prevent wasted space, Low-Income Housing Tax Credit Units are to be leased in accordance with the occupancy standards set forth below. However, in the event that there are units which cannot be filled with families of appropriate size and type after all possible efforts have been made to stimulate applications, eligible families of the most nearly appropriate size will be housed in the next larger size unit and will be moved to units of the proper size at the earliest possible date. In no case will a family be given initial occupancy to a unit that results in an overcrowded situation.

A. Dwellings shall generally be assigned as follows:

1. Other than husband and wife, persons of the opposite sex will not occupy the same bedroom.
2. For reasons of health (old age, physical disability, etc.) separate bedrooms may be provided for such individual family members as verified.
3. Living rooms will not regularly be used as a bedroom.

B. Housing units shall be so assigned by taking into consideration every family member, regardless of age, who is to be counted as a person. An unborn child is not counted as a family member; however, Agent will consider size of household with unborn child included.

<u>No. of Bedrooms</u>	<u>Number of Persons</u>	
	<u>Minimum</u>	<u>Maximum</u>
0	1	1
1	1	2

2	2	4
3	3	6
4	5	8

These standards regarding the minimum and maximum number of persons who will occupy a unit will be applied within the restraints of financial solvency and program stability. The Agent, based on individual family needs, will determine assignments of families within the unit ranges indicated above. When it is found that the size of the dwelling is no longer suitable for the family in accordance with these standards, the family will be required to transfer when the appropriate size unit becomes available.

4.9 Dwelling Lease

A dwelling lease shall be prepared by the Agent subject to approval of the Authority and following the provisions of the RRC.

4.10 Misrepresentation on Application for Admission

If misrepresentations on Application for Admission result in housing an ineligible or unsuitable family, the family may be required to vacate, even though currently eligible. If misrepresentation or failure to provide facts has resulted in payment of a lower total resident payment than should have been paid, the family will be required to pay the difference between the total resident payment paid and the amount that should have been paid. In justifiable cases, the Agent may take such other action as deemed reasonable.

5.0 CONTINUED OCCUPANCY

5.1 Property Specific Requirements

- A. Resident families who were offered housing based on meeting the property specific requirements or those resident families who were offered housing based on the determination that they were engaged in activities to meet the property specific requirements and who have subsequently met the requirements, are required to meet the property specific requirements at all times during their occupancy.
- B. In the event a family fails to meet the property specific requirements, in order to continue in occupancy, the household must show evidence of activities to meet the property specific requirements and meet such requirements within one (1) year except for those families who fail to meet the requirements in Section 3.2(A)(1) (such families can follow the procedures set out in Section 5.1 E below). The Agent shall retain the discretion to provide any family engaged in

activities to meet the property specific requirements additional time to meet such requirements.

- C. If the Tenant has been conditionally admitted because the Management Agent has determined that the Tenant is engaged in activities to meet the Property Specific Requirements pursuant to the Section 3.2 B, B, the Tenant and the Management Agent shall memorialize in writing the conditions the Tenant is currently satisfying and must continue to satisfy to show that he or she is engaged in activities to meet the Property Specific Requirements (the "Compliance Plan"). The Compliance Plan shall be attached and made a part of the Lease. The tenant is obligated to use best efforts to comply with the Compliance Plan throughout the first 12 months of conditional tenancy; however, an otherwise lease-compliant tenant will not be terminated during the first year of occupancy for failure to comply with the conditions of the Compliance Plan.
- D. If the Tenant is engaged in activities to meet the Property Specific Requirements other than those in Section 3.2 A 1 of the Admission and Continued Occupancy Policy (ACOP), and, if at the start of his/her first year's re-certification process the Tenant does not meet such Property Specific Requirements, the Management Agent will notify the Chicago Housing Authority ("CHA") to begin looking for a unit for the resident at a property where the Tenant satisfies the occupancy criteria. If the Tenant does not meet the Property Specific Requirements (other than those in Section 3.2 A 1 of the ACOP) within one year of Tenant's move-in date at annual recertification, the Management Agent shall notify the CHA, and CHA shall transfer the Tenant to a unit outside the Development or provide the Tenant with a Section 8 Housing Choice Voucher, in accordance with the Relocation Rights Contract. If Tenant refuses to accept the transfer to a unit outside the Development or the Section 8 Housing Choice Voucher, the Management Agent may terminate the tenancy.
- E. If the tenant or co-head is engaged in activities to meet the Property Specific Requirements in Section 3.2 A 1 of the ACOP but at the start of his/her first year's recertification is not yet employed a minimum of 30 hours a week, such tenant may continue to reside at the development if all members of the household 18 years of age or older, other than the Tenant head or co-head, continue to meet the 30 hours of weekly activity described in Section 3.2 B and the Tenant head or co-head of household can prove to the satisfaction of management that:
 - 1. The head or co-head of household is enrolled full-time and is regularly attending a secondary or post-secondary educational program and shows progress in completion of the program. (Progress may constitute passing grades, completion of additional credits in the program, etc.) Additionally,

the educational program must be one that, in the determination of the Agent, will lead to fulfillment of the 30 hour employment criterion at its completion, or

2. The head or co-head of household is employed for some period of time less than 30 hours a week but is also engaged in one or a combination of the following activities: enrollment and regular attendance in an economic self-sufficiency program, part-time enrollment and regular attendance in a secondary or post-secondary educational program, participation in a verified active job search or job counseling, enrollment and regular attendance in a basic skills training program that, together with the employment, equal not less than 30 hours a week, or
3. The head or co-head of household is neither enrolled full-time in a secondary or post-secondary educational program nor is employed but is engaged for a minimum of 30 hours a week in a Service Plan for Self-Sufficiency, which consists of one or a combination of the following activities: enrollment and regular attendance in an economic self-sufficiency program, part-time enrollment and regular attendance in a secondary or post secondary educational program, participation in a verified active job search or job counseling, or enrollment and regular attendance in a basic skills training program. It is the purpose of the head or co-head of household's participation in this plan to develop employment skills and history that will enable the head or co-head of household to move toward economic self-sufficiency. The head or co-head of household will develop the Service Plan for Self-Sufficiency in cooperation with the local Service Provider and failure to follow the requirements of the Service Plan for Self-Sufficiency will constitute grounds for transfer from the development.

5.2 Community Service Work Requirements

The Agent shall comply with Notice PIH-2003-17 (and any subsequent regulations or notices) in implementing the Community Service Requirements. Generally, these requirements require all adult public housing residents who are not employed, elderly, or disabled, or otherwise exempted to contribute 8 hours per month of community service, or participate in an economic self-sufficiency program for 8 hours per month. All public housing residents who are not exempt from this requirement may use any of those activities that they are engaged in to meet the property specific requirements that qualify to also meet the community service requirements.

5.3 Re-Examination of Resident Eligibility and Rental Adjustments

- A. As required by Public Housing and LIHTC regulations, the Agent will annually re-examine the status of each resident family, of a LIHTC or Public Housing unit, relating to eligibility for continued occupancy, the rent charged, the

meeting of property specific requirements, and the size of the apartment required. Residents will be re-examined each year on the anniversary date established by the occupancy date of their lease.

- B. The Agent will require a written release of information from each family, signed by the head of the family and/or the spouse, and any other adult member which will allow the release of all data and information necessary to enable the Agent to determine:
 - 1. whether the family meets the requirements of eligibility for continued occupancy;
 - 2. the rent to be charged; and
 - 3. the size of the unit required.
- C. Residents, who, at the time of application for continued occupancy, are deemed ineligible by failure to meet the continued occupancy requirements shall be notified in writing of such ineligibility, the reason therefore, and for PHA-Assisted families, be advised of their right to request a grievance hearing.
- D. Rents will be reviewed at the time of the annual re-examination and, if appropriate, be changed to conform to the approved rent.
- E. A PHA-Assisted family must report changes in income and the household composition. Once total resident payment is established, such payment rate shall remain in effect until the next annual re-examination or an interim rent adjustment for a change in family income or family composition. Decreases in family income should be reported so that rent may be adjusted accordingly.

Increases in PHA-Assisted family income must be reported which would raise the total resident payment.
- F. Increases in rent resulting from rent reviews for PHA-Assisted Units are effective the first of the second month following the notice of the change.
- G. Decreases in rent for PHA-Assisted Units are effective the first of the month following the reported change.
- H. If, upon re-examination, it is found that the size or composition of a PHA-Assisted family or household has changed so that the apartment occupied by the family contains a number of rooms less or greater than necessary to provide decent, safe, and sanitary accommodations as described in the occupancy standards, management shall give notice of at least thirty (30) days to the resident that the resident may be required to move to another unit.

- I. At the time of re-examination or change in income and/or family composition each family in a PHA-Assisted Unit will be given the option of choosing (1) flat rent established by Agent based on the value of the unit; or (2) income-based rent, which will be the greatest of 30 percent of adjusted income or 10 percent of monthly income. The Agent will give the family information on both types of rent so that the family can make an informed decision as to which type of rent it prefers.
- J. In the event the head of household of a public housing unit dies or leaves the unit for any reason, continued occupancy by remaining household members is permissible only if there is one or more adult authorized household members on the lease and living in the household. Additionally, after the death or departure of the original head of household, the Agent may permit an adult not on the lease to join the household as a new head of household. In giving approval for such an arrangement, the Agent will consider whether there is any remaining member capable of executing a lease and the ability of the family to stay together if the new household member is allowed to stay. The new head of household must meet the Agent's applicant screening criteria.

5.4 Restriction on Eviction of Families Based Upon Income

The Agent shall not commence eviction proceedings, or refuse to renew a lease, based on the income of a PHA-Assisted Unit family, except (i) as provided in a Preservation and Transformation Plan adopted in accordance with and any applicable HUD requirements per 42 USC § 1437 and section 35 of the United States Housing Act of 1937, as amended from time to time, or (ii) as required by All Applicable Public Housing Requirements.

5.5 Misrepresentation at Annual Re-Examination

If the re-examination discloses that the family at time of admission, or at any previous re-examination, made misrepresentations that resulted in the family's being classified as eligible, when in fact ineligible, the family may be required to vacate even though currently eligible. Furthermore, if at the time of re-examination it is found that the misrepresentations or failure to provide facts resulted in a lower rent being charged, the family will be required to pay the difference between the rent paid and the amount that should have been paid. In justifiable cases, the Agent may take such other action as deemed reasonable. If the Agent is unable to complete the annual re-examination because of the fault of the family, the effective date of any change will be the re-examination anniversary date.

If, by no fault of the family, the Agent is unable to complete its annual re-examination, the effective date of any increase in total resident payment will be the first of the second month following completion of re-examination; the effective date of any decrease in

total resident payment will remain the re-examination anniversary date, and the family will be given the appropriate total resident payment credits for overpayment.

5.6 Collections

A. Resident Rent Charges

Rent is due and payable in advance without notice, at the office of the Agent on the first day of each month. If not received by close of business on the 5th day of the month, and the resident has not contacted the Agent, the Agent will mail or deliver a notice of delinquent rent to the resident's address. Such notice will remind the resident of the lease obligation and will designate a deadline, by which the resident is to contact the Agent office and make arrangements for payment. If there is a good reason for an extension of time to pay the delinquent rent, the Agent may, at its sole discretion, enter into an agreement with the resident. Such agreement will be in writing, signed by both parties, and require the resident to make future rent payments in full not later than the 5th of the month during which they become due. The agreement will specify the due dates and dollar amounts of periodic payments to be made toward settlement of the past-due balance. Failure to reach an agreement, or failure of the resident to abide by the terms of the agreement, will lead to the Agent filing for eviction. All terminations shall be processed in accordance with the requirements of the lease, state law, and federal regulations. For those residents who derive all or part of their income from a government benefit, such as SSI payments, and whose benefit check arrives after the first of the month, rent will not be considered late until seven days after the date of the check. It is the responsibility of the resident to document the date of the check to have late fees waived.

B. Other Charges

Charges other than rent, such as utility charge and resident-caused damages, shall become due and payable 14 days after the Agent gives written notice of such charges. Such notice constitutes a notice of adverse action and must meet the requirements governing a notice of adverse action including advising the Resident of any right to grieve the action. A schedule of standard charges will be posted in the management office.

5.7 Inspections

- A.** The dwelling unit and premises shall be inspected jointly (when possible) by the applicant or resident and Agent. Both parties will agree on the condition of the unit by signing an inspection check sheet. The original move-in inspection sheet will be kept by the Agent, and a copy will be given to the resident.

- B. The inspection will serve as a guide in the determination of needed maintenance or repairs and to assess damage over and above normal wear and tear. Failure to maintain a safe, decent, and sanitary dwelling unit and premises may result in lease termination.
- C. Inspections shall be made:
1. At move-in, prior to occupancy;
 2. Periodically, every six (6) months;
 3. Follow up inspections will be scheduled within fifteen (15) days if housekeeping practices or other circumstances require. Appropriate notice to the resident shall be given prior to any inspection which shall be in accordance with the lease; and
 4. At move out. Inspections should be done with resident, unless the resident has previously vacated the unit and is unavailable. In the latter case, the Agent will conduct an independent inspection.

After the initial move-in inspection, the Agent will provide all residents 48 hours notice of any scheduled inspection as required by section 5-12-050 of the Chicago Residential Landlords and Tenants Ordinance.

6.0 SECURITY DEPOSITS

Each family is required to pay a security deposit in an amount determined by the Agent. RRC applicants' security deposit will be transferred by the CHA in accordance with the RRC. Payments must be made prior to occupancy, unless other arrangements are made otherwise. The security deposit, and any interest due on the deposit, will be returned to the resident within thirty (30) days after move-out, provided, however, that the landlord may deduct from the security deposit:

- A. Any unpaid rent which has not been validly withheld or deducted pursuant to state or federal law or local ordinance, and;
- B. A reasonable amount necessary to repair any damage caused to the premises by the tenant or any person under the tenant's control or on the premises with the tenant's consent, excluding damages caused by normal wear and tear. In case of such damage, the landlord may only deduct such amounts provided that the landlord delivers or mails to the last known address of the tenant within 30 days an itemized statement of the damages allegedly caused to the premises and the estimated or actual cost for repairing or replacing each item on that statement, attaching copies of the paid receipts for the repair or replacement. If estimated cost is given, the landlord shall furnish the tenant with copies of paid receipts or (if the work was performed by the landlord's employees) a certification of actual costs of repairs of damage within 30 days from the date the statement showing estimated cost was furnished to the tenant.

The security deposit may not be used to pay charges during occupancy.

The amount of security deposit required is specified in the approved dwelling lease and the pet policy if applicable.

7.0 COMPLAINTS OF DISCRIMINATION

A Fair Housing and Equal Opportunity poster, containing information on filing complaints with HUD by those persons believing themselves to be subjects of discrimination, will be posted conspicuously in complex offices for public information and inspection.

8.0 EVICTIONS

Failure of a family to comply with the provisions of the resident's lease shall cause the Agent to begin eviction proceedings in accordance with federal, state and local law. Violations of the Lease may include, but are not limited to, criminal activity, non-payment of rent, failure to provide Agent with required information for recertification, fraud regarding income and family composition, failure to maintain unit and surrounding area in a safe and sanitary condition, destruction of Agent property, violation of pet policy, or any serious or repeated violations of the terms of the Lease.

Residents of Public Housing Units are entitled to utilize provisions of the Agent's Grievance Procedure to attempt settlement of disputes with the Agent. Any criminal activity and/or alcohol abuse (in accordance with 24 CFR §966.4) is grounds for eviction if it threatens the health, safety, or right to peaceful enjoyment of the community by other resident families, and all drug related criminal activity occurring on or off the premises is cause for eviction. Under the lease terms, residency can be terminated and the household evicted when the resident, and/or member of the resident's household, or a guest engage in criminal activity. A notice to vacate will be served for drug and/or criminal activities in accordance with Federal Regulations, State Law and lease.

Upon notice of termination, a resident has 14 days to file for a grievance hearing. Failure to request a grievance hearing will result in the resident waiving their rights to a grievance hearing.

9.0 PET POLICY

The Agent in accordance with the Quality Housing and Work Responsibility Act of 1998, has adopted a pet policy. Pets must be kept in accordance with the provisions of the lease and the policy adopted. All residents must consult with the Managing Agent and enter into a formal pet agreement prior to housing a pet within their unit.

10.0 CONFLICT WITH FEDERAL STATUTE, REGULATION, OR HUD POLICY

This policy is to be interpreted in accordance with federal statutes and regulations and in compliance with HUD policy; and any conflict between this Policy and federal statutes, Section 42, regulations, or HUD Handbook provisions will be resolved in favor of federal law and policy.

Appendix A

DEFINITIONS

NOTE: Definitions may be modified from time to time because of issuance of Federal, State or local regulations.

Adjusted Income (as defined in the "Public Housing Occupancy Guidebook")

Annual income less:

- A. \$480.00 for each dependent;
- B. \$400.00 for an elderly or disabled family;
- C. Any reasonable child care expenses necessary to enable a family member to be employed or to further his or her education; and

The sum of the following items, to the extent that the sum exceeds 3 percent of Annual Income:

- D. Unreimbursed medical expenses for any elderly or disabled family; and
- E. Unreimbursed reasonable attendant and auxiliary apparatus expenses for each member of the family who is a person with a disability needed to enable an adult family member (including the member who is a person with disabilities) to work, but this allowance may not exceed the earned income of the family member age 18 and over who are able to work because of such attendant care or apparatus.

Annual Income

- A. Annual income includes all amounts, monetary and non-monetary, that go to, or on behalf of the family head or spouse (even if temporarily absent) or to any other family member or are anticipated to be received from a source outside the family in the 12 months following admission or the effective date of the annual reexamination. Annual income includes amounts derived from assets to which any member of the family has access that are not specifically excluded by Federal regulations.
- B. Income includes, but is not limited to:

1. The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses and other compensation for personal services.
2. The net income from the operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation of assets used in a business or profession may be deducted, based on straight-line decline, as provided in Internal Revenue Service regulations. Any withdrawal of cash or assets from the operation of a business or profession will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the family.
3. Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation is permitted only for straight-line depreciation. Any withdrawal of cash or assets from an investment will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested by the family. If the family has net family assets in excess of \$5,000, annual income shall include the greater of the actual income derived from all net family assets or a percentage of the value of such assets based on the current national passbook savings rate, as determined by HUD.
4. The full amount of periodic amount received from Social Security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts, including a lump-sum amount or prospective monthly amounts for the delayed start of a periodic payment (except as provided in paragraph 10.1 Amounts Excluded from Annual Income (c) under income exclusions).
5. Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay (except as provided under paragraph (c) 10.1 Amounts Excluded from Annual Income).
6. Welfare assistance. If the welfare assistance payment includes an amount specifically designated for shelter and utilities that is subject to adjustment by the welfare assistance agency in accordance with the actual cost of shelter and utilities, the amount of welfare assistance income to be included as income shall consist of:

the amount of the allowance or grant exclusive of the amount specifically designated for shelter or utilities, plus

the maximum amount that the welfare assistance agency could in fact allow the family for shelter and utilities. If the family's welfare assistance is radically reduced from the standard of need by applying a percentage, the amount calculated shall be the amount resulting from one application of the percentage.

Imputed welfare income based on the amount of income not actually received by a family member due to a reduction of benefits because of fraud or failure to comply with economic self-sufficiency programs. The Agent shall follow the Chicago Housing Authority's imputed welfare income procedures.

7. Periodic and determinable allowances, such as alimony and child support payments, and regular contributions of gifts received from organizations or from persons not residing in the dwelling.
8. All regular pay, special pay and allowances of a member of the Armed Forces (except for hostile fire pay, which is excluded below).

