

RESOLUTION NO. 29215

A RESOLUTION TO MAKE CERTAIN FINDINGS RELATING TO THE BAYBERRY APARTMENTS DEVELOPMENT (ALCO WOODLAWN PARTNERS, LP), TO DELEGATE CERTAIN AUTHORITY TO THE HEALTH, EDUCATIONAL, AND HOUSING FACILITY BOARD, AND TO AUTHORIZE THE MAYOR TO ENTER INTO AND EXECUTE AN AGREEMENT FOR PAYMENTS IN LIEU OF AD VALOREM TAXES.

WHEREAS, pursuant to Tennessee Code Annotated, Section 48-101-312(b), the City of Chattanooga (the “City”) is permitted to delegate to the Health, Educational, and Housing Facility Board of the City of Chattanooga (the “Board”) the authority to negotiate and accept payments in lieu of ad valorem taxes from lessees of the Board for “multi-family housing facilities” or “multi-family housing units” which meet the definition of a project under Tennessee Code Annotated, Section 48-101-301 upon a finding by the Board that such payments are deemed to be in furtherance of the Board’s public purpose which determination shall be conclusive; and

WHEREAS, Alco Woodlawn Partners, LP (the “Company”) is proposing investment in and the provision of additional services in connection with 163 unit affordable housing community serving low income families with incomes below sixty (60%) percent of Area Median Income (collectively the “Project”) and, because of the substantial economic benefits to the City and Hamilton County resulting from the Project, has asked the Board and the City Council to approve payments in lieu of ad valorem taxes; and

WHEREAS, the Council has determined that payments in lieu of ad valorem taxes from such a project would be in furtherance of the Board’s public purposes as set forth within Tennessee Code Annotated, Section 48-101-312(b);

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF CHATTANOOGA, TENNESSEE, that the City Council does hereby find that the “multi-family housing facilities” project is in the best interest of the City, and that payments in lieu of ad valorem taxes derived therefrom would be in furtherance of the Board’s public purposes; and

BE IT FURTHER RESOLVED that, having made such a finding in this instance, the City Council does hereby delegate to the Board the authority to negotiate and accept payments in lieu of taxes from the Company, it being further noted that this delegation is for this purpose and this project only; and

FURTHER RESOLVED that the Mayor is hereby authorized to enter into an Agreement for Payments in Lieu of Ad Valorem Taxes in substantially the form attached hereto, with such changes thereto as he shall approve; and

BE IT FURTHER RESOLVED that this Resolution shall take effect from and after it’s a passage, the public welfare requiring it.

ADOPTED: October 17, 2017

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Bayberry Apartments PILOT Request

Alco Properties, Inc. and our partners are making a \$12.2 million investment in East Chattanooga. We are in the process of preserving 163 units of the limited supply of affordable housing for low-income families in Chattanooga and Hamilton County. Bayberry Apartments, formerly known as Woodlawn and Windsor Terrace Apartments, has been serving low-income families for over 40 years and is in need of a major physical renovation. Additionally, in recent years the property has struggled to deal with the broader issues of poverty and violence in East Chattanooga.

This renovation, in partnership with the City, the County, THDA, and HUD, will add years of life to the buildings, improve the residential units, and will add important services to the community. This project will greatly improve a formerly depressed apartment community and will allow many more low income families to be both well-housed and well-served for years to come.

We are seeking approval of a PILOT to freeze property taxes at their current level and to remove the Low Income Housing Tax Credit (LIHTC) subsidy from the property tax calculation during the 15 year credit period that corresponds with the proposed 15 year term of the PILOT. This PILOT is an integral piece of the proposed financing plan and will deliver a project that addresses both the critical need for affordable housing and the needs of low income families. Specifically the benefits of the PILOT fall into two categories, security and resident services.

Increased security at Bayberry will have a meaningful impact on the residents of the property and the broader community. Alco has been working with the Chattanooga Police Department to coordinate increased security at the property for the benefit of the residents and the neighborhood. In addition to the on-duty police services, we have engaged off-duty police officers to provide additional security at critical hours. The PILOT is essential for the long-term ability of the property to afford an enhanced police presence. In the same way that we are significantly improving the physical attributes of Bayberry, our goal is to rebuild this apartment community as a safe family environment that residents are proud to live in.

With a foundation of quality housing and a safe community, Alco wants to create an atmosphere where residents have the opportunity to thrive. The PILOT will allow Bayberry to offer resident services that benefit the children and families that live at Bayberry. Specifically, the property will use the PILOT savings to hire a resident service coordinator to work with and encourage residents of Bayberry to access the many resources available in Chattanooga and Hamilton County through partner organizations. Alco has a strong track record of partnering with local service providers to serve the needs of residents. Tutoring programs, computer classes, and summer programs are typical offerings anticipated for Bayberry. An on-site resident service coordinator offers the ability to help tailor referrals and programs to individual residents.

The PILOT is particularly important due to the relief it provides from the additional taxes specifically levied on properties financed with LIHTCs. If the Low Income Housing Tax Credits subsidy is fully taxed, the property would have an additional annual tax burden of \$30,000. The additional annual expense eliminates the ability to provide services and the appropriate level of security. The burden of these additional taxes also decreases the resources available for the long term financial viability of the property.

Without a PILOT, the project will not be able to provide the same level of services, security, and community amenities. With the PILOT, Bayberry Apartments will be a project that the residents, Alco, the City and the County can be proud of and use as a model for future affordable housing preservation.



Bayberry Apartments

PILOT Request

About Alco Properties, Inc. and Alco Management, Inc.

Alco Properties, Inc. and Alco Management, Inc. were founded by Frank Z. Jemison, Jr. in 1974 in Memphis, TN. Alco now owns and operates 57 apartment communities (5,618 units) in 9 states. Alco manages 16 additional properties (1,678 units) for 4 strategic partners, including Pennrose Properties. In 2012, Alco began managing Pennrose's HOPE VI developments in Memphis and in 2016 took over management of their Chattanooga properties. In addition to the Pennrose properties, Alco owns and manages 4 other affordable housing properties in the Chattanooga area.

Alco has extensive experience renovating and preserving Section 8 properties, similar to Bayberry Apartments, using Low Income Housing Tax Credits. We have completed 25 redevelopments since 2000 and are currently in progress on 7 projects in Tennessee and Kentucky.

Property History

Bayberry Apartments (formerly known as Woodlawn Apartments and Windsor Terrace) was originally constructed between 1971 and 1974. Alco Properties, Inc. purchased the property in order to renovate and preserve Bayberry Apartments as affordable housing for families in Chattanooga. The acquisition price was slightly below the appraised value by the Hamilton County Assessor. Alco Properties, Inc. has no affiliation with previous ownership and the sellers have no involvement in the new ownership.

Long-Term Affordability for Families below 60% of Area Median Income

- 100% of the units at Bayberry are affordable to residents with incomes at or below 60% of AMI, which is \$36,720 for a family of four.
- A minimum of 40% of units will be rented to residents with incomes at or below 30% of AMI, which is \$18,360 for a family of four.
- 100% of the units will benefit from a Section 8 HAP Contract, providing rental assistance to residents ensuring that tenants pay no more than 30% of their income for total rent and utilities.
- 30 year affordability commitment (100% at 60% AMI) made to the Tennessee Housing Development Agency.

Significant Rehabilitation

- \$5,900,000 in hard construction costs
- Exterior – New windows, roofs, doors, siding, and painting.
- Interior – New kitchens, bathrooms, HVAC systems, water heaters, and electrical fixtures.
- Site and Amenities – Security cameras, lighting, playgrounds, improved community building, and paving.

No residents displaced due to rehabilitation. Renovations are done trade by trade to minimize disruption to residents.



Bayberry Apartments PILOT Request

Unit Mix and Rents

	Units	Rent	Total Tenant Rent
1BR	24	640	30% of Tenant's Income*
2BR	104	730-740	30% of Tenant's Income*
3BR	35	770-780	30% of Tenant's Income*

*No resident will pay more than 30% of income for rent and utilities, because of the Section 8 contract. For example, a resident earning \$1,000 per month would pay \$300 per month in total for rent and utilities.

Development Sources and Uses

Sources

Mortgage Proceeds	7,047,000
Low Income Hsg Tax Credit Equity	4,930,424
Developer Equity	197,702
Total	\$12,175,126

Uses

Acquisition of Property	3,249,900
Construction & Development	7,413,634
Program & Transaction Expenses	1,332,794
Operating & Replacement Reserves	178,798
Total	\$12,175,126

PILOT Request

We are requesting a Chattanooga HEB PILOT for a 10 year base term and a 5 year phase in term (15 years total). Average Annual PILOT savings are estimated at approximately \$44,500 a year.

	2017 Taxes	Renovated (No PILOT) Estimated Taxes	Renovated (with PILOT) Estimated Taxes
City Taxes	\$30,950	\$54,390	\$30,950
County Taxes	\$37,065	\$65,136	\$65,136
LIHTC Tax	\$0	\$29,516	\$7,984
Total City and County	\$68,015	\$149,042	\$104,070



**AGREEMENT FOR PAYMENTS IN LIEU
OF AD VALOREM TAXES**

THIS AGREEMENT is made and entered into as of the ____ day of _____, 2018, by and among THE HEALTH, EDUCATIONAL AND HOUSING FACILITY BOARD OF THE CITY OF CHATTANOOGA, TENNESSEE (the “Board”); Alco Woodlawn Partners, L.P., a Tennessee limited partnership (the “Company”); the CITY OF CHATTANOOGA, TENNESSEE (the “City”); and HAMILTON COUNTY, TENNESSEE (the “County”) and is joined in, for purposes of evidencing their acceptance of the agency relationship established herein, by WILLIAM F. HULLANDER and his successors, acting in the capacity of HAMILTON COUNTY TRUSTEE (“Trustee”), and by MARTY HAYNES and his successors, acting in the capacity of HAMILTON COUNTY ASSESSOR OF PROPERTY (“Assessor”).

W I T N E S S E T H:

WHEREAS, the Company is contemplating the improvement of the properites located at 2300 Wilson Street, 1101 Arlington Ave., and 2300 Windsor Street in Chattanooga, Hamilton County, Tennessee, including the renovation, equipping and furnishing of a multifamily, low income housing tax credit apartment project with approximately 163 one, two and three bedroom units (collectively, the “Project”), and has requested the Board’s assistance in the financing of the Project; and

WHEREAS, substantial public welfare benefits to the City and County will be derived from the Project; and

WHEREAS, the Board has agreed to take title to certain real and personal property that constitutes the Project, as described in Exhibit “A” attached hereto (the “Property”), which Property is to be owned by the Board and leased to the Company; and

WHEREAS, because the Property is to be owned by the Board, which is a public corporation organized under the provisions of Tennessee Code Annotated, §48-101-301, et seq., all such property will be exempt from ad valorem property taxes (“property taxes”) normally paid to the City and to the County, so long as the Property is owned by the Board, pursuant to the provisions of Tennessee Code Annotated, §48-101-312; and

WHEREAS, for the public benefit of the citizens of the City and the County, the Board has requested that the Company make certain payments to the Board in lieu of the payment of property taxes that would otherwise be payable on the Property; and

WHEREAS, the Company has agreed to make such payments to the Board in lieu of the property taxes otherwise payable on the Property (the “In Lieu Payments”), as more particularly set forth hereinafter; and

WHEREAS, the Board has been authorized to receive the In Lieu Payments in lieu of property taxes by a resolution adopted by the City, acting through its duly elected Council, which resolution delegates to the Board the authority to accept the In Lieu Payments upon compliance with certain terms and conditions; and

WHEREAS, the Board wishes to designate the County Assessor as its agent to appraise the Property and assess a percentage of its value in the manner specified herein; and

WHEREAS, the Board wishes to designate the Trustee and the City Treasurer, as applicable, as its agent to receive the In Lieu Payments in accordance with the terms of this Agreement;

NOW, THEREFORE, IN CONSIDERATION OF the mutual covenants and agreements set forth herein, the parties hereto agree as follows:

1. Designation of Assessor; Appraisal and Assessment of Property. The Board hereby designates the Assessor as its agent to appraise and assess the Property. The Assessor shall appraise and assess the Property in accordance with the Constitution and laws of the State of Tennessee as

though the Property were subject to property taxes. According to Chapter 0600-10 of the Rules of the Tennessee State Board of Equalization, following renovation of the Property, such appraisal shall consist of two components: (i) the restricted use component (the “Restricted Income Value”) which will be based on the Assessor’s valuation of the Project’s operating income, and (ii) the LIHTC subsidy component (the “LIHTC Subsidy Value”) which will be based on the Assessor’s valuation of the LIHTC subsidy provided to the Project by the Tennessee Housing Development Agency (collectively the Restricted Income Value and the LIHTC Subsidy Value are hereinafter referred to as the “Renovated Project Value”). The Assessor shall give the Trustee, the City Treasurer, the Board, and the Company written notice of any changes in appraisals of the Property in the same manner that notices are given to owners of taxable property. The Assessor shall make available to the Board and the Company all records relating to the appraisal and assessment of the Property.

2. Designation of Trustee; Computation and Billing of Payments In Lieu of Taxes. The Board hereby designates the Trustee as its agent to compute the amounts of the In Lieu Payments. On or about October 1 of each year during the term of this agreement, the Trustee shall compute the taxes which would be payable on the Property if it were subject to property taxes, in accordance with the Constitution and laws of the State of Tennessee and in accordance with the appraisal and assessment of the Assessor. Each year hereunder, the Trustee shall send the Board and the Company a bill for appropriate amounts of In Lieu Payments (the “Tax Bill”).

3. Payments in Lieu of Taxes. After receipt of the Tax Bill, the Company shall pay to the Trustee the amounts indicated on the Tax Bill to be paid to the County and the Company shall pay to the City Treasurer the amounts on the Tax Bill to be paid to the City in accordance with the amount set forth below in Section 4. The In Lieu Payments shall be made by the Company in lieu of the property taxes which would otherwise be payable on the Property if it were subject to property taxes.

4. Amount of Payments by the Company.

(a) Payments for Unrenovated Project. For each of the years 2018 through 2032 (the "Real Property Tax Abatement Period"), the Company shall make In Lieu Payments with respect to the Property in an amount equal to one hundred percent (100%) of all City and County annual ad valorem property taxes levied in the base year of 2016 (the "Base Year") on the value of the Project, which value is \$3,667,200 (the "Unrenovated Project Value"). The intent is for the City and County to continue receiving throughout the term of this Agreement all taxes assessed as to the Unrenovated Project Value exclusive of the improvements made in connection with the renovation of the Project, which improvements are subject to the payment in lieu of tax obligations set forth in subsection (b), immediately below.

(b) Payments for Renovated Project.

(i) Applicability to the County. The provisions set forth in subsection (a), immediately above, and the provisions of paragraphs (ii) – (iv), immediately below, shall only apply to the County if and to the extent authorized by a duly adopted resolution of the County Commission of the County. Unless and until the County Commission authorizes the reduced In Lieu Payments set forth below, the Company shall make In Lieu Payments to the County in an amount equal to the County property taxes that would be due on the Property if it were subject to taxation.

(ii) School Tax on Renovations. After the renovation of the Project is completed and the Assessor of Property has determined the Renovated Project Value and reassessed the then renovated Property, the Company shall make In Lieu Payments in the amount required to satisfy the Hamilton County Schools portion of the property taxes that would be due on the improvements to the Property if it were subject to taxation (the "School Portion") based upon the increase in the Renovated Project Value over the Unrenovated Project Value (the "Renovation

Value”). The parties acknowledge and agree that the School Portion currently equates to 27.05% of the amount of the total City and County taxes that would have been payable on the improvements to the Property if it were subject to property taxes. The parties further acknowledge that the percentage of the School's Portion will vary as City and County tax rates change.

(iii) County General Fund Tax on Renovations. After the renovation of the Project is completed and the Assessor of Property has determined the Renovated Project Value and reassessed the then renovated Property, the Company shall also make In Lieu Payments in the amount equal to the Hamilton County general fund portion of the property taxes that would be due on the improvements to the Property if it were subject to taxation (the “County General Fund Portion”) based upon the increase in the Restricted Income Value over the Unrenovated Project Value. It being the intent that In Lieu Payments shall not be made for the Hamilton County general fund portion of the property taxes that would be due on the LIHTC Subsidy Value of the Project.

(iv) Phase In Period. After the renovation of the Project is completed and the Assessor of Property has determined the Renovated Project Value and reassessed the then renovated Property, additional In Lieu Payments on the improvements will be as follows:

Year	City General Fund ⁽¹⁾	County General Fund ^{(1) (2)}
	Renovation Value	LIHTC Subsidy Value
2018 – 2027	0%	0%
2028	20%	20%
2029	40%	40%
2030	60%	60%
2031	80%	80%
2032	100%	100%

⁽¹⁾ – The above percentages refer to the percent of the amount of taxes that would have been payable on the value if it were subject to property taxes.

⁽²⁾ – These percentages will only apply if and to the extent approved by the County Commission of Hamilton County, Tennessee. In the event that no such resolution is adopted, the applicable percentage shall be 100%.

As noted above, during such years 2018 to 2032 (the "Improvements Tax Abatement Period"; the Improvements Tax Abatement and the Real Property Tax Abatement Period collectively called the "Tax Abatement Period"), the Company shall continue to pay the School Portion attributable to the Hamilton County Schools and the General Fund Portion attributable to the County general fund. For any periods before or after the Tax Abatement Period that the Property is owned by the Board, the Company shall make In Lieu Payments in an amount, as determined by the Assessor and the Trustee, equal to one hundred percent (100%) of the amount of taxes that would have been payable on the Property if it were subject to property taxes.

5. Penalties and Late Charges; Affordability Requirement. The Company shall make the In Lieu Payments for each year before March 1 of the following year. All In Lieu Payments to the City and County shall be subject to penalties, late charges, fees and interest charges as follows:

(a) If the Company fails to make any In Lieu Payment when due, then a late charge shall be charged and shall also be immediately due and payable. The late charge shall be in the amount of one and one-half percent (1-1/2%) of the owed amount, for each month that each payment has been unpaid. Such one and one-half percent (1-1/2%) per month late charge amount shall accumulate each month and be payable so long as there remains any outstanding unpaid amount.