C. Annual income does not include the following: (24 CFR § 5.609(c))

1. Income from employment of children (including foster children) under the age of 18 years;
2. Payments received for the care of foster children or foster adults (usually persons with disabilities, unrelated to the tenant family, who are unable to live alone);
3. Lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains and settlement for personal or property losses (except as provided in paragraph (e) above);
4. Amounts received by the family that is specifically for, or in reimbursement of, the cost of medical expenses for any family member;
5. Income of a live-in aide, as defined in Section 2.2 Definitions of Eligible Families;
6. The full amount of student financial assistance paid directly to the student or to the educational institution;

7. The special pay to a family member serving in the Armed Forces who is exposed to hostile fire;
8.
 - (i) Amounts received under training programs funded by HUD;
 - (ii) Amounts received by a person with a disability that are disregarded for a limited time for the purposes of Supplemental Security Income eligibility and benefits because they are set aside for use under a Plan to Achieve Self Sufficiency (PASS);
 - (iii) Amounts received by a participant in other publicly assisted programs which are specifically for or in reimbursement of out-of-pocket expenses incurred (special equipment, clothing, transportation, child care, etc.) and which are made solely to allow participation in a specific program;
 - (iv) Amounts received under a resident service stipend. A resident service stipend is a modest amount (not to exceed \$200 per month) received by a resident for performing a service for the PHA or owner, on a part-time basis, that enhances the quality of life in the development. Such services may include, but are not limited to, fire patrol, hall monitoring, lawn maintenance, resident initiatives coordination, and serving as a member of the PHA's governing Board. No resident may receive more than one such stipend during the same period of time;
 - (v) Incremental earnings and benefits resulting to any family member from participation in qualifying State or local employment training programs (including training programs not affiliated with a local government) and training of a family member as resident management staff. Amounts excluded by this provision must be received under employment training programs with clearly defined goals and objectives, and are excluded only for the period during which the family member participates in the employment-training program.
9. Temporary, nonrecurring, or sporadic income (including gifts);
10. Reparation payments paid by a foreign government pursuant to claims filed under the laws of that government by persons who were persecuted during the Nazi era;
11. Earnings in excess of \$480 for each full-time student 18 years of age or older (excluding the head of household and spouse);
12. Adoption assistance payments in excess of \$480 per adopted child;
13. Reserved;
14. Deferred periodic amounts from Supplemental Security Income and Social Security benefits that are received in a lump sum amount or in prospective

monthly amounts; a lump sum payment covering the period from application to determination of eligibility;

15. Amounts received by the family in the form of refunds or rebates under State or local law for property taxes paid on the dwelling unit;
16. Amounts paid by a State agency to a family with a member who has a developmental disability and is living at home to offset the cost of services and equipment needed to keep the developmentally disabled family member at home; or
17. Amounts specifically excluded by any other Federal statute from consideration as income for purposes of determining eligibility or benefits under a category of assistance programs that includes assistance under any program to which the exclusions set forth in the above list of excluded income apply. The following list of benefits is excluded income:
 - The value of the allotment provided to an eligible household for coupons under the Food Stamp Act of 1977 [7 USC 2017 (h)];
 - Payments to volunteers under the Domestic Volunteer Service Act of 1973 [42 USC 5044 (g), 5088]; Examples of programs under this Act include but are not limited to:
 - the Retired Senior Volunteer Program (RSVP);
 - Foster Grandparent Program (FGP);
 - Senior Companion Program (SCP);
 - the Older American Committee Service Program; and
 - National Volunteer Antipoverty Programs such as VISTA, Peace Corps, Service Learning Program, and Special Volunteer Programs.
 - Small Business Administration Programs, such as the National Volunteer Program to Assist Small Business and Promote Volunteer Service to Persons with Business Experience, Service Corps of Retired Executives (SCORE), and Active Corps of Executives (ACE);
 - Payments received under the Alaska Native Claims Settlement Act [43 USC 1626 (a)];
 - Income derived from certain submarginal land of the United States that is held in trust for certain Indian tribes [25 USC 459e];
 - Payments or allowances made under the Department of Health and Human Services' Low-Income Home Energy Assistance Program [42 USC 8624 (f)];
 - Payments received under programs funded in whole or in part under the Job Training Partnership Act [29 USC 1552 (b)] ;
 - Income derived from the disposition of funds of the Grand River Band of Ottawa Indians [Pub.L. 94-540, 90 Stat 2503-04]; and

- The first \$2,000 of per capita shares received from judgment funds awarded by the Indian Claims Commission or the Court of Claims [25 USC 1407-08], or from funds held in trust for an Indian Tribe by the Secretary of Interior [25 USC 117 (b), 1407].

18. Amounts of scholarships funded under Title IV of the Higher Education Act of 1965 including awards under the Federal work-study program or under the Bureau of Indian Affairs student assistance programs [20 USC 1087 (uu)]. Examples of Title IV programs include but are not limited to:

- Basic Educational Opportunity Grants (Pell Grants), Supplemental Opportunity Grants, State Student Incentive Grants, College Work Study, and Byrd Scholarships.
- Payments received from programs funded under Title V of the Older Americans Act of 1965 [42 USC 3056 (f)]; Examples of programs under this act include but are not limited to:
 - Senior Community Services Employment Program (CSEP);
 - National Caucus Center on the Black Aged;
 - National Urban League;
 - Association National Pro Personas Mayors;
 - National Council on Aging;
 - American Association of Retired Persons;
 - National Council on Senior Citizens; and
 - Green Thumb.
- Payments received after January 1, 1989, from the Agent Orange Settlement Fund or any other fund established in the Agent Orange product liability litigation;
- Payments received under the Maine Indian Claims Settlement Act of 1980 (Pub. L. 96-420, 94 Stat. 1785);
- The value of any child care provided or arranged (or any amount received as payment for such care or reimbursement for costs incurred for such care) under the Child Care and Development Block Grant Act of 1990 [42 USC 9858 (q)];
- Earned income tax credit refund payments received on or after 1/1/91 [26 USC 32 (j)];
- Payments by the Indian Claims Commission to the Confederated Tribes and Bands of Yakima Indian Nation or the Apache Tribe of Mescalero Reservation;
- Allowances, earnings and payments to AmeriCorps participants under the National and Community Service Act of 1990;
- Any allowance paid under the provisions of 38 USC 1805 to a child suffering from spina bifida who is the child of a Vietnam veteran;

- Any amount of crime victim compensation (under the Victims of Crime Act) received through crime victim assistance (or payment or reimbursement of the cost of such assistance) as determined under the Victims of Crime Act because of the commission of a crime against the applicant under the Victims of Crime Act; and
 - Allowances, earnings and payments to individuals participating in programs under the Workforce Investment Act of 1998.
19. Disallowance of increase in annual income (24 CFR § 960.255). The Agent shall follow CHA's Income Disallowance Procedure (appendix D of CHA's A and O policy).

Application for Admission

A written form to be signed and dated by all adult members of the family that includes information the Agent needs to determine whether the family can be admitted in accordance with Section 4.0. The format for this basic information is developed by the Agent and approved by the Authority.

Child Care Expenses

Amounts anticipated to be paid by the family for the care of children 12 years of age and younger during the period for which annual income is computed but only where such care is necessary to enable a family member to be gainfully employed or to further his/her education and only to the extent such amounts are not reimbursed. The amount deducted shall reflect reasonable charges for childcare, and in the case of childcare necessary to permit employment, the amount deducted shall not exceed the amount of income received from such employment.

Community (or Site)

A term used to identify units located in the Robert Taylor Homes Phase C-2 development.

Dependent

A member of the family household (excluding foster children) and other than family head or spouse, co-head, common law spouse, or boyfriend/girlfriend of head, who is a minor or is a person with disabilities, or is a full-time student.

A Person with Disabilities

A person under a disability as defined in Section 233 of the Social Security Act (42 USC 423) or in Section 102 of the Development Disabilities Services Facilities Construction Amendments of 1970 (42 USC 2691 (1)).

Displaced Person

A person displaced by governmental action, or a person whose dwelling has been extensively damaged or destroyed as a result of a disaster declared or otherwise formally recognized pursuant to federal disaster relief laws.

Elderly Family

A family whose head or spouse (or sole member) is elderly or a person with disabilities. It may include two or more elderly, disabled, or individuals with handicaps living together or one or more of these persons living with one or more live-in aides.

Elderly Person

A person who is at least 62 years of age.

Near-Elderly

A person who is at least 50 years of age, but less than 62 years of age.

Family

A family includes:

All of the Federally defined families, including elderly family, near-elderly family, disabled family, displaced family, remaining member of a tenant family, and a single person or two or more persons related by blood, marriage, adoption, or other operation of law, or two or more persons who are not so related but who will live together in a stable relationship and share resources.

Flat Rent

The established rent based on the rental value of each Public Housing unit (as determined by the Agent and Authority) designed so as not to create a disincentive for continued residency by families who are attempting to become economically self-sufficient through employment or who have attained a level of self-sufficiency through their own efforts. In no event will the flat rent for a LIHTC unit exceed the permissible rent under the LIHTC program. Each tenant family occupying a Public Housing Unit must elect annually whether its tenant rent will be calculated as a "flat rent" or as an "income based rent".

Full-Time Student

A person who is carrying a subject load that is considered full-time under the standards and practices of the educational institution attended. An educational institution includes

a vocational school with a diploma or certificate program, as well as an institution offering a college degree.

Handicapped Assistance Expense

Reasonable costs that are anticipated, during the period for which annual income is computed, for live-in aides and auxiliary apparatus for a family member with disabilities and that are necessary to enable a family member to work.

Hate Crimes

Actual or threatened physical violence or intimidation that is directed against a person or his or her property, and that is based on a person's race, color, religion, sex, national origin, handicap, or familial status.

Head of Household

The head of household is an adult member or an emancipated member of the family who is responsible for supplying the needs of the family.

Individual with Disabilities

A person having a physical or mental impairment that:

- A. is expected to be a long-continued and indefinite duration;
- B. substantially impedes his/her ability to live independently; and
- C. is of such a nature that such ability could be improved by more suitable housing conditions.

Live-In Aides

A person who resides with an elderly person or a person with disabilities who:

- A. is determined by the Agent to be essential to the care of well being of the person;
- B. is not obligated for support of the person; and
- C. would not be living in the unit except to provide necessary supportive services.

Lower Income Family

A Public Housing family whose annual income does not exceed 80 percent (80%) of the median income by family size for the area, as determined by HUD.

Medical Expenses

Those medical expenses, including medical insurance premiums, which are anticipated during the period for which annual income is computed, and that are not covered by insurance or reimbursed.

Minimum Rent

In accordance with Section 507 of the Quality Housing and Work Responsibility Act of 1998, minimum rent requirements have been set at \$50 for Public Housing Residents in Robert Taylor Homes Phase C-2 units. The act also requires the Agent to waive minimum rents for an indefinite period of time for Public Housing families with a long-term financial hardship (over 90 days). The resident must provide Agent with reasonable documentation to substantiate the financial hardship.

A financial hardship includes the following situations:

1. The family is awaiting an eligibility determination to receive federal, state or local assistance (includes legal aliens entitled to receive assistance under the INA).
2. The family's income decreases due to changed circumstances, loss of employment or a death in the family.
3. The family will be evicted as a result of non-payment of the minimum rent.

Financial hardship status will be granted immediately to Public Housing families requesting a hardship exemption for a period of 90 days. When the family requests a hardship exemption, the minimum rent requirement will be immediately suspended until a determination can be made by Property Management as to the validity of the hardship exemption and whether it is temporary or long term. A short-term hardship is defined as any hardship lasting 90 days or less. A long-term hardship is defined as any hardship lasting 91 days or longer. Whenever a Tenant is placed on minimum rent, Management will remind the Tenant of his or her right to claim financial hardship status.

Monthly Adjusted Income

One-twelfth (1/12) of adjusted income.

Monthly Income

One twelfth (1/12) of annual income.

Net Family Assets

Net cash value after deducting reasonable costs that would be incurred in disposing of real and personal property, savings, stocks, bonds, and other forms of capital investment, excluding interests in Indian trust land and equity of personal property such as furniture and automobiles shall be excluded. (In cases where a trust fund has been established and the trust is not revocable by, or under the control of, any member of the family or household, the value of the trust fund will not be considered an asset so long as the fund continues to be held in trust. Any income distributed from the trust fund shall be counted when determining annual income under Section 2.2.) In determining net family assets, the Agent shall include the value of any assets disposed of by an applicant or resident for less than fair market value (including a disposition in trust, but not in a foreclosure or bankruptcy sale) during the two (2) years preceding the date of application for the program or re-examination, as applicable, in excess of the consideration received therefore. In the case of a disposition as a part of the separation or divorce settlement, the disposition will not be considered to be for less than fair market value if the applicant or resident receives important consideration not measurable in dollar terms.

Reasonable Accommodation

Reasonable accommodation is making alterations or adaptations to provide access to otherwise qualified person with disabilities in the use of the program and facilities, without causing undue hardship or substantially altering the program or activity, in compliance with ADA Regulations

Resident Rent

The amount payable monthly by the family as rent to the Agent for occupancy of a unit. Some utilities and other essential housing services are not supplied by the Agent, and the cost thereof is not included in the amount paid as rent. Income based Resident Rent for Public Housing Residents equals total resident payment less the utility allowance. Resident Rent for LIHTC units will be determined by the Agent but shall not exceed the maximum rent allowed under Section 42 of the Internal Revenue Code of 1986.

Section 42

Section 42 of the Internal Revenue Code of 1986, as amended, and any implementing regulations.

Single Person

A single person is a person living alone or intending to live alone, and who does not qualify as an elderly family, near-elderly, or a disabled person or a displaced person as defined in this Section, or as the remaining member of a resident family, or who is not a single, pregnant woman.

Spouse

The husband or wife of the head of household.

Tax Credit Requirements

Any and all matters required by Section 42 or any other agreement made as a condition of receipt of tax credits, whether or not such requirement is explicitly stated in section 42 or regulations thereunder.

Total Resident Payment

The monthly amount calculated for a Public Housing Unit under "A" below. Total resident payment does not include charges for excess utility consumption or miscellaneous charges.

A. Total Resident Payment for a family whose initial lease is effective on or after August 1, 1982, shall be the highest of the following, rounded to the nearest dollar:

1. 30 percent (30%) of monthly adjusted income; or
2. 10 percent (10%) of monthly income.
3. Minimum Rent.

Or if elected;

4. Flat Rent

Utilities

Utilities are water, electricity, gas, other heating, refrigeration, cooking fuels, trash collection, and sewage services. Telephone and cable T.V. service are not included as utilities.

Utility Allowance

If the cost of utilities (except telephone and cable T.V.) and other housing services for a Public Housing unit is not included in the resident rent but is the responsibility of the

family occupying the unit, an amount equal to the estimate made or approved by the Agent or HUD, under 24 CFR Part 965, of the monthly cost of a reasonable consumption of such utilities and other services for the unit by an energy-conservative household of modest circumstances should be consistent with the requirements of a safe, sanitary, and healthful living environment.

Utility Reimbursement

The amount, if any, by which the utility allowance for the unit, if applicable, exceeds the total resident payment for the family occupying the unit.

Very Low-Income Family

A family whose annual income does not exceed 50 percent (50%) of the median income by family size for the area, as determined by HUD.

Veteran

Veteran is a person who served in the active military, naval, or air service, and who was discharged or released under honorable or general conditions.

Welfare Assistance

Welfare or other payments to families, based on need, that are made under programs funded, separately or jointly, by federal, state or local governments.

APPENDIX B

PET POLICY

SECTION I Selection Criteria

A pet is defined as a domesticated animal such as a dog or cat, bird, or fish or turtle that is traditionally kept in the home for pleasure rather than commercial purposes. Reptiles, except turtles, and rodents are not considered pets.

A. Approval

Prior to allowing a resident to keep an approved house pet in the unit, the resident must execute this pet policy. The pet owner must provide proof of the pet's good health, weight and suitability under the standards set forth under "General Guidelines" in the criteria. In addition, the resident must present a certificate of inoculation and vaccination along with proof of registration, spaying and or neutering. A household must be lease compliant in order to receive pet approval.

Residents who require a pet due to a disability or for some other verified medical need will not be unreasonably denied such a pet.

Initial _____

B. Assistive Animals

1. As a reasonable accommodation to individuals with disabilities, this pet policy does not apply to animals that are verified to be medically necessary as an assistive animal needed by persons with disabilities. The need for such animals must be verified by a qualified medical practitioner.
2. When verification of need for an assistive animal is obtained, the person with disabilities will be exempt from the pet fees, deposit, and size limitations for assistive animals. All other requirements of this pet policy shall apply to assistive animals.

C. General Guidelines:

The following types of animals may be allowed under compliance with this policy and city, county, state and federal ordinances. However, except for Auxiliary aid or assistive animals, dogs will not be permitted in buildings where the primary access to the apartments is through an elevator (typically a mid-rise or high-rise building).

1. Dogs
 - a. Maximum number – one (1);
 - b. Maximum weight – twenty five (25) pounds;
 - c. Must be house broken;
 - d. All dogs over six months of age must be spayed or neutered by a licensed veterinarian;
 - e. Must be properly inoculated by a licensed veterinarian;
 - f. Must be licensed in accordance with local laws and ordinances;
 - g. No Pit Bulls.
2. Cats
 - a. Maximum number – one (1);
 - b. All cats over six months of age must be spayed or neutered by a licensed veterinarian;
 - c. Must be properly inoculated by a licensed veterinarian;
 - d. Must be trained to use a litter box;
 - e. Must be licensed in accordance with local laws and ordinances;
 - f. Must be de-clawed (front claws only)
3. Birds
 - a. Maximum number – two (2)
 - b. Must not be more than 12 inches in height and 2 lbs. in weight
 - c. Must be maintained inside of a cage at all times
4. Fish
 - a. Must be fresh water fish only
 - b. Maximum aquarium size – twenty (20) gallons fresh water
 - c. Must be supported by an approved stand for aquariums and appropriate weight

Initial _____

SECTION II Pet Fees & Security Deposits

- A. An increased security deposit of \$300.00 for a dog or cat and \$100 for birds or fish shall be required of all residents housing pets. Management reserves the right to change the deposit amount consistent with federal guidelines at any time. Payment of the additional pet security deposit for a dog or cat may be made in up to 3 installments of at least \$100 per month beginning on the first day of occupancy of the pet. Payment of the additional pet security deposit for birds or fish must be made by the first day of occupancy of the pet.
- B. Resident's liability for damages caused by his/her pet is not limited to the amount of the pet deposit. The resident will be required to pay for the real cost of any and all damages caused by his/her pet where they exceed the amount of the deposit.

- C. All units occupied by a dog or cat will be fumigated upon being vacated. If it is discovered that a unit where a pet is in residence has become infested by fleas and or ticks the resident will also be responsible for the cost of the fumigation of the infested unit and other affected units and common areas.

Initial _____

SECTION III Pet Rules

A. Dogs and Cats

1. Dogs and cats shall be maintained within the resident's unit. The patio or storage areas of such units will not be acceptable by Management as a dwelling place for any animal. No alterations of any kind to the unit, patio, or storage area shall be permitted for pet retention. Outdoor pet shelters are prohibited. When outside of the unit the dog or cat shall be kept on a collar or harness attached by a leash made of leather or chain linked metals no longer than six (6) feet, which is able to restrain the pet from breaking loose.

The resident shall maintain control of the pet **AT ALL TIMES**. Under no circumstances shall any cat or dog be permitted to roam free in any common area. Pets must not interfere with management personnel or Emergency Response Teams conducting inspections or emergency response calls to the pet owner's unit.

2. The pet owner shall immediately pick up all animal waste and litter box matter, and dispose of in a sealed plastic trash bag and placed in a trash receptacle. Cat litter shall be changed at least twice per week and shall not be disposed of by flushing down toilets or dropping in the building trash chutes. The pet owner shall be charged and remit payment for unclogging toilets or clean up of common areas due to pet waste. No pet owner shall permit his/her pet to deposit waste in any exterior or interior common area.
3. Resident pet owners agree to be responsible for immediately cleaning up any dirt or mud tracked through the common area lobby, halls, or elevator by his/her pet.
4. Pet owners shall keep their pets under control at all times. Pet owners shall assume sole responsibility for liability arising from any injury sustained by any person attributable to their pet and agree to hold the owner and management harmless in such proceedings.
5. Resident pet owners agree to control the noise of his/her pet such that it does not constitute a nuisance to other residents. Failure to control pet noise may result in the removal of the pet from the premises. **ANY PET WHO CAUSES BODILY INJURY TO ANY RESIDENT, GUEST OR STAFF MEMBER SHALL BE IMMEDIATELY AND PERMANENTLY REMOVED FROM THE PREMISES WITHOUT PRIOR NOTIFICATION.**
6. No dog shall be left unattended in any unit for longer than 12 consecutive hours. No other pets shall be left unattended in any unit for longer than 48 consecutive hours.

7. All resident pet owners shall provide adequate care, nutrition, exercise and medical attention for his/her pet. Pets which appear to be poorly cared for, or which are left unattended for longer than twelve (12) consecutive hours in the case of dogs, or forty-eight (48) consecutive hours in the case of all other pets, will be reported to the appropriate authorities.
8. Feeding of pets in common areas is prohibited.
9. In the event of the death of the pet owner or an emergency that management is aware of that has caused the pet owner to be unable to care for the pet (e.g. long term hospitalization), Management will contact the alternate caretaker and will follow the procedures outlined in paragraph 11 below for disposing of the pet consistent with local and federal guidelines unless written instructions exist with respect to such disposition.
10. In the event of a pet's death the resident shall dispose of the pet in a sanitary manner. The resident shall also notify the site office. If determined necessary by Management, the unit shall be fumigated at the resident's expense.
11. The pet owner shall provide a signed statement by a third party over the age of eighteen (18) who agrees to act as an alternate pet caretaker. This statement must list the caretakers' name, address and phone number. Management will make reasonable efforts to contact the alternate caretaker in the event of an emergency. Unwillingness on the part of the named caretaker of a pet to assume custody of the pet shall relieve management of any requirement to adhere to any written instructions with respect to the care or disposal of a pet and shall be considered an authorization for management to exercise discretion in such regards consistent with federal guidelines. The pet owner understands that management will not be responsible for the well being of the pet should the alternate pet caretaker refuse custody of the pet. Additionally, any cost incurred by management must be reimbursed by the pet owner.
12. Resident pet owners acknowledge that other residents may have chemical sensitivities or allergies related to pets or are easily frightened by such animals. The resident therefore agrees to exercise common sense and common courtesy with respect to such other resident's right to peaceful and quiet enjoyment of the premises.