(b) If the Company should fail to pay all amounts and late charges due as provided hereinabove, then the Board, the City or the County may bring suit in the Chancery Court of Hamilton County to seek to recover the In Lieu Payments due, late charges, expenses and costs of collection in addition to reasonable attorneys' fees, and if the Company should fail to pay all amounts and late charges due as provided hereinabove for more than two (2) years, the City or the County may, as to their respective In Lieu Payments, terminate the benefits of this Agreement and thereafter require the Company to pay one hundred percent (100%) of the amount of taxes that would have been payable on the Property for so long as such payment default continues as determined by the Mayor of the City and

the Mayor of the County. In the event of a disagreement between the parties concerning whether or not the Company has cured a default, a representative of the Company may request that the City and County, as applicable, each meet to determine whether such default has been cured, and the Company and the City or the County, as the case may be, shall meet promptly thereafter and attempt in good faith to resolve such dispute. The Company may, in addition, file suit in the Chancery Court of Hamilton County to ask that the provisions of this Agreement be construed or applied to the relevant facts by the Chancery Court in order to resolve such dispute.

(c) The Company covenants as follows:

(i) The Project will be completed within twenty-four (24) months following the date of this Agreement.

(ii) After completion of the Project and during the Tax Abatement Period, 100% of the dwelling units in the Project will be set aside for occupancy by households whose income is not greater than 60% of the area median income as annually defined in the most recent guidelines published by the Department of Housing and Urban Development (the "Affordability Requirement").

(iii) After completion of the Project and during the Tax Abatement Period, the Project shall be maintained in habitable condition and in compliance with all applicable City and County ordinances and codes.

(iv) Beginning January 1, 2018, the Company shall provide services to tenants residing on the Property in accordance with the Community Benefit Plan set forth in Exhibit "C" (the "Community Benefit Plan")

(d)

(i) If the Company should fail to meet the Affordability Requirement under Section 5(c)(ii) above with respect to the Project and such failure continues for a period of more than one hundred eighty (180) days following receipt by the

Company of written notice from the City or the County specifying such failure in reasonable detail (an "Affordability Event of Default"), the City and the County may then require the Company to pay an additional In Lieu Payment based upon the difference between (i) the In Lieu Payments on the Property owed pursuant to Section 4 during the period of the continuance of such Affordability Event of Default and (ii) the full taxes that would have been payable on the Property if it were subject to property taxes multiplied by a fraction (expressed as a percentage), the denominator of which is the number of dwelling units at the Project subject to the Affordability Requirement and the numerator of which is the number of dwelling units that are not occupied by or available for occupancy by households whose income is not greater than 60% of the area median income as annually defined in the most recent guidelines published by the Department of Housing and Urban Development. The County and the City shall look solely to the Company for any repayment obligations.

(ii) If the Company should fail to spend the annual budget for services under the Community Benefit Plan, the City and the County (if applicable) may then require the Company to pay an additional In Lieu Payment based upon the difference between (i) the Company's actual expenditures on services set forth in the Community Benefit Plan; and (ii) the annual budget for the Company's expenditures set forth in the Community Benefit Plan.

(iii) In no event shall the Company be required to pay more in In Lieu Payments than the Company would have paid in property taxes, if the Property were subject to property taxes.

6. Disbursements by the Treasurer and Trustee. All sums received by the Treasurer pursuant to Section 4 for the benefit of the City general fund shall be disbursed to the general funds of the City in accordance with this paragraph and in accordance with the normal requirements of law

governing the settlement and paying over of taxes to counties and municipalities. All sums received by the Trustee pursuant to Section 4 for the benefit of the County general fund shall be disbursed to the general fund of the County in accordance with this paragraph and in accordance with the normal requirements of law governing the settlement and paying over of taxes to counties and municipalities. All such sums received by the Treasurer shall be placed into an account for the use and benefit of the City. All such sums received by the Trustee shall be divided into an account for the use and benefit of the County. The account for the use and benefit of the City shall be funded with the proportionate amount to which the In Lieu Payments are attributable to property taxes which would otherwise be owed to the City, and the account for the use and benefit of the County shall be funded with the proportionate amount to which the In Lieu Payments are attributable to property taxes which would otherwise be owed to the County. All sums received by the Trustee pursuant to Section 4 for the benefit of the County school system shall be disbursed to the County and thereafter deposited into an account for the educational use and benefit of the County schools. The parties acknowledge and agree that all disbursements to the City and County pursuant to this Agreement are in furtherance of the Board's purposes as set forth in Tennessee Code Annotated §48-101-302.

7. Contest by the Company. The Company shall have the right to contest the appraisal or assessment of the Property by the Assessor and the computation by the Trustee of the amount of the In Lieu Payment. If the Company contests any such appraisal or assessment, then it shall present evidence to the Assessor in favor of its position. Likewise, if the Company contests any such computation, it shall present evidence to the Trustee in favor of its position. If the In Lieu Payments being contested shall be or become due and payable, the Company shall make such payments under protest. The Company and the Assessor or the Trustee, as the case may be, shall negotiate in good faith to resolve any disputes as to appraisal, assessment or computation. If the Company and the Assessor or the Trustee are unable to resolve a dispute, then the Company may file suit in the

Chancery Court of Hamilton County to ask that the provisions of this Agreement, including those covering appraisal, assessment and computation, be construed or applied to the relevant facts by the Chancery Court in order to resolve such dispute.

8. Annual Report. The Company will provide the City, the County and the Board, on or before February 15 of each calendar year during this Agreement following the date the Project is placed in service, (i) a copy of the Owner's Annual Certification of Compliance that the Company has provided to the Tennessee Housing Development Agency for the prior calendar year, and (ii) a certification of the Company as to the Company's compliance with the covenants set forth in Section 5(c). Beginning on February 15, 2019 and on or before February 15 of each calendar year thereafter during this Agreement, the Company will also provide the City, the County and the Board with evidence of the Company's expenditures under the Community Benefit Plan. An independent audit of these certifications may occur if requested by the City or County during any calendar year of this Agreement.

9. Lien on Property. Any amounts which remain payable under this Agreement shall become a lien on the Property, and such lien shall be enforceable against the Property in the event that any payment owing hereunder is not timely made in accordance with this Agreement.

10. Term. This Agreement shall become effective on the date that the Board attains title to the Property and shall continue for so long as the Board holds title to any of the Property or the Company has made all payments required hereunder, whichever shall later occur.

11. Leasehold Taxation. If the leasehold interest of the Company should be subject to ad valorem taxation, then any amounts assessed as taxes thereon shall be credited against any In Lieu Payments due hereunder. The Company agrees to cooperate fully with the Assessor in supplying information for completion of leasehold taxation questionnaires with respect to the Property.

12. Stormwater Fees. In addition to other requirements under this Agreement, the Company shall be responsible for all stormwater fees assessed by the City of Chattanooga against the Real Property.

13. Notices, etc. All notices and other communications provided for hereunder shall be written (including facsimile transmission and telex), and mailed or sent via facsimile transmission or delivered, if to the City or the Board, c/o Mr. Phillip A. Noblett, Suite 200, 100 E. 11th Street, Chattanooga, Tennessee 37402; if to the County, c/o Mr. Rheubin M. Taylor, County Attorney, Hamilton County Government, Room 204, County Courthouse, Chattanooga, Tennessee 37402-1956; if to the Company, c/o Mr. Robert D. Hyde, Alco Woodlawn Partners, L.P., 35 Union Ave., Suite 200, Memphis, TN 38103; if to the Trustee, at his address at Hamilton County Courthouse, Chattanooga, Tennessee 37402; and if to the Assessor, at his address at Hamilton County Courthouse, Chattanooga, Tennessee 37402; or, as to each party, at such other address as shall be designated by such party in a written notice to the other party. All such notices and communications, when sent by U.S. certified mail, return receipt requested, shall be effective three days after sending, or when sent by overnight courier or personal delivery, shall be effective upon delivery, or when sent by facsimile transmission, confirmed electronically, shall be effective when sent, in each case addressed as aforesaid.

14. No Waiver; Remedies. No failure on the part of any party hereto, and no delay in exercising any right under this Agreement shall operate as a waiver thereof; nor shall any single or partial exercise of any right under this Agreement preclude any other or further exercise thereof or the exercise of any other right. The remedies provided in this Agreement are cumulative and are not exclusive of any remedies provided by law.