All resident pet owners must maintain each pet responsibly and in accordance with applicable federal, state, and local public health, animal control and animal anti cruelty laws and regulations.

Management may move to require the removal of a pet from the premises on a temporary or permanent basis for the following causes.

- a. Creation of a nuisance after proper notification consistence with Section IV of these Pet Rules;
- b. Excessive pet noise or odor with proper notification;
- c. Unruly or dangerous behavior displayed by the pet;

- d. Excessive damage to the resident's apartment unit and /or the property's common areas;
- e. Repeated problems with vermin or flea infestation;
- f. Failure of the resident to provide adequate care of his/her pet;
- g. Leaving a dog unattended for more than twelve (12) consecutive hours or leaving any other pet unattended for more than forty-eight (48) consecutive hours;
- h. Failure of the resident to provide adequate and appropriate inoculation of the pet;
- i. Resident's death and/ or serious illness; and
- j. Failure to observe any other rule contained in this section and not here listed upon proper notification.

Any resident informing management that they no longer have possession of a pet, must provide proof that the pet was turned over to a responsible party, died, was permanently lost or was turned into an animal shelter.

Visitors, guests and relatives of residents are allowed to have auxiliary aid or assistive animals only. Visitors, guests and relatives of residents shall not enter any structure with any other pet or animal or allow his/her animal to roam the grounds of the property.

Initial _____

B. Birds

- 1. Must be kept in a cage designed for birds;
- 2. Cage must have food and fresh water available for the bird at all times;
- 3. Cage must be kept clean at all times;
- 4. Waste must be disposed of in a sealed plastic trash bag and placed in a trash bin.
- 5. Must not be a bird of prey;
- 6. Wings must not be tied or locked in any way;
- 7. Excessive noise from within the apartment shall not be permitted.

C. Fish

- 1. Fresh water fish only;
- 2. Twenty (20) gallon aquarium maximum;
- 3. Stand must be designed & manufactured for aquariums with a weight of 20 gallons;
- 4. Aquarium must be placed in a safe area and away from electrical services;
- 5. Aquarium must be equipped with the proper filtering and oxygenation system;
- 6. Water damage caused by breakage or spillage of the aquarium shall be the responsibility of the resident who shall be billed for repair cost as required.

Initial _____

SECTION IV Notification Policy

In the event that any pet owner violates these pet rules, management shall provide notice of such violation as follows:

A. Creation Of A Nuisance

1. The owner of any pet which creates a nuisance upon the grounds or by excessive noise, odor or unruly behavior shall be notified of such nuisance in writing by management and shall be given no more than 24 hours to correct such nuisance.
2. Management shall take appropriate steps to remove a pet from the premises in the event that the pet owner fails to correct such a nuisance within the 24-hour compliance period.

B Dangerous Behavior

1. Any pet which physically threatens and /or harms a resident, guest, staff member or other authorized person presented upon the project grounds shall be reported to appropriate authorities and an investigation ordered.
2. Management does not have the ability to provide reasonable accommodations to house any animal deemed dangerous by the Chief of Police. Therefore any animal registered, as a dangerous animal shall be removed from the premises permanently.

The resident's signature and initials upon these house rules shall constitute permission for management to take appropriate action consistent with local, state and federal law.

Initial_____

Section V Affidavit

"I have read and understand the above pet policies and agree to comply fully with their provisions. I understand that failure to comply with these provisions may be grounds for removal of my pet and/or cause for my eviction".

Owner

Resident

Pet Registration Number

Pet's Name

Type of Pet

Breed of Animal

Date

Unit Number

CHICAGO-#73867-v1-Taylor_C2_Pet_Policy.DOC

APPENDIX "C"

GRIEVANCES

It shall be the general policy of the Owner to receive complaints from public housing residents who may feel that their rights, duties, welfare or status have been adversely affected by the Owner's action or failure to act. Grievance is defined as any dispute with respect to the Owner's action or failure to act in accordance with lease requirements, application of regulations, policies or procedures.

The Owner shall provide reasonable accommodations for Residents with disabilities to participate in both informal and formal grievance hearings.

Where grievance procedures are applicable, no tenancy shall terminate or, with respect to non-eviction grievances, no adverse action shall be taken until after the grievance process is complete (including hearings held and decisions rendered) or until the time for the Resident to request a grievance hearing has expired.

In accordance with applicable federal regulations, this grievance procedure shall be applicable to all individual grievances between the Resident and the Owner with the following two exceptions:

- A. This grievance procedure is **not applicable** to disputes between Residents not involving Owner, or to class grievances involving groups of Residents. Also, this grievance procedure is not intended as a forum for initiating or negotiating policy changes between Resident, or groups of Residents and Owner.
- B. Owner has elected that this grievance procedure shall **not be applicable** to any termination of tenancy or eviction that involves:
 - i. Any criminal activity that threatens the health, safety or right of peaceful enjoyment of the premises by other residents or employees, or
 - ii. Any violent or drug related criminal activity on or off such premises, or
 - iii. Any activity resulting in a felony conviction.

In cases involving these criminal activities, the Owner may evict the occupants of the dwelling unit through a judicial eviction without following the grievance procedure outlined in this document.

I. HEARING OFFICER

- A. The City of Chicago's Department of Administrative Hearings shall maintain a group of qualified Hearing Officers for formal hearings.

- B. The CHA and the Central Advisory Council shall jointly agree upon the candidates from that group to serve as independent Hearing Officers at formal hearings of public housing grievances and ensure that proper training is provided.
- C. For each formal hearing involving a public housing grievance, the City of Chicago's Department of Administrative Hearings will assign a Hearing Officer from the group of jointly agreed upon candidates.
- D. The Hearing Officer appointees shall be fair, unbiased, and follow the applicable regulations, policies and laws.

II. PROCEDURES

Step 1: Request for an informal discussion of grievance.

A request for an informal discussion of the grievance must be presented personally, either orally or in writing, to the Site Manager's office. The request may be simply stated, but shall specifically include: 1) reason for the grievance; and 2) the action requested. The Owner shall provide to the Resident a dated receipt of the request for an informal discussion and a copy will be placed in the Resident's file. In the case of an eviction action, the grievance must be submitted within fourteen (14) days of the action or failure to act (which is the basis for the grievance). In the case of a non-eviction action, the grievance must be submitted within thirty (30) days of the action or failure to act (which is the basis for the grievance). The Site Manager, or designated Owner representative, shall schedule a meeting with the Resident within fifteen (15) days of the request to informally discuss the grievance and attempt to settle the grievance without a formal grievance hearing. A written response outlining the final position of the Owner shall be provided to the complainant within five (5) days of the informal discussion. This notice shall include a Formal Hearing Request Form for the Resident to request a formal grievance hearing.

Step 2: Request for a formal grievance hearing.

- A. Before a Resident may request a formal hearing, the Resident must have requested an informal hearing, and that hearing must have been held, except in circumstances outlined below. **24 CFR 966.54**

Good Cause: If the Resident can show good cause as to why he/she did not request an informal hearing or why a hearing was not held, then the Resident may proceed directly to a formal hearing. A member of the CHA's Office of the General Counsel shall determine good cause. For purposes of this section, good cause includes, but is not limited to: 1) a verifiable medical condition that prevented the Resident from requesting an informal hearing; 2) a documented

absence from the unit which prevented the Resident from receiving a notice of adverse action; 3) a disability that prevented the Resident from understanding or being aware of the adverse action; or 4) documentation that the property management firm was unsuccessful in holding the informal hearing within the fifteen (15) calendar days of the Resident's request. **Failure to hold the informal hearing within fifteen (15) days must not be caused by the Resident's failure to cooperate in scheduling and/or holding the hearing. 24 CFR 966.54.**

If the Resident is not satisfied with the response or the proposed disposition of his/her complaint, or protests his/her proposed eviction, he/she may request a formal hearing. This request must be in writing on the provided Formal Hearing Request Form, presented to the Chicago Housing Authority's Office of the General Counsel by mail or delivery within fifteen (15) calendar days of receipt of the Owner's disposition of the informal meeting, and will be date stamped. The request may be simply stated, but shall be specific, including: 1) the reason for the grievance; and 2) the action requested. The Resident shall also mail or deliver a copy of the request to the Owner who will place a copy in the Resident's file.

1. If the dispute is over rent which Owner claims is due, the Resident shall deposit with Owner an amount equal to one month's rent as stipulated in the Resident's most recent 50058 form. This amount will be placed in escrow pending the settlement of the dispute. Owner shall waive the requirement for an escrow deposit because of a financial hardship exemption or the effect of welfare benefits reduction and shall allow the Resident to present evidence of a financial hardship or welfare benefits reduction before any grievance is heard, provided such presentation does not delay the grievance process. Unless the Owner waives the escrow requirement because of the Resident's financial hardship, the Resident's failure to make a payment to the escrow account will terminate the Resident's right to a grievance hearing.
 2. Such failure shall not constitute a waiver of complainant's right to thereafter contest Owner's disposition of his grievance in an appropriate judicial proceeding.
- B. The Resident will be entitled to a fair hearing and may be represented by counsel or other representative. The hearing shall be private, unless the Resident requests a public meeting. Prior to the hearing, the Resident may examine and copy at the Resident's expense, the Resident's file and all documents, records, and regulations of the Owner that are relevant to the grievance. Costs for copies shall not exceed 10 cents per page.
1. Any document specifically requested but not made available five days after the request has been made may not be relied upon by Owner at the hearing.

2. If Resident or the Resident's representative shall submit in writing a request for copies within five (5) calendar days of the hearing. Copies of the documents shall be made available no later than one (1) hour before the formal hearing is scheduled to begin.
- C. The procedure of the grievance hearing shall be:
1. All parties involved shall be notified, in writing, of the date, time and place of the hearing and be given a description of the hearing procedures, including the consequences for failure to appear at the hearing, seven (7) days before the formal hearing date;
 2. The Resident may arrange, in advance of, or following the hearing, and at the expense of the Resident, a copy of the record of the hearing. Any interested party may purchase a copy of any transcript or record of the hearing at his/her own expense;
 3. The Hearing Officer will be responsible to send the appropriate parties, a written decision on the grievance hearing;
 4. All witnesses shall be sworn in by the Hearing Officer;
 5. An record shall be made of the formal grievance hearing by audio-taped or other appropriate means, and will be retained for not less than six (6) months from the date of the hearing;
 6. The Hearing Officer shall decide which party shall present their case first. Presentations by the parties may include, but is not limited to, documents, witnesses, and any other types of evidence. Each party will be given an opportunity to controvert evidence the other party is relying on and cross-examine any witnesses presented by the opposite party;
 7. Oral or documentary evidence pertinent to the facts and issues raised by the Resident or Owner may be received without regard to admissibility under rules of evidence applicable to judicial proceedings; The Hearing Officer may question either party and all witnesses for clarification;
 8. The Hearing Officer will conduct a de novo review of the facts and law presented at the hearing and render a decision based upon the preponderance of the evidence presented; and
 9. After Owner and the Resident have presented all facts, the Hearing Officer shall make a decision on the complaint. The decision shall be based solely and exclusively upon the facts presented at the hearing.
- D. If Owner or Resident fails to appear at a hearing, the Hearing Officer may make a determination that the Resident or Owner has waived his/her right to participate in a formal grievance hearing; find the party in default; and proceed with the formal hearing. A copy of the order of default shall be served upon the defaulting party by hand delivery or first class mail.

The defaulting party shall have 21 days from the date of the default to petition the Hearing Officer to set aside the order of default upon a showing of good cause for defaulting party's failure to appear.

- E. If the Resident does not request a hearing within the period set forth in subsection A and B above, he/she shall waive their right to the hearing and Management's proposed disposition of the grievance will become final. This shall not, however, constitute a waiver of the Resident's right to contest Owner's disposition of his/her grievance in an appropriate judicial proceeding.

III. DECISIONS

The decision of the Hearing Officer shall be final; however, it shall not constitute a waiver of, or affect any rights the Resident may have to a trial *de novo* in a court of law regarding the same matter brought up in the grievance. The decision of the Hearing Officer will be based upon facts presented at the hearing, and upon applicable Owner and HUD regulations. The decision may not be inconsistent with State law or the United States Housing Act of 1937, as amended, HUD regulations and requirements promulgated, or the Annual Contributions Contract.

- A. The Hearing Officer shall prepare a written decision and place in the mail to the Resident and Owner within five (5) working days of the conclusion of the hearing, including a statement of findings and conclusions; Copies of the decision shall also be mailed or delivered to the parties and/or their representatives.
1. If the decision is in favor of the Resident, Owner shall promptly take action to carry out the decision or refrain from any action prohibited by such decision.
 2. If the decision is in favor of Owner, Owner shall be free to pursue its remedies.

IV. GRIEVANCE HEARINGS FOR RESIDENTS GOVERNED BY THE RELOCATION RIGHTS CONTRACT ("RRC APPLICANTS")

- A. In addition to the rights provided under this policy, an RRC applicant may enforce any of the guarantees contained in the Relocation Rights Contract through the Standard CHA grievance process. See RRC, Section 11(b).
- B. In addition, any RRC applicant who: (1) is denied admission to the development for failure to meet the property specific requirements or failure to engage in activities to meet the property specific requirements; or (2) is determined to have fallen out of compliance with the property specific requirements after one year of being allowed to meet such requirements, may request a formal grievance hearing to review the Owner's decision pursuant to the RRC, Section 1(l).

CHANGE.
CHICAGO HOUSING AUTHORITY

Sharon Gist Gilliam
Chairperson

Lori Healey
Vice-Chairperson

Board of Commissioners
Hallie Amey

Earnest Gates

Dr. Mildred Harris

Michael Ivers

Martin Nesbitt

Carlos Ponce

Mary E. Wiggins

Sandra Young

Terry Peterson
Chief Executive Officer

Denne G. Minley
Chief of Staff

Gail A. Niemann
General Counsel

Date

Name

Address

City, State Zip

Re: APPLICATION FOR TENANCY: SCREENING INTERVIEW RESULTS

Dear Ms/Mr. :

This letter is to notify you that based on the results of your Screening Interview at (Property Name), it has been determined that you do not meet the Site Specific Eligibility Requirements and are also ineligible as a working to meet applicant. Thus you will not receive an offer of housing. The reasons supporting this determination are as follows:

If you disagree with this determination, you may request an informal grievance hearing within thirty (30) days from the date of this letter by contacting the property manager verbally or in writing. A copy of the grievance procedures and forms can be obtained by the property manager who will also schedule an informal hearing within fifteen (15) days from the date of your request.

During the grievance process, the ineligible determination will remain in effect unless a change is required as a result of your grievance hearing.

If you have any questions regarding this letter please contact _____ at _____.

Sincerely,

REGULATORY AND OPERATING AGREEMENT

This Regulatory and Operating Agreement (this "Agreement"), dated and effective as of September 1, 2010 is made by and among the Chicago Housing Authority, an Illinois municipal corporation (the "Authority") and Ogden North LLC, an Illinois limited liability company (the "Owner").

RECITALS

A. The Owner intends to develop a one hundred thirty-seven (137) unit mixed income multi-family residential rental development pursuant to 24 CFR Part 941, Subpart F, to be known as Park Douglas (the "Development") and which will consist of nineteen (19) buildings, some of which will be developed on a portion of the site of the former public housing development known as Lawndale Complex (the "Former Public Housing Development"). The Owner has agreed to dedicate sixty (60) units (the "PHA-Assisted Units") in the Development for use as "public housing" as defined in Section 3(b) of the United States Housing Act of 1937 (42 USC § 1437, et seq.), as amended from time to time, any successor legislation and all implementing regulations issued thereunder or in furtherance thereof (the "Act") during the Term (as defined herein) of this Agreement. The Owner will finance the Development with a combination of public and private sources, pursuant to a mixed-finance proposal submitted by the Authority to the United States Department of Housing and Urban Development ("HUD") for approval in accordance with 24 CFR Section 941.608. HUD has provided its written approval of the mixed-finance proposal to the Authority as provided in 24 CFR Section 941.608(c).

B. In consideration of the Authority's agreement to ground lease the land upon which a portion of the Development will be constructed, to participate in the Development by making a construction and/or permanent loan of CFRC funds in an amount not to exceed \$9,990,000 to the Owner or Developer (the "CHA Loan") to pay a portion of the costs of the PHA-Assisted Units and by providing an annual operating subsidy to Owner pursuant to the terms hereof (the "Operating Subsidy") to maintain the affordability of the PHA-Assisted Units, the Owner has agreed to operate and maintain the PHA-Assisted Units as "public housing" as defined in Section 3(b) of the Act during the Term of this Agreement. The Owner intends, subject to All Applicable Public Housing Requirements, to operate and maintain all of the PHA-Assisted Units as qualified low-income units under Section 42 of the Internal Revenue Code, as amended, and to further operate and maintain the PHA-Assisted Units for the Term as may be required by Federal, State and local laws.

C. The Authority will make the CHA Loan to Owner by lending CFRC funds made available to the Authority by HUD pursuant to the Act. The Authority will provide the Operating Subsidy (as hereinafter defined) to the Owner from operating subsidies received by the Authority from HUD pursuant to Section 9 of the Act and/or from other sources of funds available to the Authority for such purpose as provided herein.

D. The parties hereto are entering into this Agreement in order to set forth the rules and requirements for the operation and management of the PHA-Assisted Units and the terms and conditions for payment of the Operating Subsidy.

Accordingly, the parties hereto agree as follows:

1. Definitions.

As used herein, the following terms not otherwise defined herein shall have the meanings given in this Section 1.

(a) "ACC" shall mean whichever of the following is in effect from time to time with respect to the PHA-Assisted Units: (i) the Consolidated Annual Contributions Contract C-1014, dated December 11, 1995, between HUD and the Authority; or (ii) any successor Annual Contributions Contract; including any Mixed Finance Amendment to any of the foregoing, as and to the extent made applicable to the PHA-Assisted Units by the specific amendment referring thereto.

(b) "ACC Reserve" shall mean the ACC Reserve established and maintained in accordance with the Operating Agreement.

(c) "Act" shall have the meaning given in the Recitals.

(d) "Affordable Housing Tax Credit Restrictive Covenant" shall mean the Regulatory Agreement between the Owner and the City of Chicago which shall be recorded against the Development in accordance with Section 42(h)(6) of the Code.

(e) "Agreement" shall have the meaning given in the Introduction.

(f) "All Applicable Public Housing Requirements" shall mean all requirements applicable to public housing, including, without limitation, the Act, HUD regulations thereunder (except to the extent that HUD has granted waivers of regulatory requirements), the ACC (including the Mixed Finance Amendment), the Mixed Finance Proposal dated July 27, 2010, as amended, the Declaration of Restrictive Covenants, , this Agreement, the Gautreaux Court Orders, the Amended and Restated Moving to Work Demonstration Agreement, and all other pertinent Federal statutory, executive order, and regulatory requirements, as such requirements may be amended from time to time.

(g) "Allowed PHA-Assisted Units Expenses" shall mean all necessary and reasonable operating expenses of or attributable to the PHA-Assisted Units for any period on an accrual basis, including:

(i) All ordinary and necessary expenses of operating the PHA-Assisted Units shown as line items on Form HUD-92547-A (Budget Worksheet), or any successor thereto, including any other reasonable operating expenses paid by Owner, but exclusive of (A) real estate taxes for which an exemption or abatement is available under the laws of the State; (B) payments of interest and/or principal due to any lender (including the Authority); and (C) utility expenses that are the direct responsibility of the tenant;

(ii) Management fees payable pursuant to the Management Agreement;

(iii) Legal expenses associated with the operation of the PHA-Assisted Units and required accounting and audit expenses, including tax return preparation expenses, which types of expenses would be permitted to be charged as project expenses pursuant to HUD Handbook 4370.2 REV-1 Financial Operations and Accounting Procedures for Insured Multifamily-Projects, or any successor thereto;

(iv) Asset management fee paid to the Investor or its designee;

(v) Deposits into any Replacement Reserve for PHA-Assisted Units.

The parties acknowledge that the land and/or improvements, or portions thereof or of the assessed values thereof, may be exempt from real estate taxes and/or subject to total or partial tax abatement. Accordingly, the parties agree that only those portions of real estate taxes and special assessments attributable to the PHA-Assisted Units, after giving effect to such exemptions and abatements, shall be included in "Allowed PHA-Assisted Units Expenses." Further, in the event that any expense is attributable to PHA-Assisted Units and other property comprising the Development, such expense shall be equitably apportioned between all such property so that "Allowed PHA-Assisted Units Expenses" shall include only that portion of such expense that is so apportioned to the PHA-Assisted Units.

(h) "Authority" shall have the meaning given in the Recitals.

(i) "Authority Fiscal Year" shall mean the Authority's fiscal year for purposes of calculating the operating subsidy received by the Authority pursuant to Section 9 of the Act. The Authority Fiscal Year is currently January 1 to December 31. The Authority shall notify the Owner of any change in the Authority Fiscal Year.

(j) "Authority Loan Documents" shall mean all documents evidencing or securing the CHA Loan.

(k) "Capital Expenditures" shall mean costs that would be eligible to be paid from the Replacement Reserve in accordance with the Operating Agreement and not otherwise ineligible to be paid from Public Housing Funds.

(l) "CHA Loan" shall have the meaning given in the Recitals.

(m) "City" shall mean the City of Chicago.

(n) "Code" shall mean the Internal Revenue Code of 1986, as amended.

(o) "Compliance Period" shall have the meaning given in Section 42 of the Code.

(p) "Construction Loan" shall mean that certain loan of First Mortgage Lender.

(q) "Construction Period" in reference to all or a portion of the PHA-Assisted Units shall mean the period commencing on such date as construction has commenced and ending on such date as a certificate of occupancy has been issued by the City or, if multiple certificates of occupancy are issued, the last of such certificates.

- (r) "Declaration of Restrictive Covenants" shall mean the recorded declaration, dated as of September 1, 2010 of restrictive covenants running with the land obligating the Owner and any successor in title to the Owner, including any successor who acquires title to the PHA-Assisted Units by foreclosure or a deed-in-lieu of foreclosure; to maintain and operate the PHA-Assisted Units in compliance with All Applicable Public Housing Requirements for the period set forth therein.
- (s) "Developer" shall mean B-M Ogden LLC, an Illinois limited liability company.
- (t) "Development" shall have the meaning given in the Recitals.
- (u) "Development Fiscal Year" shall mean the fiscal year of the Owner, irrespective of whether such Fiscal Year coincides with the Authority Fiscal Year.
- (v) "Development Operating Budget" shall mean the operating budget for the Development, including the PHA-Assisted Units as provided in Section 4(a).
- (w) "Development Site" shall mean the real property on which the Development is located, as more particularly described in Exhibit A hereto.
- (x) "Eligible Occupants" shall have the meaning given in Section 3(f) hereof.
- (y) "Estimated Allowed PHA-Assisted Units Expenses" shall mean the Allowed PHA-Assisted Units Expenses estimated for any period.
- (z) "Estimated PHA-Assisted Units Expenses" shall mean the PHA-Assisted Units Expenses estimated for any period.
- (aa) "Estimated PHA-Assisted Units Income" shall mean the PHA-Assisted Units Income estimated for any period.
- (bb) "Excess Operating Subsidy" shall have the meaning given in Section 4(i) hereof.
- (cc) "Extended Use Period" shall have the meaning given in Section 42 of the Code.
- (dd) "First Mortgage Lender" shall mean Citibank, N.A., its successor, assigns and transferees including, without limitation, the lender under any Permitted Refinancing.
- (ee) "Gautreaux Court Orders" shall mean applicable orders of the United States District Court for the Northern District of Illinois in Gautreaux vs. CHA et al., No. 66 C 1459 and No. 66 C 1460 (note: Gautreaux vs. CHA et al., No. 66 C 1460, and the consent decree thereunder, was terminated in 1997).
- (ff) "Ground Lease" shall mean that certain Ground Lease by and between the Authority and Sinai Community Institute, Inc. ("Sinai"), an Illinois not for profit corporation, which has been assigned by Sinai to Owner pursuant to that certain Assignment and Assumption and Amendment to Ground Lease, by and among Sinai, Owner and the Authority dated as of

, 2010 as amended from time to time in accordance with their terms, relating to the land described in Exhibit A-1 hereto.

(gg) "HUD" shall have the meaning given in the Recitals.

(hh) "Initial Operating Deficit Reserve" shall mean the Operating Deficit Reserve Account required to be established and maintained in accordance with the Operating Agreement

(ii) "Investor" shall mean U.S.A 71 Park Douglas LLC. or related entity, in its capacity as the Investor member of the Owner pursuant to the Operating Agreement, and its permitted successors and assigns.

(jj) "Management Agent" shall mean the Management Agent acting under the Management Agreement in effect from time to time.

(kk) "Management Agreement" shall mean the Management Agreement covering the PHA-Assisted Units in effect from time to time in accordance with Section 3(e) hereof.

(ll) "Management Plan" shall mean the comprehensive and detailed written description of the policies and procedures to be followed in the management of the PHA-Assisted Units, prepared by the Management Agent and approved in writing by the Owner, the Authority and HUD prior to its implementation, and which shall thereafter be revised only with the prior written approval of the Owner, the Authority and, if required, HUD, as described in Section 3(e) hereof.

(mm) "Mixed-Finance Amendment" shall mean the certain Mixed-Finance Amendment to ACC relating to the PHA-Assisted Units.

(nn) "Mortgage" shall mean any mortgage or deed of trust encumbering the Development, or any portion thereof, as security for a loan.

(oo) "Mortgage Lender" shall mean, collectively, the lender or lenders of any Mortgage Loan, and any subsequent holders or servicers of any Mortgage Loan.

(pp) "Mortgage Loan(s)" shall mean, collectively, the mortgage loan(s) or other mortgages securing financing arrangements secured by Mortgages and obtained by the Owner to assist in financing or refinancing the construction and development of the Development, other than the CHA Loan.

(qq) "Moving To Work Program" shall mean the HUD-approved Authority demonstration program to design and test innovative methods of providing housing and delivering services to low-income families in an efficient and cost-effective manner pursuant to that certain Amended and Restated Moving to Work Demonstration Agreement between the Authority and HUD, dated June 26, 2008, as may be hereinafter amended.

(rr) "Operating Subsidy" or "Operating Subsidies" shall mean the amounts payable by the Authority in accordance with Section 4(d) hereof or as otherwise provided herein.

(ss) "Operating Agreement" shall mean that certain Operating Agreement of the Owner, dated as of September 1, 2010 as the same may be amended from time to time.

(tt) "Owner" shall have the meaning given in the Recitals, and its successors and assigns.

(uu) "Permitted Investments" shall mean (i) an investment in United States government securities, securities issued or fully guaranteed by United States government agencies, certificates of deposit and time or demand deposits in, or repurchase agreements constituting obligations of, commercial banks with deposits insured by the Federal Deposit Insurance Corporation and having a combined capital and surplus of not less than \$100,000,000, (ii) commercial paper bearing either of the two highest ratings by Moody's Investors Service, Inc. ("Moody's) or Standard and Poor's Rating Services, (iii) tax-exempt notes or bonds rated MIG-2 or better by Moody's, (iv) investment agreements or guaranteed investment contracts, rated, or with any financial institution whose senior long-term debt obligations are rated, at the time of such agreement or contract is entered into, in one of the three highest rating categories for comparable types of obligations by any nationally recognized rating agency, (v) securities of public investment companies registered with the Securities and Exchange Commission with assets in excess of \$100,000,000, a significant portion of the assets of which are invested in substantially the same type of investments as any of the foregoing, or (vi) such other investment approved in writing by the Authority and the Owner.

(vv) "Permitted Refinancing" shall mean the refinancing of any Mortgage Loan to be made to the Owner by a Mortgage Lender pursuant to loan documents approved by the CHA and HUD.

(ww) "PHA-Assisted Units" shall have the meaning given in the Recitals, which units shall be operated and maintained as "public housing" units in accordance with All Applicable Public Housing Requirements, as further described in Section 2 hereof.

(xx) "PHA-Assisted Units Expenses" shall mean the sum of (i) Allowed PHA-Assisted Units Expenses, (ii) the portion of any real estate taxes or payments in lieu of real estate taxes to be paid with respect to the PHA-Assisted Units, if any, paid by the Owner and not directly by the Authority, and (iii) amounts, if any, payable by the Owner to occupants of the PHA-Assisted Units as utility reimbursements (i.e. "negative rent"), if any, notwithstanding the current provision for the payment, thereof as set forth in Section 3(j).

(yy) "PHA-Assisted Units Operating Budget" shall mean the Estimated Allowed PHA-Assisted Units Expenses, Estimated PHA-Assisted Unit Expenses and Estimated PHA-Assisted Units Income as provided in Section 4(a).

(zz) "PHA-Assisted Units Fiscal Year" shall mean the Development Fiscal Year.

(aaa) "PHA-Assisted Units Income" shall mean all income of the Owner in respect of PHA-Assisted Units, determined on an accrual basis, including all types of revenue shown as line items on Form HUD 92547-A, or any successor thereto, and the receipt of any reserve funds made available by the Authority, but not including Operating Subsidies and Tenant Rent collected pursuant to Section 3(j) and deposited pursuant to Section 5(c) hereof.

(bbb) "PHA-Assisted Units Shortfall" shall mean the amount by which PHA-Assisted Units Income plus Operating Subsidies is less than PHA-Assisted Units Expenses for any period; provided, however, for purposes of calculating any "PHA-Assisted Units Shortfall" there shall not be taken into account any Operating Subsidies due from, but not paid by, the Authority.

(ccc) "PHA Plan" shall mean the annual plan adopted by the Authority and approved by HUD under the Amended and Restated Moving to Work Demonstration Agreement, as amended from time to time, and upon termination of such Agreement, any successor annual plan and amendments thereto.

(ddd) "PHA Tenant Rent Reserve Account" shall have the meaning assigned to it in Section 5.

(eee) "Price Index" shall mean the "Consumer Price Index for All Urban Consumers" published by the Bureau of Labor Statistics of the United States Department of Labor, for the Chicago-Gary-Kenosha, IL-IN-WI area, All Items, (1982-84=100), or any renamed local index covering the metropolitan Chicago area or any other successor or substitute index appropriately adjusted.

(fff) "Public Housing Funds" shall mean any funds derived from the federal public housing programs as described in the Act, including, but not limited to, development funds, operating funds, capital funds and Tenant Housing Payments paid by tenants of the PHA-Assisted Units.

(ggg) "Relocation Rights Contracts" shall mean those certain CHA Leaseholder Housing Choice and Relocation Rights Contracts approved by the Board of Commissioners of the Authority on March 20, 2001 and October 16, 2001, as amended from time to time.

(hhh) "Replacement Reserve" shall mean any replacement reserve for the PHA-Assisted Units required to be established under the terms of the Mortgage Loans (and approved by the Authority) or under the terms of the CHA Loan.

(iii) "Reserves" shall mean the Subsidy Carryover Reserve Account and the PHA Tenant Rent Reserve Account, as established pursuant to Section 5.

(jjj) "Screening Criteria" shall have the meaning given in Section 3(h).

(kkk) "State" shall mean the State of Illinois.

(lll) "Subsidy Carryover Reserve Account" shall have the meaning assigned to it in Section 5.

(mmm) "Tax Credit Requirements" shall mean any and all federal, state and local requirements pertaining to the Tax Credit Units' eligibility for Tax Credits including, without limitation, any and all matters required by Section 42 of the Code and the Income Tax Regulations thereunder, all applicable notices, policies, procedures and administrative rulings of the Internal Revenue Services, all applicable rules, policies and procedures of the City, the Affordable Housing Tax Credit Restrictive Covenant or any other agreement made with the City,

relating to the Tax Credit Units' eligibility for Tax Credits whether or not such requirement is explicitly stated in Section 42 or of the Code or the Income Tax Regulations thereunder.

(nnn) "Tax Credits" means the federal low-income housing tax credits under Section 42 of the Code.

(ooo) "Tax Credit Units" shall mean dwelling units that qualify as low-income units under Section 42 of the Code.

(ppp) "Tenant Housing Payments" shall have the meaning given in Section 3(j).

(qqq) "Tenant Rent" shall have the meaning given in Section 3(j).

(rrr) "Tenant Selection Plan" shall mean the Tenant Selection Plan for the PHA-Assisted Units as approved by the Authority.

(sss) "Term" shall mean the period that commences on the date hereof and expires upon the later to occur of (i) forty (40) years from the date of first occupancy of the last PHA-Assisted Unit to be initially occupied, or (ii) expiration of the period during which the PHA-Assisted Units are required to be operated as "public housing" under the Act, including, if applicable, the period ending 10 years after the end of the last Authority Fiscal Year for which Operating Subsidy is provided by the Authority on behalf of the Development.

(ttt) "Utility Allowance" shall mean the utility allowance established by the Authority for the PHA-Assisted Units.

(uuu) "Waiting List" shall have the meaning given in Section 3(f) of this Agreement.

2. PHA-Assisted Units.

a. **Initial Bedroom Distribution.** During the Term of this Agreement, and subject to Section 6, the Owner will continuously set aside the PHA-Assisted Units as "public housing" units, for occupancy by households eligible for public housing who will be obligated to pay Tenant Housing Payments in compliance with and subject to All Applicable Public Housing Requirements. Provided that the Owner continues operating the PHA-Assisted Units in accordance with All Applicable Public Housing Requirements, such units shall be eligible to receive the benefits of Operating Subsidies to the extent such funds are appropriated by the United States Congress and otherwise made available to the Authority by HUD pursuant to Section 9 of the Act and the ACC or pursuant to any successor legislation providing for project-based or tenant-based operating or rental assistance in respect of units in public housing developments or eligible occupants thereof. The PHA-Assisted Units shall initially comprise the following mixture of unit sizes and descriptions:

New Construction

1 Bedroom Units

7

2 Bedroom Units 31

3 Bedroom Units

17

4 Bedroom Units 5

5 Bedrooms 0

Total Units 60

Any change in bedroom mix shall require the written consent of the Authority and of HUD.

b. **Location of Units.** There shall not be less than sixty (60) total PHA-Assisted Units within the Development. The location of the PHA-Assisted Units may float among the rental units within the Development consistent with the Management Plan. Provided, however, that as of the date of this Agreement, the Owner has designated the units listed on **Exhibit D** as the units that will be PHA-Assisted Units to be occupied by public housing residents upon the first leasing of the units in the Development. Exhibit D has been presented by the Owner to the Authority and such Exhibit has been approved by the Authority, prior to the execution of this Agreement. Following the date of this Agreement any proposed changes to Exhibit D shall be submitted in writing by the Owner to the Authority and HUD for their prior written approval. All proposed changes must be presented no later than six (6) weeks before the anticipated punch list for the first unit to be leased in the Development. The Authority will respond to any of Owner's requests for changes to Exhibit D within fourteen (14) calendar days of receipt of any such request, and will facilitate HUD review and approval of an amendment to the Mixed Finance Amendment, to the extent required, within a reasonable time. The Owner agrees to pay the Authority's costs for processing any amendment to the Mixed Finance Amendment to accommodate changes in unit location.

c. **Over-Income Tenants.** Consistent with All Applicable Public Housing Requirements, a unit shall not lose its status as a PHA-Assisted Unit solely because the income of the tenant residing therein rises above the then applicable public housing income limit or above the income tier for which such tenant originally qualified; any such unit shall be governed by rules generally applicable to units occupied by over-income tenants in the public housing program and the Tax Credit Requirements and the Tenant Selection Plan. During the Compliance Period and the Extended Use Period, the PHA-Assisted Units shall be subject to Tax Credit Requirements and such modifications in lease and occupancy terms as are permitted hereunder and as may be required for compliance with the Tax Credit Requirements.

d. **Deconcentration.** The foregoing provisions of this Section 2 are subject to All Applicable Public Housing Requirements and HUD approvals required thereunder. If the Development is subject to 24 CFR Part 903 with respect to the deconcentration of public housing (the "Deconcentration Rule"), upon the written request of the Owner, the Authority will request from HUD a waiver from or exception to the Deconcentration Rule, to the extent the Deconcentration Rule is inconsistent with the terms of this Agreement.

e. **ADA Accessibility.** PHA-Assisted Units shall be constructed and equipped in accordance with all applicable accessibility requirements, including the following: (i) City of Chicago Building Codes; (ii) American National Standards Institute (A117.1-1986); (iii) the

Uniform Federal Accessibility Standards, 24 CFR Part 40 (Appendix A); (iv) Section 504 of the Rehabilitation Act of 1973 (24 CFR Part 8); (v) Fair Housing Design Standards; and (vi) Americans with Disabilities Act and Accessibility Guidelines thereunder.

3. Operation of PHA-Assisted Units.

a. **Compliance with the Act.** The Owner shall maintain and operate the PHA-Assisted Units in compliance with All Applicable Public Housing Requirements. In addition, the Owner shall maintain and operate the PHA-Assisted Units in accordance with those provisions of the Relocation Rights Contract (relating to lease compliance and grievance procedures) applicable to the Owner, this Agreement and any other agreement entered into by the Owner, and approved by the Authority and HUD, with respect to the development, operating and/or maintenance of the Development (collectively, the "Development Documents"). The Owner shall also perform any and all acts required of it as Owner to enable the Authority to fulfill its obligations to HUD with respect to the PHA-Assisted Units. The Owner shall take all actions necessary and appropriate to avoid a default (as defined in the ACC) with respect to the PHA-Assisted Units.

b. **Prevailing Law.** In the event of a conflict among any one or more of All Applicable Public Housing Requirements and a requirement contained in any Development Document, such All Applicable Public Housing Requirements shall in all instances be controlling. In the event of any conflict, during the period when the ACC is in effect with respect to the PHA-Assisted Units, between (i) this Agreement; and (ii) the Authority Loan Documents, then the requirements of this Agreement shall control, except to the extent that a more restrictive requirement under the Authority Loan Documents can be enforced without violating any of the All Applicable Public Housing Requirements, provided that the enforcement of any such more restrictive requirement shall not impair any rights of the First Mortgage Lender.

c. **Authority PHA-Assisted Units Goals.** The Authority and the Owner acknowledge that HUD's development program is intended to permit public housing authorities, in partnership with other public and private entities, to address the needs of severely distressed public housing and to create mixed-income communities. Further, the Authority and the Owner acknowledge that the goal of achieving long-term sustainability of the PHA-Assisted Units as part of such mixed-income community will be enhanced by administrative procedures and terms and conditions of occupancy that reduce discernible distinctions in operation and maintenance, and conditions of continued occupancy, between the PHA-Assisted Units and the non-PHA-Assisted Units to the greatest extent feasible, while assuring that the PHA-Assisted Units are available to house families who meet the occupancy objectives of the Authority described herein and the Gautreaux Court Orders. Sections 3(d) through 3(o) enumerate certain respects in which operating procedures and other requirements as to the PHA-Assisted Units will differ from those in effect with respect to public housing units owned by the Authority. Subject to All Applicable Public Housing Requirements, the Authority and the Owner agree that, if experience demonstrates a need for or the desirability of further departures from standard procedures applicable to PHA-owned public housing units, they will consult with each other and HUD regarding such further modifications and will take such further implementing steps as they agree to be advisable, including, as appropriate, requests to HUD for revision or waiver of

regulations necessary to permit the Authority to undertake measures that enhance the long-term viability of the PHA-Assisted Units as part of a mixed-income community, or requests to implement statutory revisions made by Congress from time to time affecting either public housing in general or public housing located within privately-owned mixed-income communities in particular. The Management Agreement shall also contain a provision stating that the Authority has a right to require that the Owner shall terminate the Management Agreement if the Management Agent fails to comply with the terms of this Agreement, provided that the Owner is given notice and an opportunity to cure in accordance with Section 11(b).

The benefits and effects of any applicable waivers pursuant to the Moving To Work Program, or other legislative and regulatory changes affecting mixed-finance public housing units, may be made applicable to the PHA-Assisted Units, after following any procedural requirements.

d. **Maintenance of Records.** The Authority shall remain responsible for maintaining sufficient records, and taking necessary action(s), to assure HUD that all Authority obligations to HUD under All Applicable Public Housing Requirements are fulfilled. However, where the ACC or other All Applicable Public Housing Requirements require the Authority to furnish reports, records, statements, certificates, documents or other information to HUD regarding the PHA-Assisted Units, the Owner shall furnish such reports, records, statements, certificates, documents or other information to the Authority or otherwise satisfy the Authority's requests with respect to such matters, upon reasonable notice. Nothing contained in this Section shall be construed to relieve the Owner of its obligation to maintain its own books and records. It shall be the responsibility of the Owner to maintain sufficient records, and to take necessary action(s), to assure compliance with all obligations relating to the PHA-Assisted Units under the Development Documents. Owner shall furnish reports, records, statements, certificates, documents or other information as necessary in order to comply with the requirements of this provision.

e. **Management.** Subject to All Applicable Public Housing Requirements, the Owner will retain the Management Agent for the Development, including the PHA-Assisted Units, pursuant to the Management Agreement, which will be subject to written approval by the Authority and HUD. The management of the PHA-Assisted Units shall be in compliance with All Applicable Public Housing Requirements, including the lease and grievance procedures set forth in 24 CFR Part 966, as approved by the Authority and HUD, and any other applicable Federal requirements, including the Uniform Relocation Act ("URA"), if applicable, and the Tax Credit Requirements. Owner shall cause the Management Agent to be responsible to the Owner for management of the PHA-Assisted Units in accordance with the terms of this Agreement and All Applicable Public Housing Requirements and in accordance with the Management Plan. The Owner will comply with any applicable notices required under the URA. If required, the Authority will at its expense, provide relocation benefits to tenants where the URA is applicable. If statutes, executive orders and regulations regarding public housing are amended or repealed, the Management Plan and approvals by the Authority and HUD must be amended to accommodate these changes, if required by such statutes, executive orders and regulations.