15. Assignment.

(a) Except in the event of the conveyance of the Property as a result of a foreclosure or deed in lieu of foreclosure or except as otherwise provided in this Section, the Company

may only assign this Agreement, or any part hereof, with the prior consent of the Mayor of the City, the Mayor of the County, and the Board. The Mayor of the City, the Mayor of the County and/or the Board shall not withhold such consent upon the occurrence of all of the following conditions: (i) there is no default under this Agreement at the time of the assignment, (ii) all requirements of the Company under this Agreement have been satisfied as of the date of the assignment, and (iii) any assignee agrees to provide proof of sufficient assets to fund the business plan for the Project and agrees to be bound by the terms of this Agreement from and after the date of assignment (the “Consent Requirements”). If the Company provides the Mayor of the City, the Mayor of the County and the Board (x) a certificate of an officer of the Company certifying that the requirements of (i) and (ii) have been satisfied and (y) proof of sufficient assets to fund the business plan for the Project and a copy of an assignment and assumption agreement pursuant to which the assignee agrees to be bound by the terms of this Agreement, the Mayor of the City, the Mayor of the County and the Board shall each have the option, upon at least seven (7) days’ prior notice to the Company, to meet with a representative of the Company within forty-five (45) days of receipt of the Company’s certificate for purposes of determining whether the Company has satisfied the Consent Requirements. Unless the Mayor of the City, the Mayor of the County and the Board meet with the Company and all state in writing within such forty-five (45) day period that the Company has not satisfied the Consent Requirements, the Company may assign this Agreement in accordance with the terms and conditions described in the Company’s certificate without any further action of the Mayor of the City, the Mayor of the County and/or the Board. In the event that the Mayor of the City, the Mayor of the County and the Board timely state in writing that the Company has not satisfied the Consent Requirements, the Company and the assignee may, upon the Company’s request, appear before the City Council of the City, the Board of Commissioners of the County and the Board to request approval of such assignment pursuant to the terms of this Section, which consents shall not be unreasonably withheld. Upon

satisfaction of the requirements of this Section, the assignment shall relieve the Company from liability for any of its obligations hereunder as of the effective date of the assignment.

(b) Notwithstanding the provisions of subsection (a), above, and notwithstanding any other provision in this Agreement or the Lease to the contrary, the Company may make a collateral assignment of all or any portion of its interests in this Agreement, the Lease and the Project for the benefit of one or more banks or other lenders that, from time to time, provide financing to the Company. Nothing in this Agreement or the Lease shall in any way restrict any sale or transfer of the leasehold interest and other interests of the Company in the Project pursuant to a judicial or non-judicial foreclosure sale as a result of the exercise of any one or more lender's rights under the applicable loan documents. The City, the County and the Board shall cooperate with the Company, to the extent reasonable and at no additional cost to the City, County or Board, in consummating any financing for the Company that involves a pledge or assignment of the Company's interests in this Agreement, the Lease or the Project. Without limitation of the foregoing, the Mayor of the City, the Mayor of the County, and the Chairman of the Board, or any of their respective designees, are authorized, upon the Company's request, enter into or consent to such documents as are necessary to consummate such financing including, without limitation, the "HUD Rider to Security Instrument" attached hereto as Exhibit "B" as well as additional consents to assignment, deeds of trust, estoppel certificates, subordination and non-disturbance agreements, affidavits and certificates, provided that any such documents are expressly non-recourse to the City, County and Board beyond the Board's interest in the Project.

16. Severability. In the event that any clause or provision of this Agreement shall be held to be invalid by any court or jurisdiction, the invalidity of any such clause or provision shall not affect any of the remaining provisions of this Agreement.

17. No Liability of Board's Officers. No recourse under or upon any obligation, covenant or agreement contained in this Agreement shall be had against any incorporator, member, director or officer, as such, of the Board, whether past, present or future, either directly or through the Board. Any and all personal liability of every nature, whether at common law or in equity, or by statute or by constitution or otherwise, of any such incorporator, member, director or officer, as such, is hereby expressly waived and released as a condition of and consideration for the execution of this Agreement.

18. Binding Effect. This Agreement shall be binding upon and inure to the benefit of each of the parties and signatories hereto and to their respective successors and assigns.

19. Governing Law. The Agreement shall be governed by, and construed in accordance with, the laws of the State of Tennessee.

20. Amendments. This Agreement may be amended only in writing, signed by each of the parties hereto, except that the Trustee and the Assessor shall not be required to join in amendments unless such amendments affect their respective duties hereunder.

[Signature Page Follows]

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

THE HEALTH, EDUCATIONAL AND HOUSING
FACILITY BOARD OF THE CITY OF
CHATTANOOGA, TENNESSEE

ATTEST:

By: _____
Secretary

By: _____
Chairman

ALCO WOODLAWN PARTNERS, L.P.

By: Alco Properties, Inc., its sole general partner

By: _____
Title: _____

CITY OF CHATTANOOGA, TENNESSEE

By: _____
Mayor

HAMILTON COUNTY, TENNESSEE

By: _____
County Mayor

WILLIAM F. HULLANDER

By: _____
Hamilton County Trustee

MARTY HAYNES

By: _____
Hamilton County Assessor of
Property

EXHIBIT "A"
TO AGREEMENT FOR PAYMENTS IN LIEU OF AD VALOREM TAXES

REAL PROPERTY

AS-SURVEYD DESCRIPTION

Tract One

A parcel of land situated in Chattanooga, Hamilton County, Tennessee being described in Deed book 2003, Page 763 Register's Office of Hamilton County (R.O.H.C.) known as Lots 1, 2, 3, 4, 5, 6, 7 and 8, Block 13, and Lots 1, 2, 3, 4, 5, 6, 7 and 8, Block 16, together with an abandoned alley, City of Chattanooga Ordinance No. 6324 an part of abandoned Taylor Street, City of Chattanooga Ordinance No. 5180 Woodlawn Subdivision Plat Book 2, Page 3, R.O.H.C. To find the point of beginning begin at the Northeast intersection of Arlington Avenue and Windsor Street, a 50 foot dedicated right of way North 66 degrees 12 minutes 14 seconds West 293.16 feet to a rebar corner; thence leaving said right of way and with and along the centerline of Taylor Street abandoned aforementioned also being the East line of Estate of Milton Vincent, Deed Book 8971, Page 694 (R.O.H.C.) North 23 degrees 58 minutes 51 seconds East 398.76 feet to an iron pipe corner; thence leaving said East line and with and along the South line of Marvin and Ronald Berke, Deed Book 5587, Page 395 R.O.H.C. and the South line of Tract No. 2, Woodlawn Apartments South 66 degrees 26 minutes 35 seconds East being the Southeast corner of Marvin and Ronald Berke aforementioned a total of 292.50 feet to an iron pipe corner; thence leaving said South line and with and along the West right of way of Arlington Avenue, a 50 foot public dedicated right of way South 23 degrees 53 minutes 33 seconds West 399.98 feet to a spike corner and the point of beginning. Said parcel contains 2.68 acres.

Tract Two

A parcel of land situated in Chattanooga, Hamilton County, Tennessee being a part of Deed 1884, page 246 Register's Office of Hamilton County (R.O.H.C.). To find the true point of beginning begin at the remote point of beginning which is the northeast corner intersection of Windsor Street an Arlington Avenue; thence with and along the West right of way of Arlington Avenue, a 50 foot public dedicated right of way North 23 degrees 53 minutes 33 seconds East 399.98 feet to an iron pipe corner and the true point of beginning; thence with and along the North line of Lot 1, Block 13, Woodlawn Subdivision, Plat book 2, Page 3, R.O.H.C., North 66 degrees 26 minutes 35 seconds West 260.00 feet to a point; thence leaving said North line and with and along the East line of Marvin and Ronald Berke, Deed Book 5587, page 395 R.O.H.C. with a series of calls and distances as follows: North 18 degrees 06 minutes 05 seconds East 95.12 feet to a point; thence North 03 degrees 39 minutes 00 seconds East 111.00 feet to a point; thence North 17 degrees 39 minutes 00 seconds East 90.00 feet to a point; thence North 11 degrees 24 minutes 00 seconds East 66.40 feet to an iron pipe corner and a point of curve; thence with a curve measured to the left an arc distance of 56.8 feet to a point of tangent, said curve has a radius of 42.2 feet a tangent of 33.63 feet and is subtended by a chord North 27 degrees 09 minutes 33 seconds West 52.06 feet; thence North 65 degrees 33 minutes 00 seconds 57.80 feet to a point; thence North 20 degrees 49 minutes 48 seconds East 359.51 feet to a rebar corner; thence leaving said East and with and along the South line of Wilson Street, a 50 foot public dedicated right of way South 66 degrees 16 minutes 19 seconds East 278.00 feet to a rebar corner; thence leaving said South right of way and with and along the West line of Lot 4, Fred W. Licker, Jr., (not recorded) South 23 degrees 53 minutes 00 seconds West 150.00 feet to a rebar corner; thence leaving said West line and with and along the South line of Lots 1 thru 4, Fred W. Licker, Jr. (not recorded) South 66 degrees 25 minutes 00 seconds East 172.00 feet to a rebar corner; thence leaving said South line and with and along the West right of way of Arlington Avenue, a 50 foot public dedicated right of way South 23 degrees 53 minutes 33 seconds West 595.90 feet to the true point of beginning. Said Tract 2 contains 5.70 acres.