A failure to comply with any material aspect of an approved Management Plan shall constitute a default under this Agreement entitling the Authority to exercise remedies hereunder,

and cause termination of Operating Subsidies as set forth in Section 4(d) hereof subject to applicable notice and cure periods set forth in Section 11(b).

Owner shall cause the Management Agent to perform all the duties and responsibilities normally associated with management of public housing and shall cause the Development, its units, appurtenances and grounds to be maintained and secured according to standards acceptable to the Authority and HUD, including, but not limited to, the following as pertaining to the PHA-Assisted Units: (1) preparing reports as directed by the Authority using the Authority's Management Information Systems ("MIS"), or any other system mutually agreed upon by the Authority and Owner, and maintaining office records, books, accounts and reports in a manner satisfactory to the Authority; (2) as directed by the Authority, using the Authority's MIS which may include all functions of the system of record purchased by the Authority, including, but not limited to, work orders, housing eligibility, tenant accounting, accounts payable, general ledger, bank reconciliation, payroll, purchasing, fixed assets, inventory control and modernization/development. Owner shall cause the Management Agent to use the system of record (or replacement software) as provided by the Authority at no cost to the Owner or the Management Agent. The Authority reserves the right to change the software and also utilize forms and spreadsheets to input information into the system of record, provided that any extraordinary operating cost related thereto shall be paid by the Authority. The Owner shall cause the Management Agent to inspect all PHA-Assisted Units annually utilizing the required Uniform Physical Inspection Standard ("UPIS") form in conjunction with the annual tenant recertification process, as incorporated in the Management Plan. All UPIS results must be entered into the system of record.

Subject to All Applicable Public Housing Requirements, the Management Plan must be approved in writing by the Owner, the Authority and HUD prior to its implementation and shall not be amended in any respect material to the performance of the Owner's obligations hereunder without the prior written approval of the Authority and, to the extent required HUD. The Authority shall not unreasonably withhold its approval of the Management Plan or amendment thereto. The Management Agreement will contain appropriate provisions providing access by the Authority, upon request therefor, to books and records maintained by the Management Agent with respect to the PHA-Assisted Units. The Authority agrees that the initial Management Agent retained by the Owner will be Interstate Management Company.

Subject to All Applicable Public Housing Requirements, the Owner may replace the Management Agent at any time with the prior approval of the Authority and, to the extent required, HUD; provided, however, during the Compliance Period, if Owner shall propose a Management Agent in writing, the Authority may disapprove such proposed Management Agent only in writing specifying the grounds for such disapproval, which grounds shall be limited to reasonable cause, ordinarily restricted to: (i) insufficient prior experience in managing affordable or public multifamily rental housing; (ii) demonstrated poor performance in managing affordable or public multifamily rental housing; (iii) litigation or other controversy affecting the Authority; (iv) having been debarred or otherwise held to have violated any law; or (v) any actual or potential conflict of interest. Failure by the Authority to state objections to a proposed Management Agent, in writing, consistent with the standards established in this Agreement, within thirty (30) days of receipt of Owner's written proposal and supporting documentation, shall constitute the Authority's approval. Pending receipt by Owner of the Authority's written

objections or disapproval as aforesaid, and a reasonable time thereafter to correct any conditions forming the basis of the Authority's objections or disapproval or to propose an approvable Management Agent, the Owner shall be entitled to manage the Development including the PHA Assisted Units directly or through its Authority-approved Management Agent so long as it shall do so in full compliance with the terms of this Agreement. Notwithstanding the foregoing, following foreclosure, sheriff's sale upon execution of a judgment or deed-in-lieu of foreclosure of any Mortgage, or during any period in which any of the Mortgage Lenders shall be in possession of the PHA-Assisted Units as mortgagee-in-possession, any of the Mortgage Lenders or any successor and/or assign in title thereto shall be entitled to appoint a Management Agent with prior approval by the Authority not to be unreasonably withheld or delayed for so long as any Mortgage Lender or its successors and/or assigns shall discharge the obligations of the Owner in full compliance with the terms of this Agreement and the Management Agent shall perform its obligation in accordance with the Management Plan and the Management Agreement.

f. Admission to Occupancy.

(i) The Owner shall comply (or cause the Management Agent to comply) with the Tenant Selection Plan and the Management Plan. The Authority will furnish to the Owner a list of persons who shall have first priority to be offered a replacement PHA-Assisted Unit in the Development (as expressly provided in the Tenant Selection Plan) ("First Priority Residents"), subject to the income tiering requirements of the tax credit application to the City, and the provisions of the Relocation Rights Contracts. All other occupancy referrals shall be obtained by the Owner through the development of a site-based (subjurisdictional) waiting list derived from the Authority's current public housing waiting list or, if no such waiting list exists, from a waiting list created by the Owner in conformity with All Applicable Public Housing Requirements (the "Waiting List"). All prospective tenants, including First Priority Residents, shall complete housing applications and comply with required procedures within the time given (all such procedures and times to be developed in consultation with the Authority). The Authority agrees, subject to any required HUD approval and to the extent permitted by law, to defend, protect and hold harmless the Owner, each person who controls the Owner and the Management Agent against all losses, claims, damages, penalties, judgments, liabilities and expenses (including but not limited to attorney's fees and expenses) that the Owner, each person who controls the Owner and the Management Agent may pay or incur arising out of: (a) any claim relating to the exclusion or alleged exclusion of any individual from the list of First Priority Residents, as such list may be revised from time to time; (b) any claim (i) alleging that the Authority has failed to comply with the Relocation Rights Contracts, or (ii) alleging that the Tenant Selection Plan, the Lease, the Waiting List, the Management Plan or any of the other documents contemplated hereunder violate the Relocation Rights Contracts; provided, however, that (i) the Owner notifies the Authority in writing of such a lawsuit promptly upon the institution of any such claim against the Owner, any person who controls the Owner or the Management Agent; and (ii) the Authority reserves the right to participate in the defense of any suit related to such claims; and provided, further, however, that this indemnification shall not apply or be available if and to the extent any such losses, claims, damages, penalties, judgments, liabilities and expenses (including associated legal fees) have resulted from

the failure on the part of the Owner and/or the Management Agent to comply with All Applicable Public Housing Requirements or the terms of the Tenant Selection Plan, the Management Plan or the Lease approved by the Authority (unless such failure results from the failure by the Authority to comply with waiting list or other requirements for which it is responsible).

(ii) The Authority delegates to the Owner, subject to re-delegation to the Management Agent, all administrative functions in connection with admission of applicants to occupancy of the PHA-Assisted Units, including application intake, applicant interview and screening, verification procedures, determination of eligibility for admission and qualification for preference, record maintenance, waiting list maintenance, unit assignment and execution of leases, all in accordance with criteria and procedures approved by the Authority and HUD and in accordance with All Applicable Public Housing Requirements, the Tenant Selection Plan and the Management Plan.

(iii) Admission to occupancy into PHA-Assisted Units shall be limited to First Priority Residents and any other prospective occupants (collectively, "Eligible Occupants") who meet the following requirements: (A) for the Term, the eligibility and occupancy rules for admission to public housing under All Applicable Public Housing Requirements; (B) during the Compliance Period and Extended Use Period, applicable requirements for occupancy under the Tax Credit Requirements; and (C) the Tenant Selection Plan. The Management Agent shall establish procedures, which shall be set forth in the Tenant Selection Plan, for informal review of eligibility or suitability determinations or denial of preferences for applicants for admission to the PHA-Assisted Units, consisting of an opportunity for a meeting with a person or persons designated by the Management Agent other than the person who made the initial determination.

(iv) Unless the additional ten (10) year "tail" term set forth in the Declaration of Restrictive Covenants is amended or waived, the system for administering admissions to the PHA-Assisted Units shall be revised, subject to Authority approval and All Applicable Public Housing Requirements, if and only to the extent necessary such that by no later than the end of the thirtieth year after the date of first occupancy of the last PHA-Assisted Unit (the "Effective Date"), there shall be no need for the Authority to provide Operating Subsidies to the PHA-Assisted Units, and the Owner shall be able to demonstrate a reasonable likelihood of repaying all debt on the Development (including all debt owed to the Authority) in accordance with their respective terms; provided, however, that prior to amending the system for preferences, Owner will avail itself of any alternative arrangements which are then available in order to demonstrate such reasonable likelihood. If the Owner wishes to make such a determination, the Owner shall submit to the Authority for approval, which approval shall not be unreasonably withheld, delayed or conditioned, a plan scheduled to become effective as of the Effective Date, subject to All Applicable Public Housing Requirements, to eliminate such need for Operating Subsidy by the end of the thirtieth year after the date of first occupancy of the last PHA-Assisted Unit. In the event that, despite the reasonable efforts of the Owner, such plan is inadequate and is resulting in a PHA-Assisted Units Shortfall, the Owner may request, subject to Authority approval, not to be unreasonably withheld, that Operating Subsidy payments be reinstated in accordance with this Agreement.

Nothing herein is intended to authorize any deviation from All Applicable Public Housing Requirements or any preference for families that are not eligible for public housing. PHA-Assisted Unit Shortfalls that occur during any period during which the Owner has voluntarily elected not to receive Operating Subsidies shall not form the basis for any right of transformation under Section 6(f).

(v) The Authority will ensure that the material elements of this Agreement (including but not restricted to, the Waiting List, any site-based resident selection preferences, and transformation remedies) are reflected in duly adopted policies of the Authority or duly adopted exceptions to such policies, effective no later than one hundred and twenty (120) days before units are first available for occupancy. The Authority will ensure that its Public Housing Agency Plan, prepared in accordance with Section 5A of the Act, as it may be amended during the Term of this Agreement, includes such references to and provisions for the PHA-Assisted Units and their operation as may be necessary or appropriate to ensure that the provisions of this Agreement and the operating policies of the PHA-Assisted Units (including, but not restricted to, the Waiting List, any site-based resident selection preferences, and transformation remedies) are recognized by HUD. To the extent not provided at the Authority's website, the Authority will provide to Owner (1) a copy of any proposed Public Housing Agency Plan, or amendment thereto, no later than the time public notice is given pursuant to Section 5A(e)(2) of the Act, and (2) a copy of its Public Housing Agency Plan and all amendments thereto, as adopted, within thirty (30) days of adoption, and shall make good faith efforts to provide earlier notice of contemplated changes to the PHA Plan which would materially affect the Development or the Owner.

g. **Preference System.** The Authority, in accordance with All Applicable Public Housing Requirements, hereby authorizes the Owner to establish the Waiting List. The Owner shall select prospective tenants from the Waiting List subject to All Applicable Public Housing Requirements, the Tenant Selection Plan, the Tax Credit Requirements and the Affordable Housing Tax Credit Restrictive Covenant. The Authority shall provide the Owner in a timely manner with its waiting list of qualified tenants for occupancy of the PHA-Assisted Units.

h. **Screening Criteria.** Screening Criteria and procedures established by the Owner to be utilized by the Management Agent with respect to admissions to all units in the PHA-Assisted Units are set forth in the Tenant Selection Plan (the "Screening Criteria"). The Screening Criteria will not necessarily be identical to those utilized by the Authority with respect to traditional public housing units owned by the Authority. The Screening Criteria and procedures shall comply with the Fair Housing Act, 42 U.S.C. 3601-19, and regulations issued thereunder, 24 CFR Part 100; Executive Order 11063 (Equal Opportunity in Housing) and regulations issued thereunder, 24 CFR Part 107; the fair housing poster regulations, 24 CFR Part 110, advertising guidelines, the Tax Credit Requirements and All Applicable Public Housing Requirements.

i. **Tenant Leases.** Tenant Leases executed for PHA-Assisted Units shall be on forms proposed by the Owner and approved by the Authority which meet the terms and conditions of this Agreement, conform to All Applicable Public Housing Requirements and the City of Chicago Residential Landlord and Tenant Ordinance (Chicago Municipal Code, Title 5,

Chapter 12), the Tax Credit Requirements and other applicable law (each a "Tenant Lease"). In addition, such leases shall be subject to any required HUD approval of variations from the requirements of 24 CFR Part 966, Subparts A and B, as amended or replaced from time to time. All Tenant Leases for the PHA-Assisted Units shall include provisions stipulating to (1) the respective lease provisions exclusively applicable to the PHA-Assisted Units by HUD regulations and requirements, including those lease and grievance procedures under 24 CFR Part 966, Subparts A and B, and (2) notice and lease termination provisions involving diminution or termination of Operating Subsidies, excluding termination caused by Owner default. It shall be the responsibility of the Owner to revise the tenant lease as required by changes in All Applicable Public Housing Requirements and applicable law.

To the extent that applicable statutes and HUD regulations governing the calculation of rent payable by tenants of public housing currently or hereafter in effect provide discretion to public housing authorities in matters such as inclusions or exclusions from income, minimum or ceiling rents, or other matters affecting the calculation of rents, such discretionary determinations made by the Authority with respect to all public housing units assisted by the Authority shall be applicable to the PHA-Assisted Units, except as otherwise provided in the approved Management Plan, Management Agreement or form of tenant lease for the PHA-Assisted Units.

Tenant Leases shall provide for increases in Tenant Housing Payments and other actions required to increase income from the PHA-Assisted Units under the circumstances contemplated in Section 6 hereof, subject to All Applicable Public Housing Requirements, applicable statutes and HUD regulations, and the Tax Credit Requirements. These other actions contemplated by Section 6 may include (1) an increase in Tenant Housing Payments and an option to the then currently residing tenant(s), if eligible, to remain residing in the PHA-Assisted Unit at the Development paying the higher rent; or (2) the Authority issuing Housing Choice vouchers or any successor arrangement to the then currently residing tenant; or (3) relocation to a public housing unit at another location (to the extent available). Tenant leases shall advise tenants of the potential impact on them if a public housing transformation occurs as described in Section 6 hereof.

j. **Tenant Housing Payments, Tenant Rents and Utility Allowances.** The tenant housing payments ("Tenant Housing Payments") for occupancy in the PHA-Assisted Units shall be the greater of (i) \$75.00 per month or (ii) at the tenant's election, the flat rent established under 24 C.F.R. 960.253(b) or 30% of the total tenants' adjusted income or such other limit on total tenants' adjusted income in accordance with All Applicable Public Housing Requirements, provided that any higher limit on total tenants' adjusted income shall not be used unless and until such higher limit has been approved by the Authority and such higher limit does not violate the requirements of Section 42 of the Code. The Tenant Rent ("Tenant Rent") is equal to the total Tenant Housing Payment minus the Utility Allowance (if any) applicable to the PHA-Assisted Unit and shall be paid to the Owner by the tenants for deposit as provided in Section 5(c). If the Utility Allowance is greater than the Tenant Housing Payment, the tenant shall be entitled to a Utility Reimbursement equal to the amount by which the Utility Allowance exceeds the Tenant Housing Payment. The Authority shall pay the amount of such excess (i.e. "negative rent") directly to the applicable utility company from operating funds available to the Authority.

k. **Procedure for Requesting Waivers.** If at any time during the Term of this Agreement HUD shall, by regulation or other administrative rule applicable to the PHA-Assisted Units (which regulation or rule is not required by statute), modify the eligibility or suitability standards, including preferences, for occupancy of public housing units; the criteria or methods for calculation of applicant or resident income or contribution to rent, or any other factor bearing upon the charges for or occupancy or use of public housing units generally which, in the absence of waiver, would be applicable to the PHA-Assisted Units and which, in the judgment of the Owner would be adverse to the PHA-Assisted Units, the Authority shall request a waiver from HUD from such regulation; provided, however, the Authority need not request such waiver if in the Authority's reasonable judgment the waiver would be inconsistent with then-current Authority policies or procedures applicable to mixed-finance developments of the Authority. If the Authority does not seek a waiver as contemplated by the immediately preceding sentence, the Authority agrees to work with the Owner to mitigate any adverse economic consequences of such regulation or other administrative rule for the PHA-Assisted Units.

The benefits and effects of any applicable waivers, pursuant to the Moving To Work Program, or other legislative and regulatory changes affecting Mixed-Finance public housing units, may be made applicable to this Development after following any procedural requirements.

l. **Tenant Grievance Procedure.** The Owner, with Authority approval, shall establish a tenant grievance procedure, in accordance with All Applicable Public Housing Requirements (including, but not limited to, HUD's implementing regulations at 24 CFR Part 966, Subpart B, as may be amended from time to time), for tenants of the PHA-Assisted Units in compliance with the requirements of Section 6(k) of the Act and consistent, to the maximum extent feasible, with the intent stated in Section 3(b) above. Such procedures will provide for informal discussion and settlement of grievances by the Management Agent and hearing before a hearing officer appointed in accordance with procedures described in the Tenant Selection Plan. It shall be the responsibility of the Owner to revise the tenant grievance procedures set forth in the Tenant Leases as required by changes in All Applicable Public Housing Requirements and State law. In the event of repeal or modification of Section 6(k) of the Act, the grievance procedures made available by the Owner to tenants of the PHA-Assisted Units may be terminated or modified in conformity with such changes, to the extent not inconsistent with All Applicable Public Housing Requirements, with the Authority's consent, which consent shall not be unreasonably withheld.

m. **Low Income Housing Tax Credit Requirements.**

(i) The Authority acknowledges that the PHA-Assisted Units are also subject to the Tax Credit Requirements and will be operated in accordance therewith. The Authority will not disapprove (with respect to the PHA-Assisted Units) any policy of Owner that is permitted under All Applicable Public Housing Requirements and required for compliance with the Tax Credit Requirements. The Owner and the Authority will take such actions as are necessary to set ceiling rents or "flat rents" for the PHA-Assisted Units at a level not to exceed that permissible for qualified low-income units under the Tax Credit Requirements, and the Owner will not collect rents for such units in excess of such levels.

(ii) The Authority agrees not to take any action, or to omit to take any action, within its control and power under the laws of the State of Illinois, with respect to the PHA-Assisted Units, if the effect of such action or inaction would cause the Owner to violate the Tax Credit Requirements as applied to the PHA-Assisted Units.

(iii) Notwithstanding anything to the contrary in this Agreement, it is the intent of the Authority and the Owner that payments will be made to and retained by the Owner under this Agreement only to the extent they constitute "qualifying rental assistance" as defined in Section 1.42-16 of the Treasury Regulations.

n. **Real Estate Tax Abatement/Exemption.** The Authority shall take such action as may be required to enable the PHA-Assisted Units to qualify for an abatement and/or exemption of real estate taxes, including approval of a certificate of Real Estate Tax Abatement in accordance with the Illinois Revenue Code, 35 ILCS 200/18-177 (1999), as the same may hereafter be amended; provided that the Authority's obligation shall be conditioned on the timely submission to the Authority by the Owner of all required documentation.

o. **Monitoring by the Authority.** Notwithstanding the Owner's agreement to perform the obligations set forth in this Agreement, the Authority remains legally responsible to HUD under the ACC for ensuring that the Owner (either directly or through its general contractor or, management agent or other agent) develops, operates and maintains the PHA-Assisted Units in accordance with All Applicable Public Housing Requirements. In addition, the Authority shall monitor the Owner's performance for compliance with prevailing State and local laws relating to the public housing.

4. PHA-Assisted Units Operating Subsidy.

a. **Annual Submission of Operating Budget and Schedule of Capital Expenditures.** For purposes limited to documentation and annual budget projections with respect to the PHA-Assisted Units, a Development Operating Budget is required as described herein. No reconciliation of income and expenses shall be required with respect to the Development as a whole.

Not later than sixty (60) days prior to the anticipated date of first availability for occupancy of any PHA-Assisted Unit, and not later than ninety (90) days before the first day of each subsequent Authority Fiscal Year, the Owner shall submit to the Authority its proposed Development Operating Budget for the following Development Fiscal Year (or, in the case of the year in which first availability for occupancy occurs, the remainder thereof). The Development Operating Budget shall include projections of Estimated Allowed PHA-Assisted Units Expenses, Estimated PHA-Assisted Units Expenses and Estimated PHA-Assisted Units Income for the period (collectively referred to herein as the "PHA Assisted Units Operating Budget") and may include proposed withdrawals from Reserves to meet operating requirements. In addition to the PHA Assisted Units Operating Budget, the Owner shall submit to the Authority a schedule of any Capital Expenditures proposed to be made during the next Development Fiscal Year with respect to the PHA-Assisted Units, together with a schedule of existing balances in, and anticipated deposits to be made into, the Replacement Reserve allocable to the PHA-Assisted Units.

b. **Authority Review and Approval of Operating Budget.** Not later than sixty (60) days after receipt thereof, the Authority shall approve the Owner's proposed PHA-Assisted Units Operating Budget or provide to the Owner in writing an explanation as to the reasons the proposed PHA-Assisted Units Operating Budget has not been approved. The parties shall make reasonable good faith efforts to agree on the PHA-Assisted Units Operating Budget, subject to All Applicable Public Housing Requirements.

If following reconciliation efforts, the Authority does not approve the Owner's proposed PHA-Assisted Units Operating Budget, the Methodology to Determine Reasonableness of Proposed Expenses as set forth in Exhibit B attached hereto shall be implemented promptly. Pending the results of such methodology, if the total Estimated PHA-Assisted Units Expenses set forth in the proposed budget do not exceed the total Estimated PHA-Assisted Units Expenses for the current Development Fiscal Year by more than 10%, the proposed budget shall constitute the PHA-Assisted Units Operating Budget for the next Development Fiscal Year. Pending the results of such methodology, if the total Estimated PHA-Assisted Units Expenses set forth in the proposed budget exceed the total Estimated PHA-Assisted Units Expenses for the current Development Fiscal Year by more than 10%, the PHA Assisted Units Operating Budget for the next Development Fiscal Year shall be the total Estimated PHA-Assisted Units Expenses for the current Development Fiscal Year increased by 10%. The parties agree that the results of such methodology shall be the basis for determining total Estimated PHA-Assisted Units Expenses in the Owner's PHA Assisted Units Operating Budget for the next Development Fiscal Year.

To the extent an approved Development Operating Budget includes withdrawals from Reserves to meet operating requirements, no additional Authority approval shall be required with respect to the release of such Reserves on a monthly basis, concurrent with payment of Operating Subsidy. Funds for such purpose shall be transferred first from the Subsidy Carryover Reserve Account to the extent of available funds and next from the PHA Tenant Rent Reserve Account.

c. **Authority Review and Approval of Proposed Capital Expenditures.** Not later than sixty (60) days after receipt thereof, the Authority shall either approve the Owner's proposed schedule of Capital Expenditures to be paid or incurred with respect to the PHA-Assisted Units or the Development during the next Development Fiscal Year or provide to the Owner in writing an explanation as to the reasons the proposed expenditures have not been approved. The parties shall make reasonable efforts to agree on a schedule of Capital Expenditures. The Authority shall be responsible for paying, or reimbursing the Owner for, the cost of approved Capital Expenditures set forth on such schedule in a manner to be agreed upon by the Owner and the Authority at such time, except to the extent the funding therefor is available from the Replacement Reserve for PHA-Assisted Units. In addition, if at any time during a Development Fiscal Year unscheduled or unbudgeted Capital Expenditures are required to be paid or incurred with respect to the PHA-Assisted Units, the Owner may submit a request to the Authority to pay the same; provided, however, the Authority agrees to approve any Capital Expenditure proposed by the Owner only if (i) such Capital Expenditure is required: (A) to cause the PHA-Assisted Units to comply with any applicable building or housing code; (B) to cause the PHA Assisted Units to comply with changes to the accessibility requirements described in Section 2(e) above that are enacted after the date hereof; (C) to cause any PHA-Assisted Units to comply with changes required by the Authority after the date of acceptance of such PHA-Assisted Unit by

CHA; or (D) to cause any PHA-Assisted Unit to be converted, with the prior written consent of CHA, from a "Type A" unit to a UFAS unit, and (ii) funding therefor is not available from the Replacement Reserve for PHA-Assisted Units. With the exception of Capital Expenditures required to comply with applicable building and housing codes, the Authority shall not be required to advance funds under this Section 4(c) unless the Authority has received not less than five (5) months' prior written notice thereof.

d. **Authority Payment of Operating Subsidy.** During the Term of this Agreement, Owner shall develop the Development and operate the PHA-Assisted Units at rents and subject to all other conditions of All Applicable Public Housing Requirements. Provided that the Owner continues operating the PHA-Assisted Units in accordance with All Applicable Public Housing Requirements, and in accordance with the terms of this Agreement, such units shall be eligible to receive the benefit of the Operating Subsidy to the extent such funds are appropriated by the Congress and otherwise made available to the Authority pursuant to Section 9(e) of the Act, or pursuant to any successor legislation, and as more specifically set forth in this Section 4. If these conditions precedent have been met, the Authority shall pay to the Owner on a current basis for each month no later than the eighth calendar day of such month (prorated for any partial month) by electronic wire transfer, an Operating Subsidy in the amount of \$375.00 per month, as may be adjusted under this Section 4(d), for each PHA-Assisted Unit that meets the following criteria (i) a temporary certificate of occupancy has been issued for the building in which the PHA-Assisted Unit is located, (ii) the PHA-Assisted Unit was inspected and approved by the Authority for initial occupancy, including a determination that the PHA-Assisted Unit meets HUD's Housing Quality Standards, and (iii) except as provided below, the PHA-Assisted Unit is actually occupied under an executed lease with an Eligible Occupant. The Owner's right to receive payments of the Operating Subsidy due after the then-current month is not assignable by the Owner, and any attempted assignment thereof is void and of no force or effect. Operating Subsidies shall also be payable with respect to vacant PHA-Assisted Units, but only for a period not to exceed sixty (60) days. A PHA-Assisted Unit shall be deemed vacant (i) commencing on the first day for which rent is not charged for the unit following completion or termination of occupancy as a PHA-Assisted Unit, and (ii) ending on the day preceding the first day for which rent is charged for such unit based on occupancy or re-occupancy as a PHA-Assisted Unit, or the first day for which rent is charged for occupancy as an PHA-Assisted Unit of a different unit which was not previously occupied as a PHA-Assisted Unit, whichever shall first occur.

The Operating Subsidy shall be subject to annual increases at each anniversary of the date of the execution and delivery of this Agreement. The rate of each annual increase shall equal the lesser of (i) two percent (2%), or (ii) the annual percentage increase, if any, in the Price Index but shall never be less than 0%. In the event the Price Index is discontinued, a comparable index shall be used to determine any increase. The amount of annual increase shall be the product of (i) the Operating Subsidy for the year just ended multiplied by (ii) the rate of annual increase. Any annual increase in Operating Subsidy approved by the Authority in connection with the Owner's annual submission of the Operating Budget pursuant to Section 4(a) shall operate in lieu of the automatic annual increase herein provided.

e. **Security Deposits.** The Owner will require all tenants of PHA-Assisted Units to provide a security deposit in accordance with the approved Management Agreement, Management Plan and form of Tenant Lease for the PHA-Assisted Units. The Owner shall

deposit the security deposits in an interest-bearing security deposit escrow account for the benefit of the tenant and the Owner. At the Owner's option and with Authority approval, if and to the extent that applicable law would permit, these funds may be used to pay rent or make repairs to any assigned PHA-Assisted Unit for tenant-caused damages beyond normal wear and tear where the tenant or the Authority fails to make timely payments or for any other purpose permitted by the form of Tenant Lease for the PHA-Assisted Units. Any written request for Authority approval shall be acted on by the Authority within 30 days of receipt. Authority approval of each such request shall not be unreasonably withheld. The Owner agrees to provide to the Authority prompt written notice describing any use of security deposit moneys for the purposes described in this Section 4(e). Any payments made by Authority or the tenant to reimburse the Owner for rent or damages, for which the Owner had used funds deposited in the security deposit escrow account, shall be used to replenish the security deposit escrow account. Within forty-five (45) days after the expiration or earlier termination of each Tenant Lease, the Owner shall return the unused portion of the security deposit to the tenant in accordance with applicable law, subject to the terms and conditions of the applicable lease.

f. **Operating Account.** Operating Subsidy payments received from the Authority and funds in lieu thereof drawn from the Subsidy Carryover Reserve Account or the PHA Tenant Rent Reserve Account, as provided herein, together with all other PHA-Assisted Units Income, shall be deposited by the Owner in one or more operating accounts maintained in a financial institution whose deposits are insured by an agency of the Federal Government.

g. **Public Housing Capital Fund.** If capital assistance is available to the Authority from time to time under Section 9(d) of the Act or any successor thereto, which the Authority may discretionarily provide to the PHA-Assisted Units, then the Authority agrees to give reasonable consideration to any request by Owner for such assistance.

h. **Other HUD Funds.** If the PHA-Assisted Units are eligible for federal assistance other than under the Operating Fund or Capital Fund provided for in Section 9 of the Act or any successor thereto (including, but not restricted to, funds for resident participation, resident services, drug elimination activities, or security), at the Owner's request the Authority may endeavor, in its absolute discretion, to obtain such assistance (separately or as part of a general Authority funding request) and shall pass through to the Owner (or directly provide services representing) any portion thereof received and properly allocable (with due regard for need factors applicable to such assistance) to the PHA-Assisted Units, upon receipt from the Owner of such plans, documentation or assurances as are necessary to comply with All Public Housing Requirements relating to such assistance.

i. **Section 42 Compliance.** In order to assure compliance with Tax Credit Requirements, notwithstanding anything to the contrary set forth in this Agreement, in any Development Fiscal Year all or part of which is included in the Compliance Period and in which Operating Subsidy payments are made to Owner, the sum of PHA-Assisted Units Income, Operating Subsidy payments and any net withdrawals from the Subsidy Carryover Reserve Account and the PHA Tenant Rent Reserve Account for operating purposes shall not exceed the PHA-Assisted Units Expenses for such Development Fiscal Year. In the event that the annual financial statements required to be provided by the Owner to the Authority pursuant to Section 7(b) below demonstrate that the above-described sum exceeded the PHA-Assisted Units

Expenses for any year covered by the preceding sentence, then any portion of the Operating Subsidy payment causing such overage ("Excess Operating Subsidy") shall be promptly returned to the Authority and deposited into the Subsidy Carryover Reserve Account.

5. Reserves.

a. **Administration.** The Owner or the Authority, as the case may be, shall establish any reserve described in this Section 5 in one or more financial institutions reasonably acceptable to the Authority and such reserves shall be used as permitted by this Agreement. To the extent a PHA-Assisted Units Shortfall occurs or is budgeted to occur with the approval of the Authority as provided herein, funds shall first be drawn from the Subsidy Carryover Reserve Account as provided herein to remedy such Shortfall until the Subsidy Carryover Reserve Account has been reduced to zero; and then, funds shall be drawn from the PHA Tenant Rent Reserve Account as provided herein until the PHA Tenant Rent Reserve Account has been reduced to zero.

b. **Subsidy Carryover Reserve Account.**

(i) **Deposits.** The Owner shall return to the Authority (effective as of the end of each such year) any excess of PHA-Assisted Units Income (plus Operating Subsidies) over PHA-Assisted Units Expenses, up to the amount of Operating Subsidy payments received by the Owner for such year, for deposit into a "Subsidy Carryover Reserve Account." Such amount shall be deposited on an annual basis within thirty (30) days after the date audited financial statements are provided by Owner to Authority in accordance with Section 7(b) hereof. Interest earned on this account shall be reinvested in the account and shall be available for use as described herein.

(ii) **Establishment and Ownership.** The Subsidy Carryover Reserve Account shall be maintained as a sub-account of the Authority's general fund. Funds placed in the Subsidy Carryover Reserve Account (including interest thereon) shall constitute restricted trust funds to be applied during the Term of this Agreement solely for the benefit of the PHA-Assisted Units in accordance with the terms and conditions hereof. Unless and until paid over to the Owner for use in operations, funds in the Subsidy Carryover Reserve Account shall remain the property of the Authority. Upon any sale or transfer of the Owner's interest in the Development during the Term of this Agreement, amounts remaining in the Subsidy Carryover Reserve Account shall continue to be available to assist the PHA-Assisted Units, in accordance with this Agreement. Upon termination of this Agreement, any funds in the Subsidy Carryover Reserve Account shall be released to the Authority free of any trust established pursuant to this Agreement.

(iii) **Withdrawals.** The Owner may request withdrawals from the Subsidy Carryover Reserve Account in connection with its annual budget in accordance with Section 4(a), or in accordance with the annual reconciliation described in Section 7(c) or at any other time. In any case, the Owner will provide to the Authority documentation establishing the need therefor, and the Authority shall disburse the amount of the PHA-Assisted Units Shortfall which is demonstrated to exist to the reasonable satisfaction of the Authority pursuant to Sections 4 and 7 hereof. Any disapproval by the Authority shall be accompanied by sufficient documentation so as to enable the Owner to determine

the Authority's rationale for such disapproval. All withdrawals from the Subsidy Carryover Reserve Account are subject to the annual reconciliation process set forth in Section 7(c).

c. PHA Tenant Rent Reserve Account.

(i) *Deposits.* All Tenant Rents shall be collected by the Owner and deposited into a non-assignable, interest bearing account designated as the "PHA Tenant Rent Reserve Account." Rent collected by the Owner during a month shall be deposited no later than the fifth business day of the next succeeding month. Interest earned on this account shall be reinvested in the account and shall be available for use as described herein.

(ii) *Establishment and Ownership.* The PHA Tenant Rent Reserve Account shall be maintained as a subaccount of the Authority's general fund. Funds placed in the PHA Tenant Rent Reserve Account (including interest thereon) shall constitute restricted trust funds to be applied during the Term of this Agreement solely for the benefit of the PHA-Assisted Units in accordance with the terms and conditions hereof. Unless and until paid over to the Owner for use in operations, funds in the PHA Tenant Rent Reserve Account shall remain the property of the Authority. Upon any sale or transfer of the Owner's interest in the Development during the Term of this Agreement, amounts remaining in the PHA Tenant Rent Reserve Account shall continue to be available to assist the PHA-Assisted Units, in accordance with this Agreement. Upon termination of this Agreement, any funds in the PHA Tenant Rent Reserve Account shall be released to the Authority free of any trust established pursuant to this Agreement.

(iii) *Withdrawals.* The Owner may request withdrawals from the PHA Tenant Rent Reserve Account (A) in connection with its annual budget in accordance with Section 4(a), (B) in accordance with the annual reconciliation described in Section 7(c), (C) as required to pay capital costs attributable to the PHA-Assisted Units in accordance with All Applicable Public Housing Requirements, or (D) at any other time. In any case, the Owner will provide to the Authority documentation establishing the need therefor, and the Authority shall disburse the amount of the PHA-Assisted Units Shortfall (or required withdrawal for capital costs) which is demonstrated to exist to the reasonable satisfaction of the Authority pursuant to Sections 4 and 7 hereof. Any disapproval by the Authority shall be accompanied by sufficient documentation so as to enable the Owner to determine the Authority's rationale for such disapproval. All withdrawals from the PHA Tenant Rent Reserve Account are subject to the annual reconciliation process set forth in Section 7(c).

(iv) *Ceiling.* If at any time the fund balance in the PHA Tenant Rent Reserve Account together with the fund balance of the Subsidy Carryover Reserve Account shall exceed an amount equal to two times the current year's budgeted PHA-Assisted Units Expenses, such excess shall be released from the PHA Tenant Rent Reserve Account to the Authority free of any trust.

d. Operating Deficit Reserve Account.

(i) *Deposits.* In accordance with the Operating Agreement, the Owner will create an operating reserve (the "Operating Deficit Reserve Account"). The Operating Deficit Reserve Account will be funded initially with equity in the amount of \$250,000.

(ii) *Establishment and Ownership.* The Operating Deficit Reserve Account will be established and owned by the Owner.

(iii) *Withdrawals.* The Operating Agreement governs withdrawals made from the Operating Deficit Reserve Account. The Operating Deficit Reserve Account will be administered by the Owner in accordance with the Operating Agreement. The Owner covenants to the Authority to use all withdrawals from the Operating Deficit Reserve Account only for purposes relating to the Development, which may include the repayment of the CHA Loan upon disposition of the Development, expiration of the Compliance Period, and/or expiration of the Declaration of Restrictive Covenants

e. **ACC Reserve.**

(i) *Deposits.* In accordance with the Operating Agreement, the Owner will create an affordability reserve account ("ACC Reserve"). The ACC Reserve will be funded from equity as described in the Operating Agreement in the amount of \$540,000. No public housing funds will be used to fund or replenish the ACC Reserve.

(ii) *Establishment and Ownership.* The ACC Reserve will be established and owned by the Owner.

(iii) *Withdrawals.* As provided in the Operating Agreement, the ACC Reserve may be used by the Owner to cover operating deficits on the PHA-Assisted Units. The Operating Agreement governs withdrawals from this reserve. In accordance with Section 6(c), the Owner covenants to the Authority to use all withdrawals from the ACC Reserve only for purposes relating to the Development, which may include the repayment of the CHA Loan upon disposition of the Development, expiration of the Compliance Period, and/or expiration of the Declaration of Restrictive Covenants. If not used for any such purpose, upon the sale or transfer of the PHA-Assisted Units, amounts in the ACC Reserve shall be returned to the Owner to be applied in accordance with the Operating Agreement.

f. **Replacement Reserve Account.**

(i) *Deposits.* As required by the Operating Agreement, the Owner will create two Replacement Reserves: a PHA-Assisted Unit Replacement Reserve and a non-PHA Assisted Units Replacement Reserve. Each Replacement Reserve will be funded at the greater of (i) \$300 per dwelling unit per year (increasing periodically as provided in the Operating Agreement) or (ii) an amount required by the First Mortgage Lender. Public Housing Funds may only be used to fund the PHA-Assisted Unit Replacement Reserve.

(ii) *Establishment and Ownership.* The PHA-Assisted Units Replacement Reserve is established and owned by the Owner. The PHA-Assisted Units Replacement Reserve is considered to "belong to the development" and upon disposition of the PHA-

Assisted Units, expiration of the Tax Credit Requirements, and/or expiration of the Declaration of Restrictive Covenants, amounts in such reserve fund shall continue to be used for replacement expenditures with respect to the PHA-Assisted Units in accordance with clause (iii) below. Upon casualty or condemnation without restoration of the PHA-Assisted Units, or in the event the PHA-Assisted Units are no longer operated as such, the PHA-Assisted Units Replacement Reserve will be paid to the Authority and constitute funds of the Authority with no obligation on the part of the Authority to return or remit such funds. If and to the extent the number of PHA-Assisted Units assisted under this Agreement decreases for any reason whatsoever, the amount required to be held hereunder in the PHA-Assisted Units Replacement Reserve shall be proportionately reduced, and the excess shall be paid to the Authority and constitute funds of the Authority with no obligation on the part of the Authority to return or remit such funds.

(iii) **Withdrawals.**

(A) The non-PHA-Assisted Units Replacement Reserve will be administered by the Owner in accordance with Operating Agreement. The Operating Agreement governs withdrawals from the Non-PHA-Assisted Units Replacement Reserve.

(B) Withdrawals from the PHA-Assisted Units Replacement Reserve are to be used for replacement expenditures relating to the PHA Assisted Units and shall not be used for ordinary operation and maintenance expenses. Any such expenditure relating to the PHA-Assisted Units requires the consent of the Authority and approval by the lenders, and in certain cases, the Investor and/or its affiliate as more fully described in the Operating Agreement.

g. Initial Operating Deficit Reserve Account

(i) *Deposits.* In accordance with the Operating Agreement, the Owner will establish an initial operating deficit reserve account (the "Initial Operating Deficit Reserve Account"). The Initial Operating Deficit Reserve Account will be funded in full from equity in the amount of \$231,320 and, except as set forth in subsection (h) below, will not be replenished with Public Housing Funds.

(ii) *Establishment and Ownership.* The Initial Operating Deficit Reserve Account will be established by the Owner and owned by the Owner

(iii) *Withdrawals.* The Initial Operating Deficit Reserve Account will be administered by the Owner in accordance with Section 8.20 of the Operating Agreement. The Operating Agreement governs withdrawals made from the Initial Operating Deficit Reserve Account. Any funds remaining in the Initial Operating Deficit Reserve Account upon the attainment of "Rental Achievement", as defined in the Operating Agreement, shall be deposited into the Operating Deficit Reserve Account.

h. **Replenishment of Reserves.** To the extent that any operating or replacement reserve funded with private equity is depleted and is subsequently replenished with Operating Subsidies, Tenant Rent or other sources of funds available to the Authority, such replenishment funds shall be deposited into a segregated sub-account within the applicable reserve, and the use of such funds shall be subject to the prior approval of the Authority and All Applicable Public Housing Requirements.

i. **Restriction on Public Housing Funds.** Public Housing Funds shall not be used by Owner or any managing member to satisfy any guaranty under the Operating Agreement or any obligations to the Investor.