AS-SURVEYD DESCRIPTION

Tract Three

A parcel of land situated in Chattanooga, Hamilton County, Tennessee as described in Deed Book 1899, page 376 Register's Office of Hamilton County (R.O.H.C.). Said parcel is known as Lots 1, 2, 3 and 4, Block 10, and Lots 1, 2, 3 and part of Lot 4, Block 14, Woodlawn Subdivision Plat Book 2, page 3 R.O.H.C., together with abandoned portion of Arlington Avenue and part of abandoned Taylor Street. To find the point of beginning begin at the Northwest corner of an unopened 10 foot alley and the South right of way of Windsor Street; thence with and along the West line of said unopened alley South 23 degrees 51 minutes 37 seconds West 199.30 feet to a rebar corner; thence leaving said West line and with and along the North line of Lot 5, Block 10 and Lot 5, Block 14, Woodlawn Subdivision Plat Book 2, page 3 R.O.H.C. and the right of way of Arlington Avenue North 66 degrees 10 minutes 20 seconds West 276.00 feet to a rebar corner; thence leaving said South line North 23 degrees 24 minutes 21 seconds East 7.97 feet to a rebar corner; thence continuing with and along the North line North 66 degrees 02 minutes 44 seconds West 89.00 feet to a rebar corner of Taylor Street abandoned; thence with and along the center line of Taylor Street abandoned North 23 degrees 52 minutes 23 seconds East 190.98 feet to a rebar corner; thence leaving said line and with and along the South line of Windsor Street, a 50 foot public dedicated right of way South 66 degrees 11 minutes 49 seconds East 365.00 feet to a spike corner and the point of beginning. Said parcel contains 1.65 acres.

PERSONAL PROPERTY

All personal property used by the Company in connection with its housing facility located on the real property described above.

EXHIBIT "B"

**RIDER TO SECURITY INSTRUMENT
FEE JOINDER**

WARNING: Federal law provides that anyone who knowingly or willfully submits (or causes to submit) a document containing any false, fictitious, misleading, or fraudulent statement/certification or entry may be criminally prosecuted and may incur civil administrative liability. Penalties upon conviction can include a fine and imprisonment, as provided pursuant to applicable law, which includes, but is not limited to: 18 U.S.C. 1001, 1010, 1012; 13 U.S.C. 3729, 3802; 24 C.F.R. Parts 25, 28 and 30; and 2 C.F.R. Parts 180 and 2424.

RIDER TO SECURITY INSTRUMENT FEE JOINDER

[Instructions: When using this form, amend the first paragraph of the Security Instrument to include the Ground Lessor as an accommodating “Joinder Party” to ensure proper indexing against the Ground Lessor among the land records.]

This Rider (“**Rider**”) is attached to and amends the Security Instrument entered into between _____ (“**Borrower**”) and _____ (“**Lender**”), dated as of _____.

[For a Mortgage OR Deed to Secure Debt, insert the following:]

[This Rider is provided to secure to Lender the repayment of the Indebtedness, and the performance of the covenants and agreements of Borrower and Ground Lessor contained in the Loan Documents, Borrower and Ground Lessor mortgage, warrant, grant, convey and assign to Lender the Mortgaged Property, including the Leasehold Estate and the Fee Estate in the Land located in _____ County, State of _____, and described in Exhibit A to the Security Instrument.]

OR

[For a Deed of Trust, insert the following:]

[Borrower and Ground Lessor, in consideration of the Indebtedness and the trust created by this Security Instrument, irrevocably grant, convey and assign to Trustee, in trust, with power of sale, the Mortgaged Property, including the Leasehold Estate and the Fee Estate in the Land located in _____ County, State of _____, and described in Exhibit A to the Security Instrument.]

To the extent any provisions of this Rider conflict with any provisions in the body of the Security Instrument to which this Rider is attached, the provisions of this Rider shall prevail. Any terms in the body of the Security Instrument not in conflict with the provisions of this Rider remain in full force and effect.

Notwithstanding anything else in the Security Instrument to which this Rider is attached, and for valuable consideration, the receipt and sufficiency of which the parties hereto hereby acknowledge and agree, and to induce the Lender to make the Loan to Borrower described in the Security Instrument, Borrower and Ground Lessor covenant and agree as follows:

1. Definitions

The following terms shall be added to Section 1 (Definitions) of the Security Instrument:

- (a) **“Fee Estate”** means that fee simple interest in the Land, presently held by Ground Lessor.
- (b) **“Ground Lease”** means that lease attached as Exhibit [], pursuant to which Borrower leases the Land from Ground Lessor, as such lease may be amended, modified, supplemented, renewed, and extended, but only with prior written approval of Lender and HUD.
- (c) **“Ground Lessor”** means that landlord, leasing the Land to Borrower pursuant to the Ground Lease.
- (d) **“Leasehold Estate”** means Borrower’s interest in the Land and all other real property, existing pursuant to the Ground Lease, including the following:
 - (i) All rights of Borrower to renew or extend the term of the Ground Lease.
 - (ii) All amounts deposited by Borrower with Ground Lessor under the Ground Lease.
 - (iii) Borrower’s right or privilege to terminate, cancel, surrender, modify, or amend the Ground Lease.
 - (iv) All other options, privileges and rights granted and demised to Borrower under the Ground Lease and all appurtenances and improvements with respect to the Ground Lease.

The following term will be modified in Section 1 (Definitions) of the Security Instrument:

- (e) **“Mortgaged Property”** retains that same definition as provided in the Security Instrument, excepting that it is extended to also include Ground Lessor’s present and future right, title and interest in and to those respective items (1-17), identified in the Security Instrument’s definition of “Mortgaged Property.”

2. Ground Lessor Joinder

- (a) Ground Lessor acknowledges and agrees that all rights and interests in the Fee Estate and Leasehold Estate and any indebtedness owed by Borrower (now or later existing) are encumbered by the Security Instrument.
- (b) By its execution and delivery of this Rider, Ground Lessor joins in the Security Instrument with the same intent and consequence as if Ground Lessor were originally a party to the Security Instrument, for the purpose of encumbering the Fee Estate with the lien of the Security Instrument, granting Lender a first priority lien on the Fee Estate, and acknowledging the agreements, covenants and obligations set forth in this Rider are applicable to Ground Lessor.
- (c) Ground Lessor represents that Ground Lessor possesses an unencumbered fee simple absolute estate in the Land and that it owns the Land and, to the extent not owned in fee

by Borrower, the Improvements, free and clear of all Liens, encumbrances and charges except for those otherwise approved by Lender and HUD.

- (d) Ground Lessor represents to Lender and HUD that it has the power, authority and right to execute this Rider and to deed, grant, convey and assign a security interest in Ground Lessor's right, title and interest in the Mortgaged Property pursuant to the terms of this Rider and to keep and observe all of the terms of this Rider to be performed by Ground Lessor under this Rider.
- (e) Ground Lessor agrees that it shall not without the prior written approval of Lender and HUD:
 - (i) Convey, assign, transfer, pledge, or encumber any part of the Mortgaged Property or any interest in the Mortgaged Property, except as provided for under the Ground Lease.
- (f) Ground Lessor acknowledges all of the following:
 - (i) Lender has not made any representations or warranties to Ground Lessor with respect to the creditworthiness of Borrower or the prospects of repayment of the Indebtedness.
 - (ii) Ground Lessor assumes full responsibility for keeping informed with respect to Borrower's business operations, if any, and financial condition to the extent Ground Lessor wishes to do so.
 - (iii) Lender will have no duty to disclose or report to Ground Lessor any information now or later known to Lender with respect to Borrower, including any information relating to any of Borrower's business operations or financial condition.
- (g) At any time, after Ground Lessor receives from Lender or HUD a notice of an Event of Default under any of the Loan Documents, Ground Lessor has the right (but will not be obligated) to make any payment, perform any obligation and take any other action that Borrower would have the right to pay, perform or take under the applicable Loan Document which Ground Lessor deems necessary or desirable to cure the Event of Default.
- (h) Ground Lessor acknowledges and agrees that, upon the occurrence of an Event of Default, Lender or Trustee (if applicable) may take such action, without notice or demand, including foreclosure of the Mortgaged Property, as it deems advisable, to protect and enforce its rights against Borrower, Ground Lessor, and in and to the Mortgaged Property, including the Land, to the fullest extent under the terms of this Rider, the Security Instrument, and the other Loan Documents.
- (i) Ground Lessor has no personal liability for the repayment of the Indebtedness or the performance of any of Borrower's obligations under the Loan Documents. Ground Lessor's liability is expressly limited to the Mortgaged Property. However, nothing in

this Rider limits the liability or obligations of Ground Lessor, in its capacity as landlord, under the Ground Lease.

3. Borrower's Acquisition of Fee Estate

- (a) If Borrower acquires the Fee Estate, there will be no merger between the Fee Estate and the Leasehold Estate unless all parties, including Lender, having an interest in the Ground Lease consent in writing to the merger of estates.
- (b) If Borrower acquires the Fee Estate during any period in which HUD insures or holds the Security Instrument and Note, Borrower must promptly notify HUD and Lender (if applicable) of such acquisition.
- (c) Simultaneously with Borrower's acquisition of the Fee Estate, the lien of this Security Instrument automatically, without the necessity of any further conveyance or recording, continues to cover the Fee Estate and remains prior to the Lien of any mortgage, deed of trust or other Lien placed on the Fee Estate after the date of this Security Instrument. Promptly after Borrower's acquisition of the Fee Estate, Borrower, at its sole cost and expense, including payment of Lender's attorneys' fees and costs and out-of-pocket disbursements, will execute and deliver all documents and instruments necessary to subject or further subject the Fee Estate to the first lien of this Security Instrument or to confirm and ratify such first lien, and must provide to Lender a title insurance policy insuring the lien of this Security Instrument as a first lien on the Fee Estate and the Leasehold Estate, as applicable.