6. Public Housing Transformation.

a. **General.** The parties recognize that they are structuring a long-term relationship premised on, among other things, the continuation without substantial change of the Act and the maintenance of full federal appropriations to support the government's obligations under the Act and the Authority's obligations under this Agreement. The purpose of this Section 6 is to ensure that in the event there should be any legislative changes, diminished appropriations, uncontrollable cost increases, or other circumstances not the fault of the Owner which create a PHA-Assisted Unit Shortfall, the viability of the PHA-Assisted Units can be maintained without unnecessary hardship to low-income residents or excessive claims on scarce resources of the Authority.

b. **Application of the Act.** Subject to Section 6(d), nothing contained herein shall prevent or diminish the full application to the PHA-Assisted Units of any legislation enacted after the date hereof, including provisions for the termination of operating subsidies under Section 9 of the Act or of other Federal project-based assistance to public housing developments, including, without limitation, any provision thereof releasing or otherwise modifying occupancy or tenant rent restrictions previously applicable to tenants in such PHA-Assisted Units.

c. **Owner Contribution Not Required.** It is of the essence of this Agreement that, during the Term hereof, the Owner will operate and maintain the PHA-Assisted Units in accordance with All Applicable Public Housing Requirements; *provided, however*, except in the case of an Owner default hereunder, the Owner shall at no time be required to contribute from its own funds (including reserves established under the Operating Agreement other than the Replacement Reserve for PHA-Assisted Units) toward PHA-Assisted Units Expenses in order to preserve the PHA-Assisted Units as required hereunder. Notwithstanding the foregoing, the Owner agrees to hold and maintain the Replacement Reserve for PHA-Assisted Units and ACC Reserves in accordance with the Operating Agreement, and to use and apply the Replacement Reserve for PHA-Assisted Units and ACC Reserves only for purposes relating to the PHA-Assisted Units.

d. **Initial Remedies.** In the event that legislative changes or diminished appropriations reduce the amount of operating subsidy provided by HUD to the Authority under Section 9 of the Act as in effect on the date hereof, or in the event that there is a PHA-Assisted Units Shortfall for any reason, subject to the provisions of Section 12(d), the Authority shall remain obligated to pay the Operating Subsidies to Owner in accordance with Section 4 hereof

and Owner shall continue to operate and maintain the PHA-Assisted Units as required hereunder; provided, however, that:

(i) *Withdrawals from Reserves.* If the PHA-Assisted Units Income plus all forms of financial assistance made available in respect of such units (including, without limitation, the Operating Subsidies, other project-based or tenant-based operating or rental assistance or subsidies, or other contributions by or on behalf of the Authority), are less than PHA-Assisted Units Expenses, the Owner shall request withdrawals from the Subsidy Carryover Reserve Account, and the PHA Tenant Rent Reserve Account (in that order of priority) in order to assure that such PHA-Assisted Units Income plus withdrawals from reserves is sufficient to cover PHA-Assisted Units Expenses and to insure continued operation of the PHA-Assisted Units as required hereunder. Amounts due to the Owner shall be paid within thirty (30) days following receipt of appropriate documentation.

(ii) *Adjustments to Income and Expenses.* If (A) the quarterly statements of income and expenses for the PHA-Assisted Units delivered pursuant to Section 7(a) shall indicate a PHA-Assisted Units Shortfall over a period of two successive quarterly periods, taking into account all payments of Operating Subsidies made by the Authority during such period, and the Owner reasonably forecasts that such operating loss will continue for the next two quarterly periods, or (B) if a cumulative operating loss attributable at least in part to the PHA-Assisted Units Shortfall is reasonably forecasted to occur for the next two quarterly periods, then the Owner may avail itself of the provisions of Paragraph (iv) and Paragraph (v) below, but only if the Owner also utilizes Paragraph (iii).

(iii) *Cost Cutting Plan.* The Owner shall undertake in good faith to develop a plan to reduce operating expenses (but not to the physical, operational or financial detriment of the PHA-Assisted Units). However, the Owner shall not be required to seek to reduce maintenance, renewal and replacement and other operating expenses below a prudent level or below the level of such expenses incurred for other comparable units managed by the Management Agent subject to the Tax Credit Requirements as a condition to, or as a preferred corrective action to, seeking to increase income from Tenant Rents in accordance with the following paragraphs, nor shall the Owner be required to reduce the management fee below market levels; to reduce resident services expenditures below that required to support the resident population; to reduce services and amenities below that required to competitively market to, and retain, residents; or in a manner which would violate any Mortgage Loan obligations, any of the All Applicable Public Housing Requirements or the Tax Credit Requirements.

(iv) *Adjust Income Mix on Turnover.* The Owner and the Authority shall take such steps as may be necessary, to the extent permitted by All Applicable Public Housing Requirements, and subject to the Tax Credit Requirements, to increase the minimum income level of new tenants admitted to the PHA-Assisted Units including admitting public housing-eligible families having higher income levels than would otherwise receive priority under the system of preferences used by the Authority and/or applicable to the PHA-Assisted Units.

(v) *Cooperation of the Authority and the Owner.* In order to facilitate the rental of PHA-Assisted Units to public housing-eligible families having higher income levels as provided in the preceding paragraph, the Authority will offer other public housing units or Housing Choice Vouchers or certificates, to the extent available to the Authority, to sufficient tenants of the PHA-Assisted Units so as to encourage lower-income tenants to vacate the PHA-Assisted Units in favor of higher income public housing eligible families. This preference shall be reflected in the Authority's Housing Choice Voucher plan. In addition, in order to facilitate such purpose, the Owner agrees to use reasonable efforts to make available (subject to income and other qualifications) a designated tax credit unit to any lower-income tenant affected as a consequence of actions taken pursuant to this Section 6.

e. **Transformation.** In the further event that at least six months after delivery of the quarterly statements referred to in Section 6(d)(ii)(A) or (B), all such actions by the Owner and the Authority are insufficient to eliminate the PHA-Assisted Units Shortfall on an ongoing basis, and in accordance with Section 35(h) of the Act (42 U.S.C. 1437z-7(h)), if as a result of a reduction in appropriations under Section 9 of the Act, or any other change in applicable law, the Authority is unable to fulfill its contractual obligations to the Owner with respect to the PHA-Assisted Units under this Agreement, and the measures taken pursuant to paragraph (d) of this Section have proven to be insufficient to preserve the viability of the PHA-Assisted Units, the Owner may deviate, under procedures and requirements developed through regulations by HUD, from otherwise applicable restrictions under the Act regarding rents, income eligibility and other areas of public housing management with respect to a portion or all of the PHA-Assisted Units, to the extent necessary to preserve the viability of these PHA-Assisted Units while maintaining the low income character of the PHA-Assisted Units to the maximum extent practicable; *provided, however,* (A) the flexibility provided by Section 35(h) of the Act is limited to mixed income projects involving a "significant number of units other than public housing units" (and the parties hereto acknowledge that the Development is such a project), the Owner and the Authority acknowledge that HUD has not issued regulations as of this time to implement the authority set forth in Section 35(h) and, thus, has not yet established a regulatory standard for determining which mixed income developments may qualify for the flexibility provided by Section 35(h); and (B) HUD expects to require housing authorities that have entered into regulatory and operating agreements with qualifying mixed income developments to submit for HUD approval a Transformation Plan (as defined below) specifying how the Section 35(h) remedies will be implemented with respect to the project. The requirements governing the content of the Transformation Plan, and HUD's standards for reviewing and approving these plans, will be established as part of a notice and comment rulemaking.

f. **Transformation Plan.**

(i) Before the Owner may exercise its rights under Section 6(e), the Owner and the Authority shall develop and agree upon a plan which satisfies All Applicable Public Housing Requirements and sets forth in detail the nature and priority of different remedial actions to be taken, the rights of existing tenants affected thereby, and other relevant matters (the "Transformation Plan"). Such plan must be reasonably likely to eliminate any PHA-Assisted Units Shortfall while maximizing the availability of PHA-Assisted Units for low-income and very-low income families and minimizing the adverse

effects on existing tenants. The parties recognize that this is a complex balance involving a choice between, for instance, greater change affecting fewer units or a smaller change affecting many units.

(ii) The Owner and the Authority shall make diligent efforts in good faith to agree upon the Transformation Plan, after notice to and appropriate discussion with the residents of the PHA-Assisted Units. If the Owner and the Authority shall fail to agree prior to the Owner being entitled to exercise remedies in accordance with Section 6(e) or within sixty (60) days of the Owner proposing the Transformation Plan (whichever is later), the Owner may proceed to implement the Transformation Plan. All such plans shall be specifically subject to HUD's approval to the extent required by All Applicable Public Housing Requirements.

(iii) The Transformation Plan shall provide as follows, in addition to any provisions required by (and to the extent not inconsistent with) All Applicable Public Housing Requirements and Tax Credit Requirements:

(A) Revisions in the rent structure may require some households to pay more than 30% of their adjusted household income and/or may impose a higher minimum rent applicable to all households. The Owner shall give the Authority and each affected household at the Development written notice of the new rent structure, which shall be effective no sooner than thirty (30) days following such notice.

(B) To the extent that the Authority is reasonably able to provide substitute housing (Section 8 or public housing) to households unable to pay the rent which the Owner has specified for such household's adjusted gross income, the Authority shall offer such substitute housing and the Owner may require such household to vacate its unit at the Development during or at the end of the lease term, but no sooner than permitted under All Applicable Public Housing Requirements.

(C) All expenses to be incurred in relocating residents shall be provided for in the Transformation Plan.

g. **Restoration of Units.** If, subsequent to institution of remedial steps described above, the Operating Subsidies, the resources provided hereunder, and any other resources made available shall support operation on a continuing basis of all or a portion of the number of PHA-Assisted Units in a manner that prevents a PHA-Assisted Unit Shortfall, the obligation of Owner to so operate such number of units as public housing in accordance with the terms hereof shall be reinstated, subject to continuing rights of existing tenants.

7. Financial Statements and Reports.

a. **Quarterly Statements.** Not later than sixty (60) days after the end of each successive quarterly period, commencing with the calendar quarter in which the first PHA-Assisted Unit is available for occupancy, the Owner shall deliver to the Authority, itemized statements of income and expenses, prepared on an accrual basis, based on the Owner's general

accounting records, including the receipt of any reserve funds made available by the Authority, in form substantially comparable to "Statement of Profit and Loss" (formerly Form HUD-92410), or any successor thereto, certified by the general partner/manager/chief financial officer of the Owner, for the quarterly period and from the beginning of the Development Fiscal Year to the end of such quarterly period. Such quarterly statements shall be supplemented by such additional quarterly financial information as may be reasonably requested by the Authority.

b. **Annual Financial Statements.** Not later than one hundred and twenty (120) days after the end of each Development Fiscal Year, the Owner shall deliver to the Authority and, on behalf of the Authority, to HUD a copy of the independently audited financial statements of the Owner for such year and the period then ended, prepared in accordance with generally accepted accounting principles and accompanied by the report of independent public accountants thereon, together with a copy of any additional financial statements or reports delivered by the Owner to its partners/members. Such financial statements shall be accompanied by supplemental data, together with the report of independent public accountants thereon, which shall show on an accrual basis for such period (i) PHA-Assisted Units Income, (ii) actual PHA-Assisted Units Expenses, (iii) the amount of the Operating Subsidy received by the Owner, (iv) any deposits to and withdrawals from the Reserves and any other operating revenues or assistance attributable to the PHA-Assisted Units, (v) the balance at the end of the period of the Subsidy Carryover Reserve Account, the PHA Tenant Rent Reserve Account, and any other reserve or special account relating specifically to the PHA-Assisted Units, (vi) aggregate stated lease Tenant Housing Payments and the amounts thereof uncollected from PHA-Assisted Units for which no eviction actions have been commenced, and (vii) deposits to and withdrawals from any Replacement Reserve for PHA-Assisted Units, together with a summary of all Capital Expenditures made, in each case based on the Owner's general accounting records. If, after thirty (30) days written notice from the Authority, the Owner shall fail to deliver such financial statements to the Authority, the Authority shall have the right to retain an independent auditor to conduct an audit of the financial statements of the Owner and to charge the reasonable cost thereof to the Owner.

c. **Annual Reconciliation.**

(i) If the supplemental data provided pursuant to Section 7(b) shall show an excess of PHA-Assisted Units Income plus Operating Subsidies plus withdrawals from Reserves over actual PHA-Assisted Units Expenses, then not later than thirty (30) days following delivery of such supplemental data to the Authority, the Owner shall redeposit into the respective Reserves amounts withdrawn in the subject year up to the amount of any excess shown in the foregoing annual reconciliation. The Owner shall also return to the Authority any Excess Operating Subsidy for deposit into the Subsidy Carryover Reserve Account.

(ii) If the supplemental data provided pursuant to Section 7(b) shall show an excess of actual PHA-Assisted Units Expenses over PHA-Assisted Units Income plus Operating Subsidies plus withdrawals from Reserves, the Owner may request that the deficit amount be remedied from amounts held to the credit of the Subsidy Carryover Reserve Account and the PHA Tenant Rent Reserve Account, in that order of priority, and to the extent of available funds the Authority shall disburse the amount of the deficit

demonstrated to exist to the reasonable satisfaction of the Authority. Amounts due to the Owner shall be paid within thirty (30) days following receipt of appropriate documentation.

d. **Additional Reconciliation.** Separately and independently from the reconciliation provided for under Section 7(c), the Owner shall contribute to the Subsidy Carryover Account, not later than 145 days after the end of each Development Fiscal Year, the amount, if any, of Operating Subsidies (including therein any amount paid by the Authority to the Owner in respect of such period pursuant to the last sentence Section 7(c)) received by the Owner during such period attributable to any PHA-Assisted Unit for a period in which such PHA-Assisted Unit was vacant (after having been initially occupied) for a period longer than sixty (60) days, provided that such period of vacancy shall not be attributable to any action or omission by the Authority if, as a result of a change in applicable law or regulation, the Authority shall exercise functions in connection with the selection and admission of applicants for PHA-Assisted Units which are reserved to the Owner, and delegated to the Management Agent pursuant to Section 3(d) hereof:

(i) A PHA-Assisted Unit shall be deemed vacant (i) commencing on the first day for which rent is not charged for such unit following completion or termination of occupancy as an PHA-Assisted Unit, and (ii) ending on the day preceding the first day for which rent is charged for such unit based on occupancy or re-occupancy as a PHA-Assisted Unit, or the first day for which rent is charged for occupancy as a PHA-Assisted Unit of a different unit which was not then previously occupied as a PHA-Assisted Unit, whichever shall first occur; and

(ii) The amount of Operating Subsidy attributable to a unit for a period in which such unit was vacant for a period longer than sixty (60) days shall be determined based on the actual period of the vacancy.

8. Insurance Requirements; Restoration of Property.

a. **Insurance.** Commencing on such date as the Owner acquires any PHA-Assisted Units, the Owner shall procure and maintain or cause to be procured and maintained in force adequate insurance to protect the Owner and the Authority from financial loss resulting from hazards, including, without limitation, hazards insured against under such types of coverages as are required by Part B, Attachment VII, of the ACC and Exhibit C attached hereto, or if stricter, such coverages and in such amounts as may be required under the Mortgage Loans and the CHA Loan, and such other hazards to which the Owner determines that exposure exists. Without limiting the generality of the foregoing, the Owner shall maintain all-risk insurance with respect to all insurable property pertaining to the PHA-Assisted Units, against loss or damage by fire, lightning, windstorm, explosion, hail, tornado and such other hazards as are presently included in so-called "all-risk" coverage, in an amount no less than 100% of the full replacement cost, including the cost of debris removal, without deduction for depreciation and sufficient to prevent the Owner from being a co-insurer, such insurance to be in builder's risk (non-reporting) form during and with respect to any construction on the site of the PHA-Assisted Units.

b. **Restoration.** If any act or occurrence of any kind or nature (including any taking by condemnation or any casualty) shall result in damage to or loss or destruction of the PHA-Assisted Units in whole or in part, and without diminution of any obligation of the Owner in respect thereof under the Mortgage Loans or the CHA Loan, the Owner, to the extent that insurance or condemnation proceeds and other funds, if any, made available by the Owner, shall promptly cause the restoration, reconstruction, and/or repair of the PHA-Assisted Units as nearly as possible to their value, condition and character immediately prior to such taking or casualty. The Authority shall have the right to approve any such restoration, reconstruction and/or repair, such approval not to be unreasonably withheld or delayed. Subject to the rights of the First Mortgage Lender, the provisions of Section 11 of the Mixed-Finance Amendment shall prevail over the provisions of any mortgage encumbering any leasehold estate under any of the Ground Leases or the PHA-Assisted Units with respect to the application of any insurance or condemnation proceeds attributable to such PHA-Assisted Units. Any determination of feasibility of restoration shall be made in accordance with the Mortgage having the highest lien priority approved by HUD as an evidentiary document.

9. Disposition and Encumbrance.

a. **Transfers of Interests in the PHA-Assisted Units.** During the Term of this Agreement and during such further period when such approval may be required by law as then in effect, and subject to Sections 9(c) and 9(d), the Owner shall not demolish or dispose of its interest in the Development or the PHA-Assisted Units (including, without limitation, by conveyance or lease of the PHA-Assisted Units or any portion thereof, or by assignment of the Owner's rights under this Agreement), without the prior written approval of the Authority (which shall not be unreasonably denied, withheld, or delayed) and HUD; *provided, however*, that no approval shall be required for tenant leases entered into in the ordinary course of business and in conformity with the requirements of Section 3 and the Management Plan.

b. **Further Encumbrances.** During the Term of this Agreement, and subject to Sections 9(c), and 9(d), the Owner shall not mortgage, pledge or otherwise encumber its interest, or any portion of its interest, in the PHA-Assisted Units as collateral for a loan, without the prior written approval of the Authority and HUD, nor shall it modify the terms of any of the Mortgage Loans or any other mortgage, pledge or encumbrance which has been previously approved by the Authority and HUD, without the prior written approval of the Authority and HUD.

c. **Exclusions.** The following actions are expressly excluded from the covenants set forth in Sections 9(a) and 9(b);

(i) The Mortgage of the Owner's interest in the Development and the PHA-Assisted Units pursuant to the Mortgage Loans and transfer of the Development and the PHA-Assisted Units to a Mortgage Lender, or such Mortgage Lender's nominee, under an approved Mortgage Loan, by foreclosure or deed-in-lieu of foreclosure, or to a third-party purchaser pursuant to a foreclosure sale, provided that any such transfer shall be subject to the terms of the Declaration of Restrictive Covenants and this Agreement. Such transfer shall not be deemed to be an assignment of grant funds and shall not constitute a succession to any right to benefits of the Authority under the ACC or Mixed-Finance Amendment, nor shall it constitute attaining any privileges, authorities,

interests, or rights in or under the ACC or Mixed-Finance Amendment, and shall be subject to the terms of the Declaration of Restrictive Covenants, other All Applicable Public Housing Requirements and the court orders relating to the PHA-Assisted Units;

(ii) The closing of the Permanent Loan to be made to Owner by enterprise Mortgage, Inc. ("Permanent Loan Closing"), provided that (a) HUD and the Authority receive prior written notice of such Permanent Loan Closing; (b) the mortgage and related documents securing such financing shall be in the form approved by HUD and the Authority; and (c) the mortgage and related documents securing the Construction Loan are released of record contemporaneously with the recording of the mortgage securing the Permanent Loan.

(iii) Dwelling leases with eligible families in the PHA-Assisted Units in conformity with the Management Plan;

(iv) Conveyance or dedication of land for use as streets, alleys, or other public rights-of-way, and grants and easements for the establishment, operation, and maintenance of public utilities that serve the Development;

(v) Subordinate liens approved in writing by the Authority, HUD and by senior lien holders created in connection with purchase or financing of replacements or repairs necessary for the normal use and operation of the PHA-Assisted Units;

(vi) The Tax Credit Regulatory Agreement among the Owner and the City;

(vii) Normal uses and encumbrances associated with the operation of the PHA-Assisted Units;

d. Transfers of Interests in Owner.