Each signatory below hereby certifies that each of their statements and representations contained in this Rider and all their supporting documentation thereto are true, accurate, and complete, and that each signatory has read and understands the terms of this Rider. This Agreement has been made, presented, and delivered for the purpose of influencing an official action of HUD in insuring the Loan, and may be relied upon by HUD as a true statement of the facts contained therein.

IN WITNESS WHEREOF, Borrower and Ground Lessor have signed and delivered this Rider to the Security Instrument or have caused this Rider to the Security Instrument to be signed and delivered by their duly authorized representatives, as a sealed instrument.

THE HEALTH, EDUCATIONAL AND HOUSING
FACILITY BOARD OF THE CITY OF
CHATTANOOGA, TENNESSEE

By: _____
Chairman _____

ALCO WOODLAWN PARTNERS, L.P.

By: Alco Properties, Inc., its sole general partner

By: _____
Title: _____

EXHIBIT “C”

COMMUNITY BENEFIT PROGRAM – BAYBERRY APARTMENTS

A. Community Benefit Program

During the term of the Agreement, the Company will provide certain community benefits to residents of Bayberry Apartments, selected from the categories identified below. Each year, the Company will establish an annual budget of at least \$37,500 to provide a combination of resident services and security services for the benefit of residents of Bayberry. In the event that Hamilton County provides a 100% abatement on the non-school portion of the Low Income Housing Tax Credit portion of the real property taxes applicable to the Company’s investment in Bayberry, the Company will establish an annual budget of at least \$45,000 for these services.

B. Resident Services

The community benefit program will include certain resident services, developed in coordination with residents of Bayberry.

Service Coordination. As part of the service program, each resident will be asked to complete a comprehensive needs assessment that will assist in identifying the individual and family needs of the residents in the Bayberry community. The Company will hold an annual meeting with residents of Bayberry to discuss and select those programs and services that will offer the greatest benefit to residents. The Company will provide advance notice of the meeting to the City Council member and County Commission member in whose legislative district Bayberry Apartments is located. The on-site manager of Bayberry will also serve as liaison to these elected officials and will be available to meet upon request to discuss the status of resident services being provided under this program.

The Company anticipates contracting with one or more non-profit or other community support organizations to provide resident services under this program.

Potential Services – Adult Tenants. The programs considered for adult tenants of Bayberry will include:

1. Family Support
2. Life Skills
3. Targeted Coaching

Potential Services – Children of Tenants and Tenants with Children. The programs considered for tenants of Bayberry with children and for the children of tenants will include:

1. Family Support
2. Life Skills
3. Back to School Fair
4. After School Programs
5. Summer Programs
6. Targeted Coaching

C. Enhanced Security

Management of Bayberry Apartments will, from time to time, contract with off-duty police officers and/or private security services to provide on-site security.

Bayberry Apartments PILOT Request

Alco Properties, Inc. and our partners are making a \$12.2 million investment in East Chattanooga. We are in the process of preserving 163 units of the limited supply of affordable housing for low-income families in Chattanooga and Hamilton County. Bayberry Apartments, formerly known as Woodlawn and Windsor Terrace Apartments, has been serving low-income families for over 40 years and is in need of a major physical renovation. Additionally, in recent years the property has struggled to deal with the broader issues of poverty and violence in East Chattanooga.

This renovation, in partnership with the City, the County, THDA, and HUD, will add years of life to the buildings, improve the residential units, and will add important services to the community. This project will greatly improve a formerly depressed apartment community and will allow many more low income families to be both well-housed and well-served for years to come.

We are seeking approval of a PILOT to freeze property taxes at their current level and to remove the Low Income Housing Tax Credit (LIHTC) subsidy from the property tax calculation during the 15 year credit period that corresponds with the proposed 15 year term of the PILOT. This PILOT is an integral piece of the proposed financing plan and will deliver a project that addresses both the critical need for affordable housing and the needs of low income families. Specifically the benefits of the PILOT fall into two categories, security and resident services.

Increased security at Bayberry will have a meaningful impact on the residents of the property and the broader community. Alco has been working with the Chattanooga Police Department to coordinate increased security at the property for the benefit of the residents and the neighborhood. In addition to the on-duty police services, we have engaged off-duty police officers to provide additional security at critical hours. The PILOT is essential for the long-term ability of the property to afford an enhanced police presence. In the same way that we are significantly improving the physical attributes of Bayberry, our goal is to rebuild this apartment community as a safe family environment that residents are proud to live in.

With a foundation of quality housing and a safe community, Alco wants to create an atmosphere where residents have the opportunity to thrive. The PILOT will allow Bayberry to offer resident services that benefit the children and families that live at Bayberry. Specifically, the property will use the PILOT savings to hire a resident service coordinator to work with and encourage residents of Bayberry to access the many resources available in Chattanooga and Hamilton County through partner organizations. Alco has a strong track record of partnering with local service providers to serve the needs of residents. Tutoring programs, computer classes, and summer programs are typical offerings anticipated for Bayberry. An on-site resident service coordinator offers the ability to help tailor referrals and programs to individual residents.



The PILOT is particularly important due to the relief it provides from the additional taxes specifically levied on properties financed with LIHTCs. If the Low Income Housing Tax Credits subsidy is fully taxed, the property would have an additional annual tax burden of \$30,000. The additional annual expense eliminates the ability to provide services and the appropriate level of security. The burden of these additional taxes also decreases the resources available for the long term financial viability of the property.

Without a PILOT, the project will not be able to provide the same level of services, security, and community amenities. With the PILOT, Bayberry Apartments will be a project that the residents, Alco, the City and the County can be proud of and use as a model for future affordable housing preservation.



APPLICATION FOR RESIDENTIAL PILOT PROGRAM

1. APPLICANT CONTACTS

Name of individual(s) or legal entity: Alco Woodlawn Partners, L.P.

Address: 35 Union Ave., Suite 200

City: Memphis County: Shelby State: TN Zip: 38103

Phone: 901-544-1721 (rhyde1@alcomgt.com) Phone: 901-544-1723 (bburbank1@alcomgt.com)

Primary Contact: Robert Hyde / Berkeley Burbank

Name of property owner at the time of application submittal

Company/ Individual(s): Alco Woodlawn Partners, L.P.

Address: 35 Union Ave., Suite 200

City: Memphis County: Shelby State: TN Zip: 38103

Name any of the following that will be involved in the Project (with address and phone numbers):

Counsel for the Applicant: Mark W. Smith, Miller & Martin, PLLC

Architects and Engineers: Mitch M. Hall, MMH Hall Architects/Planners, Inc.

Contractor, if known: H. Greg Blankenship, GSB Contractors, Inc.

2. COMPANY BACKGROUND and ENTITY INFORMATION

Provide background information about the applicant and guarantors, including development experience, if any, and all other relevant information that may need to be considered while reviewing the application. State the names of the applying entity's representative(s) and any other financial guarantors of the Project and their addresses and telephone numbers if different from above. **Attach resume(s)/bios.**

Alco Woodlawn Partners, L.P., the applicant ("Applicant") is a TN limited partnership formed specifically as the ownership entity of the affordable housing development currently known as Bayberry Apartments ("Property"). Alco Properties, Inc. is the general partner of the Applicant and the Developer and Guarantor for the development.

Frank Z. Jemison, Jr. is the 100% owner of Alco Properties, Inc. and Alco Management, Inc. ("Alco") which he founded over 40 years ago. Since 1974 Frank and Alco have developed, owned and operated multifamily apartment communities across the Southeast. Currently Alco owns 60 apartment communities totaling 5,618 apartments in 9 states. Alco Management, Inc.

provides management services for 13 additional properties for a total portfolio of 7,296 units in 73 properties.

Since 2000 Alco has completed 25 acquisition rehabilitation projects similar to the proposed acquisition and rehabilitation of the Property. Please find attached a resume and project list further detailing Alco's experience and qualifications. Alco Resume attached.

Please disclose whether any applicant, guarantor or any other person involved with the project is currently engaged in any civil or criminal proceeding. Also disclose whether any individual involved with the project has ever been charged or convicted of any felony or currently is under indictment. Please supply detailed information.

No person or entity involved is engaged in any criminal proceeding nor has any person or entity charged, convicted or indicted for any felony. Attached is a listing of civil proceedings that have occurred during the normal course of business operating apartment communities. All are insured and none threaten the viability of Alco or the Applicant. Pending Litigation attached.

Describe the corporate or partnership structure of applicant.

Alco Woodlawn Partners, L.P., the applicant ("Applicant") is a TN limited partnership formed specifically as the ownership entity of the Property. Alco Properties, Inc. is the 0.009% general partner and Regions Bank is the Low Income Housing Tax Credit 99.991% Investor limited partner. Organizational Chart attached.

3. PROJECT INFORMATION

State the location of the proposed project by street address and legal description.

2300 Wilson Street, Chattanooga, TN 37406 (146D-A-009)

1101 Arlington Ave., Chattanooga, TN 37406 (146D-A-001)

2300 Windsor Street, Chattanooga, TN 37406 (146D-D-003)

Legal Description for each parcel attached. All parcels are contiguous and located in Chattanooga, TN 37406

If the Applicant does not presently own the Property, does the Applicant have a valid option to purchase the property? If so, please attach.

Applicant currently owns the property.