(i) No transfer, conveyance, or assignment shall be made, without the prior written approval of HUD and the Authority, of: (i) any interest of a manager, managing member, general partner, or controlling stockholder (any such interest being referred to as a "Controlling Interest") in the Developer (as defined in the Regulatory and Operating Agreement) or the Owner; or (ii) a Controlling Interest in any entity which has a Controlling Interest in the Developer or the Owner; or (iii) prior to payment in full of all equity contributions described in the approved evidentiary documents, listed in the Mixed Finance ACC Amendment, any other interest in the Owner or in any partner or member thereof (each of such transfers, conveyances and assignments, together with the transfers described in this Section, is hereafter referred to as a "Transfer"

(ii) Notwithstanding the foregoing, HUD and the Authority's consent is not required where a business organization that has a limited interest (non-controlling and non-managing) in the Owner or in any partner, member or stockholder thereof transfers a non-controlling and non-managing interest in the business organization, provided that the Owner: (x) provides HUD and the Authority with written notice of such transfer; and (y) certifies to HUD and the Authority that the new owner of the limited interest remains obligated to

fund its equity contribution in accordance with the terms of the HUD approved organizational documents of the Owner.

(iii) The Authority and HUD will not unreasonably withhold delay or condition a request by Owner for consent to an internal reorganization of the corporate, company or partnership structure of Owner or any members of Owner, including the exercise of a right to remove the managing member or general partner and to designate a substitute managing member or general partner under to terms of the Owner's operating agreement or partnership agreement.

(iv) Notwithstanding the foregoing, HUD and the Authority agree that no prior approval is required for (i) the exercise by the Investor or its affiliates of their rights to remove the general partner or managing member and to designate a substitute general partner or managing member under the terms of the Owner's operating agreement or partnership agreement, provided that HUD and the Authority are given prior written notice of the default under the operating agreement or partnership agreement and of the exercise of the removal and appointment right therein (the "Notice").

However, HUD and the Authority consent shall be required, for the appointment of such substitute managing member or general partner to extend beyond a ninety (90) day period. Such 90-day period will commence on the date of the Notice ("Interim Replacement Period").

With notice to HUD and the Authority, the Interim Replacement Period may be extended for an additional 90 days, or other reasonable time period, to allow the substitute managing member or general partner of Owner to find a replacement acceptable to HUD and the Authority provided that prior to the expiration of such additional 90-day period, the substitute managing member or general partner demonstrates that the Investor is continuing to fund (or has already funded) all equity contributions and the Project continues to be operated in a manner consistent with All Applicable Public Housing Requirements.

10. Non-Discrimination and Other Federal Requirements.

a. The Owner will comply with all applicable requirements of the following, as the same may be amended from time to time:

(i) The Fair Housing Act, 42 U.S.C. 3601-19, and regulations issued thereunder, 24 CFR Part 100; Executive Order 11063 (Equal Opportunity in Housing) and regulations issued thereunder, 24 CFR Part 107; the fair housing poster regulations, 24 CFR Part 110, and applicable advertising guidelines;

(ii) Title VI of the Civil Rights Act of 1964, 42 U.S.C. 2000d, and regulations issued thereunder relating to non-discrimination in housing, 24 CFR Part 1;

(iii) Age Discrimination Act of 1975, 42 U.S.C. 6101-07, and regulations issued thereunder, 24 CFR Part 146;

(iv) Section 504 of the Rehabilitation Act of 1973, 29 U.S.C. 794, and regulations issued thereunder, 24 CFR Part 8; the Americans with Disabilities Act, 42 U.S.C. 12181-89, and regulations issued thereunder, 28 CFR Part 36;

(v) Section 3 of the Housing and Urban Development Act of 1968, 12 U.S.C. 1701u, and its implementing regulations at 24 CFR Part 135; and

(vi) Wage rates under the Davis-Bacon Act (40 U.S.C. § 276a *et seq.*) to the extent applicable.

11. Owner Default and Remedies.

a. **Default.** A default by the Owner under this Agreement shall occur if the Owner violates, breaches or fails to comply in any material respect with any provision of, or obligation under, All Applicable Public Housing Requirements or this Agreement (including, without limitation, by reason of its violation, breach, or failure to comply with any agreement referenced in Section 3(a) hereof). A default by the Owner that is attributable to an action or omission of the Management Agent shall be deemed a default by the Owner for purposes of this Section.

b. **Notice and Cure.** Upon a determination by the Authority that a default by the Owner has occurred, the Authority shall notify HUD, the Owner, the Developer, the First Mortgage Lender, the City and the Investor of (i) the nature of the default, (ii) the actions required to be taken by the Owner, the First Mortgage Lender and/or Investor to cure the default, and (iii) the time (no less than thirty (30) days) within which the Owner, the First Mortgage Lender and/or Investor shall respond with a showing that all required actions have been taken, provided that if the default by its nature cannot be cured within the aforesaid thirty (30) day period, the Owner, the First Mortgage Lender and/or Investor may have additional time, with the Authority's written approval, as may be reasonable given the circumstances to effect a cure of the default. The Authority reserves the right to monitor the Owner's, the First Mortgage Lender's and/or Investor's efforts to cure; and further reserves the right to reduce and/or terminate the time period allowed herein (but in no event less than thirty (30) days) where further actions to cure have not been made by the Owner, the First Mortgage Lender and/or the Investor.

c. **Remedies.** If the Owner, the First Mortgage Lender and/or the Investor fails to respond or take corrective action to the satisfaction of the Authority as provided herein, the Authority shall have the right to exercise any remedy available to it by reason of such default, including without limitation, to seek appropriate relief in any court having jurisdiction, including but not limited to specific performance, injunctive relief, the termination of Operating Subsidies hereunder, or the appointment of a receiver to take over and operate the PHA-Assisted Units in accordance with the terms of this Agreement without prejudice to the right of the Authority, alternatively or in addition to the foregoing, to exercise any remedy available to it, if any, if the nature of such default hereunder, would constitute a default under Authority Loan Documents, the Declaration of Restrictive Covenants or the Management Agreement.

12. Authority Default and Remedies.

a. **Default.** A default by the Authority under this Agreement shall occur if the Authority materially violates or breaches this Agreement, or fails to comply with any provision of or obligation under All Applicable Public Housing Requirements, including this Agreement (including, without limitation, by reason of its violation, breach, or failure to comply with any governing law, regulation, or agreement referenced in Section 3(a)).

b. **Notice and Cure.** Upon determination by the Owner that a default by the Authority has occurred, the Owner shall notify the Authority, the Developer, HUD, the First Mortgage Lender and the Investor of (i) the nature of the default, (ii) the actions required to be taken by the Authority to cure the default, and (iii) the time (no less than sixty (60) days in the case of a failure to pay Operating Subsidies hereunder and thirty (30) days in all other cases) within which the Authority shall respond with a showing that all required actions have been taken, provided if the default by its nature cannot be cured within the aforesaid thirty (30) day period, the Authority may have an additional ninety (90) days, with the Owner's written approval, and as may be reasonable given the circumstances to effect such a cure of the default; provided, however, no extension of time shall be permitted in the case of a payment or reimbursement for capital items pursuant to Section 4(c). The Owner reserves the right to monitor the Authority's efforts to cure; and further reserves the right to reduce and/or terminate the time period allowed herein where further actions to cure have not been made by the Authority.

c. **Remedies.** If the Authority fails to respond or take corrective action to the satisfaction of the Owner, the Owner shall have the right, after exercising its rights under Section 6 in accordance with the provisions thereof, to seek appropriate relief in any court having jurisdiction, including but not limited to, specific performance or injunctive relief, and alternatively or in addition the foregoing, to exercise any remedy available to it.

d. **Nonrecourse.** Notwithstanding anything to the contrary herein, in the event that diminished appropriations under Section 9 of the Act or other legislative changes significantly reduce the amount of operating subsidy that the Authority is able to provide to the Owner, the Owner (i) shall have, as exclusive remedies, the remedies contained in this Agreement, consistent with the Act and applicable HUD Regulations issued pursuant thereto, including, but not limited to, disbursements from the Reserves, and steps taken by the Owner to increase the income levels of tenants in the PHA-Assisted Units, and (ii) shall have no recourse under this Agreement against any other project of the Authority, as the term "project" is defined in the ACC, or any other Public Housing Funds (excluding Tenant Housing Payments) available to the Authority.

13. Disclaimer of Relationships.

a. **No Assignment.** The Authority, Owner and Investor acknowledge that any transfer of capital funds, CFRC funds, development funds and/or operating funds by the Authority to the Owner or any other participating party shall not be or be deemed to be an assignment of capital funds, HOPE VI grant funds, CFRC funds, development funds and/or operating funds, and the Owner and/or Investor or other participating party shall not succeed to

any rights or benefits of the Authority under the ACC, and/or Mixed-Finance Amendment, or attain any privileges, authorities, interests, or rights in or under the ACC and/or the Mixed-Finance Amendment or the HOPE VI Grant Agreement.

b. **No Other Relationship.** Nothing contained in the ACC and/or Mixed-Finance Amendment, or in any agreement between the Authority and the Owner and/or Investor, nor any act of HUD or the Authority, shall be deemed or construed to create any relationship of third-party beneficiary, principal and agent, limited or general partnership, joint venture, or any association or relationship involving HUD, except between HUD and the Authority as provided under the terms of the ACC and/or the Mixed-Finance Amendment; provided, however, that the First Mortgage Lender under the mortgage and note secured thereby identified on Exhibit E to the Mixed-Finance Amendment shall be entitled to rely upon Sections 12(C) and (D) of the Mixed-Finance Amendment.

14. Miscellaneous.

a. **Binding Agreement.** This Agreement shall be binding upon and inure to the benefit of the successors, assigns, and heirs of each of the parties; *provided, however*, that neither the Owner nor the Investor may assign any of its interest in this Agreement without the prior written consent of the Authority and HUD. Any Authority consent shall not be denied, withheld or delayed unreasonably.

b. **Entire Agreement.** This Agreement constitutes the entire agreement among the parties and supersedes any prior agreement or understanding among them with respect to the subject matter hereof.

c. **Amendments.** Subject to All Applicable Public Housing Requirements, this Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties and approved in writing by HUD.

d. **No Waiver.** No delay or omission by either party in exercising any right or remedy available hereunder shall impair any such right or remedy or constitute a waiver thereof in the event of any subsequent occasion giving rise to such right or availability of remedy, whether of a similar or dissimilar nature.

e. **Notices.** Any notice or other communication given or made pursuant to this Agreement shall be in writing and shall be deemed given if (i) delivered personally or by courier, (ii) telecopied, (iii) sent by overnight express delivery, or (iv) mailed, to the respective address set forth below (or at such other address as shall be specified by the party by like notice given to the other party).

If to the Authority:

Chicago Housing Authority
60 E. Van Buren St. 12th Fl.
Chicago, Illinois 60605
Attention: Chief Executive Officer

with a copy to:

Chicago Housing Authority
Office of the General Counsel
60 E. Van Buren St., 12th Fl.
Chicago, Illinois 60605
Attention: General Counsel

If to the Owner:

Ogden North, LLC
c/o Brinshore Development, L.L.C.
666 Dundee Road, Suite 1102
Northbrook, Illinois 60062
Attention: Richard Sciortino

And

c/o The Michaels Development Company, Inc.
3 East Stow Road
Marlton, New Jersey 08053
Attention: President

And

c/o The Michaels Development Company, Inc.
322 So. Green Street, Suite 204
Chicago, Illinois 60607
Attention: Whitney Weller

with a copy to:

Applegate & Thorne-Thomsen
322 South Green, Suite 400
Chicago, Illinois 60607
Attention: Bennett P. Applegate

With a copy to:

U.S.A 71 Park Douglas LLC.
340 Pemberwick Road
Greenwich, CT 06831
Attention: David Salzman

If to Management Agent, to:

Interstate Realty Management Company, Inc.
3 E. Stow Road, Suite 100
Marlton, New Jersey 08053
Attention: Mark Morgan

If to First Mortgage Lender, to:

Citibank, N.A.
Citi Community Capital
Municipal Securities Division
388 Greenwich Street
New York, New York 10013
Attention: General Counsel's Office

with a copy to:

Paul, Hastings, Janofsky & Walker LLP
515 South Flower Street
Twenty-fifth Floor
Los Angeles, CA 90071
Attention: Kenneth Krug

If to HUD, to:

U.S. Department of Housing and Urban
Development
77 West Jackson Blvd., 26th Floor
Chicago, Illinois 60604
Attention: Office of the Regional Counsel

And

U.S. Department of Housing and Urban
Development
451 Seventh Street, S.W.
Washington, D.C. 20410
Attention: Assistant Secretary of Public and Indian
Housing

All such notices and other communication shall be deemed given on the date of personal or local courier delivery, telecopy transmission, deliver to overnight courier or express delivery service, or deposit in the United States Mail, and shall be deemed to have been received (i) in the case of personal or local courier delivery, on the date of such delivery, (ii) in the case of telecopy, upon receipt of electronic confirmation thereof, (iii) in the case of delivery by overnight courier or

express delivery service, on the business day following dispatch, and (iv) in the case of mailing, on the date specified in the return receipt therefor.

f. **Further Assurances.** Each party shall execute such other and further documents as may be reasonably necessary or proper for the consummation of the transaction contemplated by this Agreement.

g. **No Personal Liability.** No officer, director, board member, shareholder, partner, employee, agent or other person authorized to act for or on behalf of either party shall be personally liable for any obligation, express or implied, hereunder. The Owner shall look solely to the Authority funds that are legally available for such purpose, and, except as provided by law, the Authority shall look solely to the Owner, for the satisfaction of any remedy each might have with respect to the other for the other's failure to perform any of its obligations hereunder. Notwithstanding the foregoing, nothing contained herein shall either relieve the Owner or any member, manager or general partner, shareholder of the Owner from personal liability and responsibility, or limit the Authority's rights and remedies against such parties, either at law or in equity (i) for fraudulent acts; (ii) for insurance proceeds and condemnation awards received by the Owner and not turned over to the Authority or used by the Owner for restoration or repair of the PHA-Assisted Units to the extent required under this Agreement and (iii) for any rents or other income from the PHA-Assisted Units received by the Owner after an event of default under this Agreement and not applied to PHA-Assisted Units Expenses.

h. **Neither Party an Agent.** Nothing in this Agreement shall be deemed to appoint either Owner or the Authority as an agent for or representative of the other, and neither one shall be authorized to act on behalf of the other with respect to any matters. Neither Owner nor the Authority shall have any liability or duty to any person, firm, corporation, or governmental body for any act of omission or commission, liability, or obligation of the other, whether arising from Owner's or the Authority's actions under this Agreement or otherwise.

i. **Governing Law.** This Agreement shall be governed by and construed in accordance with the law of the State of Illinois applicable to contracts made and to be performed therein.

j. **Headings; Usage.** All section headings in this Agreement are for convenience of reference only and are not intended to modify the meaning of any section. All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine or neuter as the identity of the person or persons may require. Where the context admits, the singular forms of terms used herein shall include the plural and the plural shall include the singular.

k. **Severability.** If any provision of this Agreement or the application of such provision to any person or circumstance shall be held invalid, the remainder of this Agreement, or the application of such provision to any person or circumstance other than those as to which it is held invalid, shall not be affected thereby.

l. **Counterparts; Execution.** This Agreement may be executed in several counterparts, and all counterparts so executed shall constitute one agreement, binding on all parties hereto.

m. **No Third Party Beneficiary.** The provisions of this Agreement shall not be construed for the benefit of or as enforceable by any person or entity not a party hereto, with the exception of HUD.

n. **Conformity with Section 42 Requirements.** Notwithstanding anything to the contrary in this Agreement, it is the intent of the Authority and the Owner that payments will be made to and retained by the Owner under this Agreement only to the extent they constitute "qualifying rental assistance" as defined in Section 142-16 of the Treasury Regulations.

o. **Right of First Refusal Agreement.** The Authority and the Owner are, concurrently with the execution of this Agreement, entering into a Right of First Refusal Agreement with respect to the PHA-Assisted Units. That Right of First Refusal Agreement is binding upon the Owner and each subsequent owner of a PHA-Assisted Unit and shall survive the termination of this Agreement.

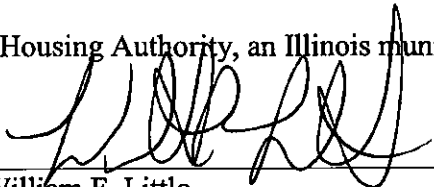
p. **Amendments to the Owner's Organizational Documents.** Except for amendments to implement transfers for which the consent of the Authority is not required under Section 9 hereof, the Owner's Articles of Organization may not be amended in any material respect without the prior written consent of the Authority, which shall not be unreasonably withheld.

IN WITNESS WHEREOF, the parties have executed this Regulatory and Operating Agreement as of the date first above written.

AUTHORITY

Chicago Housing Authority, an Illinois municipal corporation

By:



William F. Little
Executive Vice President
Office of Development Management

OWNER:

OGDEN NORTH, LLC,
an Illinois limited liability company

By: Ogden North Manager, LLC,
an Illinois limited liability company,
its manager

By: Brinshore Holding, LLC,
an Illinois limited liability company,
its manager

By: Brinshore Development, L.L.C.,
an Illinois limited liability company,
its sole member

By: RJS Real Estate Services, Inc.,
an Illinois corporation, a member

By: _____
Richard Sciortino, President

By: Michaels Chicago Holding Company, LLC,
an Illinois limited liability company,
its manager

By: _____
John O'Donnell, Vice President

IN WITNESS WHEREOF, the parties have executed this Regulatory and Operating Agreement as of the date first above written.

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Chicago Housing Authority, an Illinois municipal corporation

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William F. Little
Executive Vice President
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an Illinois limited liability company,
its manager

By: 

John O'Donnell, Vice President

ACKNOWLEDGMENT

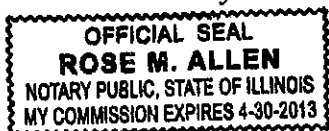
STATE OF ILLINOIS)

) ss.

COUNTY OF COOK)

I, Rose M. Allen, a Notary Public, in and for said County, in the State aforesaid, DO HEREBY CERTIFY that William F. Little, the Executive Vice President of the Office of Development Management for the **Chicago Housing Authority**, an Illinois municipal corporation, who is personally known to me to be the same person whose name is subscribed to the foregoing instrument as such Executive Vice President, appeared before me this day in person and acknowledged that he or she signed and delivered said instrument as his own free and voluntary act and as the free and voluntary act of said municipal corporation, for the uses and purposes therein set forth.

GIVEN under my hand and official seal this 1st day of September, 2010.



Rose M. Allen
Notary Public

STATE OF ILLINOIS)

) ss.

COUNTY OF COOK)

I, the undersigned Notary Public in and for said County in the State aforesaid, DO HEREBY CERTIFY that Richard J. Sciortino, personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person, and acknowledged that he signed and delivered the said instrument as his free and voluntary act in his capacity as President of RJS Real Estate Services, Inc., as member of Brinshore Development, LLC, the sole member of Brinshore Holding, LLC, a managing member of Ogden North Manager, LLC, the managing member of Ogden North, LLC and as the free and voluntary act of said company for the purposes therein set forth. Given under my hand and official seal, this ____ day of _____, 2010.

Notary Public

ACKNOWLEDGMENT

STATE OF ILLINOIS)
) ss.
COUNTY OF COOK)

I, _____, a Notary Public, in and for said County, in the State aforesaid, DO HEREBY CERTIFY that William F. Little, the Executive Vice President of the Office of Development Management for the **Chicago Housing Authority**, an Illinois municipal corporation, who is personally known to me to be the same person whose name is subscribed to the foregoing instrument as such Executive Vice President, appeared before me this day in person and acknowledged that he or she signed and delivered said instrument as his own free and voluntary act and as the free and voluntary act of said municipal corporation, for the uses and purposes therein set forth.

GIVEN under my hand and official seal this _____ day of _____, 20__.

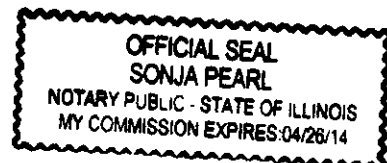
Notary Public

STATE OF ILLINOIS)
) ss.
COUNTY OF COOK)

I, the undersigned Notary Public in and for said County in the State aforesaid, DO HEREBY CERTIFY that Richard J. Sciortino, personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person, and acknowledged that he signed and delivered the said instrument as his free and voluntary act in his capacity as President of RJS Real Estate Services, Inc., as member of Brinshore Development, LLC, the sole member of Brinshore Holding, LLC, a managing member of Ogden North Manager, LLC, the managing member of Ogden North, LLC and as the free and voluntary act of said company for the purposes therein set forth. Given under my hand and official seal, this 1st day of September, 2010.



Notary Public



I, the undersigned Notary Public in and for said County in the State aforesaid, DO HEREBY CERTIFY that John O'Donnell, personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person, and acknowledged that he signed and delivered the said instrument as his free and voluntary act in his capacity as Vice President of Michaels Chicago Holding Company, LLC, and as the free and voluntary act of said company for the purposes therein set forth. Given under my hand and official seal, this 15th day of Sept, 2010.

CATHERINE A. FREAS
NOTARY PUBLIC OF NEW JERSEY
COMMISSION EXPIRES 6/30/2015