Describe any and all existing financing, options and liens on the Property.

- HUD insured first Mortgage and Regulatory Agreement – Love Funding Corporation
- Tax Exempt Bond Land Use Restriction Agreement (LURA) - Chattanooga HEB
- Low Income Housing Tax Credit LURA - Tennessee Housing Development Agency (upon completion)
- The property also benefits from a Housing Assistance Payment Contract with the US Department of Housing and Urban Development (“Section 8 HAP Contract”). To stay in compliance with the terms of the Section 8 HAP Contract 100% of the units at the property must be leased to low-income households at an affordable rent as defined by HUD.

4. PROJECT DESCRIPTION

Briefly describe the proposed Project. Include the following:

Project Overview: The Project is a 163 unit affordable housing community serving low income families with incomes below 60% of Area Median Income. All 163 units will be operated under a Section 8 HAP rental assistance contract with the US Dept. of HUD and Low Income Housing Tax Credit regulations, IRC Sec. 42. Accordingly, resident incomes will be restricted to 60% AMI and rental payments will be limited to 30% of monthly income ensuring affordability for all residents.

1. Total square footage of the proposed new or renovated building: 134,508 sf
2. Total square footage, if any, to be used for non-residential rental: 0 sf
3. If applicable, nature of any non-residential rental uses: NA
4. Total acreage of parcel(s) on which the building, parking, etc. will be constructed or renovated: 10.03 acres
5. Number of residential units, please include mix of unit type (1BR, 2BR, etc.):

1BR	24
2BR	104
3BR	35
TOTAL	163

6. If a renovation, attach architectural drawings and any available history on existing building(s):

Drawings Attached. All buildings are traditional 2 or 2½ story garden apartment buildings constructed in the early 1970s. They are wood framed buildings on traditional foundations that feature brick and siding exteriors with a combination of gables and hipped roof lines. The renovation will replace siding, windows, doors and roofing shingles on the exterior and the interior renovations will include new HVAC systems, bath room and kitchen systems as well as new electrical and lighting fixtures.

7. Attach architectural drawings for new construction : NA

8. Schedule of rent rates upon which the project's pro forma is based:

1BR	\$640
2BR	\$730
3BR	\$774

Please note, rents above are the Sec. 8 Contract Rents. Resident will only pay rent equal to 30% of household income. HUD Housing Assistance Payments pay the difference between the resident rent and the contract rent.

9. The number of units that will meet the Handicap Building Codes and Standards ("HBCS") and the Americans with Disabilities Act ("ADA") requirements? 5% of the total units, 9 units, will be modified to meet the Uniform Federal Accessibility Standards ("UFAS") and places of public accommodation (Leasing Office, Laundry Room, Community Room) on the site will be modified to meet ADA standards.

5. PROJECT SCHEDULE

Please include:

1. Estimated Project cost broken down by major categories (i.e. land, buildings, construction, equipment, soft costs, etc.)

Project Sources and Uses

Sources

FHA Insured First Mortgage/Tax Exempt Bonds	7,047,000
Low Income Housing Tax Credit Equity	4,930,424
<u>Developer Equity/Deferred Fee</u>	<u>197,702</u>
TOTAL Sources	12,175,126

Uses

Property Acquisition	3,249,900
Construction & Development Costs	7,413,634
Program & Transaction Expenses	1,332,794
<u>Operating & Replacement Reserves</u>	<u>178,798</u>
TOTAL Uses	12,175,126

2. Proposed schedule for the Project anticipated:
 - a. Closing of loan or availability of contributing financing
 - b. First expenditures and anticipated uses of funds
 - c. Anticipated start of construction

ACTIVITY	SCHEDULED DATE MONTH/YEAR
Site	
Option/Contract	October, 2015
Site Acquisition	December, 2016
Zoning Approval	Complete/Existing
Site Analysis	Complete/Existing
Financing	
Construction Loan	
• Loan Application	August, 2016
• Firm Commitment	October, 2016
Permanent Loan	
• Loan Application	August, 2016
• Firm Commitment	October, 2016
Tax Credit Syndication	
• Application	May, 2016
• Firm Commitment	July, 2016
Plans/Specs/Working Drawings	July, 2016
Closing and Transfer of Property	December, 2016
Construction Begins	January, 2017
Completion of Construction	November, 2017
Expected Placed In Service Date	November, 2017
Lease-Up	December, 2017

6. ADDITIONAL INFORMATION required for PILOT Program

1. State law requires that title to the project be conveyed to the local industrial development boards or the Health, Educational and Housing Facility Board (the "Board") in order for it to grant payments in lieu of taxes; the Board to which title is conveyed then leases the property to the applicant or entity designated by the applicant. Indicate who the lessee will be for the Project.

Lessee: Alco Woodlawn Partners, L.P.

1. State the tax parcel number for all property involved with the Project and the most recent assessed value of the Property

Tax parcel:	Assessed Value:
2300 Wilson Street, 146D-A-009	\$822,560
1101 Arlington Ave., 146D-A-001	\$251,720
2300 Windsor Street, 146D-D-003	\$266,120

1. Are any assessments presently under appeal? If so, describe the status of the appeal:
No
2. Will the Project result in the consolidation or subdivision of any present tax parcel?
No

Financing: Provide the following information about the loan or proposed loan for the Project.

1. Name, address and phone number of lender and contact person with lender

FHA Mortgagee:
Mark Brunisma
Love Funding Corporation
212 South Central, Suite 100
St. Louis, MO 63105
314-932-3582
mbrunisma@lovetesting.com

Tax Exempt Bond Underwriter:
Ted Fellman
Raymond James
One Burton Hills Blvd., Suite 225
Nashville, TN 37215-6299
615-665-6919
ted.fellman@raymondjames.com


Loan Amount: \$7,047,000
Interest Rate: 3.31%
Term: 35 Years

This application is made in order to induce grant financial incentives to the applicant. The applicant hereby represents that all statements contained herein are true and correct. All information materially significant in the consideration of the applicant is included. The applicant acknowledges that it has reviewed the descriptions of financial program for which it is applying and agrees to comply with those policies. The applicant acknowledges and agrees that the Lease Agreement and Agreement for Payments in Lieu of Ad Valorem Taxes shall not be executed until all necessary approval has been granted for the plans for the project.

COMPANY:

Alco Woodlawn Partners, L.P.

By: Alco Properties, Inc., general partner

By: 

Name: Robert D. Hyde
Title: President
Date: 5-11-17

Bayberry Apartments
2300 Wilson St.
Chattanooga, TN



Bayberry Apartments - Preservation

Built in the early 1970s, Bayberry (formerly known as Woodlawn Apartments and Windsor Terrace Apartments) is a Section 8 property that has provided affordable housing for over 40 years. Bayberry offers 163 apartments with a mix of 1, 2, and 3 bedroom units. Amenities include plentiful open space, playgrounds, picnic areas, on-site management, around the clock maintenance, an onsite laundry and ample parking. Preserving Bayberry Apartments will provide quality housing for low-income families in Chattanooga and Hamilton County for years to come.

The renovation will update the exterior with a contemporary design to increase the curb appeal of the property. The interiors of the units will be upgraded with new kitchens and bathrooms. New energy efficient heating and air conditioning along with new insulation will further enhance resident comfort while reducing utility bills. The upgrades will provide more than just housing, as the property will also add new security cameras, a community meetings space, and a computer center that will benefit the children and adults alike.

Bayberry Apartments

PROJECT OVERVIEW

The preservation of Bayberry Apartments will use the proceeds of tax exempt bonds, equity from the sale of Low Income Housing Tax Credits, an FHA-insured first mortgage, and owner's equity to acquire and renovate the property. The estimated cost of the development is \$12,200,000, or approximately \$75,000 per unit.

The renovation will update the site, the exterior of the property and all of the unit interiors. Renovations will increase energy efficiency and provide more amenities and services to the residents of the property.

Once complete, Bayberry will remain a 100% affordable, Section 8 community that will continue to serve low-income residents of Chattanooga and Hamilton County with incomes at or below 60% of the area median income.

UNIT MIX

1 BEDROOM UNITS	24
2 BEDROOM UNITS	104
3 BEDROOM UNITS	35
TOTAL	163

DEVELOPMENT TEAM

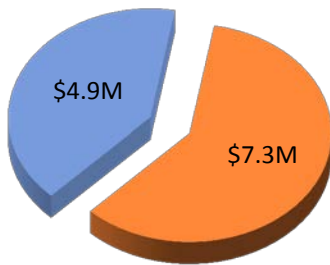
OWNER:	ALCO WOODLAWN PARTNERS, L.P.
DEVELOPER:	ALCO PROPERTIES, INC.
MGT. AGENT:	ALCO MANAGEMENT, INC.
ARCHITECT:	MMH HALL ARCHITECTS/PLANNERS, INC.
CONTRACTOR:	GSB CONTRACTORS, INC.

New Amenities The renovated property will offer more amenities and services to the residents. New amenities include new playgrounds, security cameras, a community meeting space, and a computer center.

Social Services Alco Management, Inc. has a strong track record of partnering with local service providers to serve the needs of residents. Onsite Service Coordinators offer Tutoring programs, computer classes and summer programs.

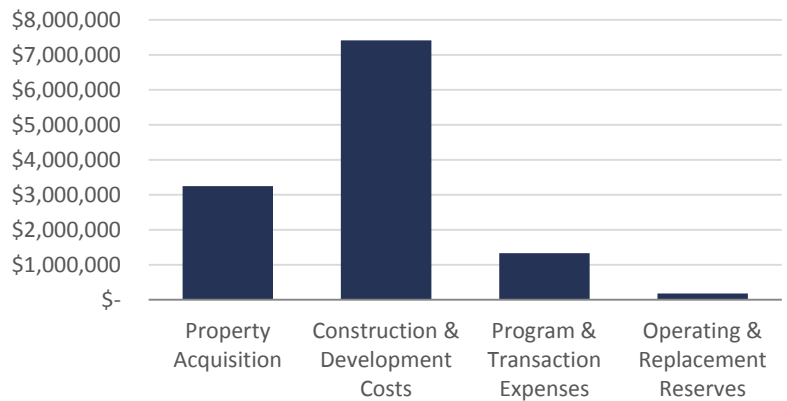
Professional Management Bayberry will be professionally managed by Alco Management, Inc. a Tennessee based company with over 40 years of experience managing affordable housing. Alco manages over 7,000 units in nine states across the Southeast.

Sources- \$12.2M



- FHA Mortgage, TE Bonds & Owner Equity
- Low Income Housing Tax Credit Equity

Uses - \$12.2M



ALCO Properties, Inc. & ALCO Management, Inc.

COMPANY OVERVIEW:

For four decades, Alco Properties, Inc. and Alco Management, Inc. (ALCO) have developed, acquired and managed apartment communities throughout the Southeastern United States. Frank Z. Jemison, Jr. is the CEO of both Alco Properties, Inc. and Alco Management, Inc., and has been the sole owner since establishing ALCO in 1974. During his tenure, he has overseen the construction, acquisition, disposition and management of more than eighty (80) apartment communities containing approximately ten thousand (10,000) apartment units. Currently, from our headquarters in Memphis and a regional office in Nashville, ALCO guides a balanced portfolio of over 7,000 conventional and affordable apartments. ALCO has ownership positions in over three quarters of the properties we manage.

With years of experience working with both the U. S. Department of Housing and Urban Development (HUD) and contract administrators throughout the Southeast, ALCO is widely-recognized as an expert in government housing programs, including Section 8, Section 236, Section 42 Low Income Housing Tax Credit and ACC Mixed Finance properties. Skilled in traversing the tricky landscape of government regulations, ALCO delivers investors added value with in-depth understanding of the various government programs available for affordable housing, and provides communities throughout the Southeast with quality apartments that, in many cases, address significant shortages in affordable housing. ALCO is recognized as an Accredited Management Organization (AMO) and a Specialist in Housing Credit Management Company (SHCM Company).

ALCO develops and manages properties with a passionate attention to detail. All ALCO developments begin with a comprehensive feasibility analysis and exploration of the most favorable financial options. Often an FHA insured mortgage is the preferred financing mechanism. ALCO has developed relationships with multiple FHA mortgages and HUD Multifamily Field Offices across the Southeast. Currently more than 75% of the properties in our portfolio have an FHA insured mortgage. Once a financing strategy is identified, ALCO coordinates and monitors the final financing structure, the architectural and construction work, and the management and regulatory compliance. Our start-to-finish record of delivering properties on time and on budget is one of the key reasons ALCO has developed successful apartment communities – garden style, mid-rise and high-rise – for over 40 years.

LOW INCOME HOUSING TAX CREDIT EXPERIENCE:

Since 2000 ALCO has been active in using the Low Income Housing Tax Credit program to develop affordable housing. In Arkansas, Kentucky and Tennessee we have successfully used tax credits in conjunction with tax-exempt bonds and other affordable housing funding mechanisms to acquire and renovate 29 properties totaling 3,163 units. Through the process we have developed or deepened relationships with multiple lenders, investors, issuers and housing finance agencies. These relationships and experiences have positioned ALCO to continue our strong tradition of growing our company through caring for our partners. In addition to the properties listed below we have acquired ownership and/or provide management services for an additional 1,252 tax credit units.

HOPE VI MIXED FINANCE, PHA EXPERIENCE:

Working in partnership with the multiple housing authorities and their private development partners Henry Turley Company/Belz Enterprises and Pennrose Properties, ALCO has been active in managing Mixed Finance properties in TN, GA, and AL since 2005. ALCO currently manages 15 HOPE VI and Housing Authority developments with a total of 1,597 units, 691 units receive ACC subsidy. The ACC units include a diverse range of unit and property types including scattered site single family, mid-rise elderly, urban walk up and garden style apartments. The ACC units are mixed with Class A downtown apartments, included in tax credit developments and scattered in resurgent single family neighborhoods.

ALCO Properties, Inc. & ALCO Management, Inc.

Frank Z. Jemison, Jr., Chief Executive Officer

Since 1974, Frank has guided the company toward its current status as a leader in managing apartment communities. His expertise in apartment finance and affordable housing programs has resulted in ALCO's balanced portfolio of conventional and affordable housing communities. He is responsible for the overall vision and strategy that guides ALCO's diverse portfolio.

Graduating with honors in engineering from Princeton University and Harvard University's Smaller Company Management Program, Frank serves on the Boards of the Institute for Responsible Housing Preservation and the National Leased Housing Association (NLHA).

Robert D. Hyde, President

After serving as ALCO's outside counsel as a partner in the Memphis law firm Farris Bobango PLC, Robert joined ALCO in 2002 to oversee legal matters, financial structuring of transactions, and recruitment of equity partners. In 2011, Robert became the President of ALCO and is responsible for all aspects of development, acquisition, construction, management and repositioning of ALCO's portfolio of communities. With an accounting degree from the University of Mississippi and a Juris Doctor from the University Of Mississippi School Of Law, Robert is a Certified Public Accountant (CPA) and a member of the Mississippi and Tennessee Bar Associations.

Michael D. Johnson, Executive Vice President

During his more than 30 years with ALCO, Michael helped develop the strategies which guided the company's significant growth and national recognition as one of America's largest managers of affordable housing. He cites a corporate culture which celebrates teamwork and empowers staff to serve others as a key to ALCO's success. Since starting his career at ALCO as an accounting manager, Michael has served as controller, chief financial officer and chief operating officer. He holds an honors degree in accounting and an MBA in finance from the University of Memphis. He is a Certified Public Accountant (CPA), Certified Information Technology Professional (CITP), National Affordable Housing Professional Executive (NAHPe) and Specialist in Housing Credit Management (SHCM). Michael is past President of the Southeastern Affordable Housing Management Association (SAHMA) and Vice-President of National Affordable Housing Management Association (NAHMA)

Sondra M. Wimbs, Vice President - Property Management

Beginning her career with ALCO in 1991 as a district property manager with a background in hotel and condominium management, Sondra supervises the day-to-day management and operations of all communities in ALCO's portfolio. Sondra holds an undergraduate degree from the University of Tennessee and is a Certified Property Manager (CPM), a Registered Apartment Manager (RAM), a National Affordable Housing Professional Executive (NAHPe), has the Fair Housing Compliance designation (FHC), is a Specialist in Housing Credit Management (SHCM), and is active in local professional housing organizations.

M. Stewart Carlin, Vice President - Asset Management

Since joining ALCO as a financial analyst in 1999, Stewart has successfully executed complex recapitalization plans and reduced utility costs through specific programs, as well as leading "green project" initiatives. As Vice President of Asset Management, Stewart develops and executes long-term, performance-enhancing strategies while monitoring budgets, capital requirements and the overall performance of properties across the ALCO portfolio. Stewart holds an undergraduate degree from Vanderbilt University and an MBA in Finance from the University of Memphis.

Berkeley C. Burbank, Vice President - Development

Berkeley has been active in the development of affordable housing since 1995. He joined ALCO's acquisitions and development team in 2006 to manage the financing and renovation of a number of our communities. He has experience working with a broad range of debt and equity sources including conventional and FHA mortgage programs, tax exempt bonds, low income housing tax credits, HOME and HOPE VI. In 2012, he also took on broader responsibilities for organizational development. Berkeley holds a degree in public policy from Stanford University.

ALCO Properties, Inc. & ALCO Management, Inc.

REFERENCES:

LENDERS/INVESTORS:

Name: Frank Peele
Title: Sr. Vice President
Organization: Regions Bank
Phone: 423-752-7802
E-mail: frank.peele@regions.com

Name: Amanda Hanson
Title: Sr. Vice President
Organization: First Tennessee Bank –
First Tennessee Housing Corporation
Phone: 901-523-4860
E-mail: alhanson@firsttennessee.com

Name: Lisa Toler
Title: Vice President Commercial Real Estate
Organization: Independent Bank
Phone: 901-844-0461
E-mail: Lisa@i-bankonline.com

PUBLIC SECTOR PARTNERS:

Name: Judith Smith
Title: Multifamily Supervisor
Organization: Tennessee Housing Development Agency
Phone: 615-815-2143
E-mail: jsmith@thda.org

Name: Jeremy Ratliff
Title: Director Multifamily Programs
Organization: Kentucky Housing Corporation
Phone: 502-564-7630x707
E-mail: jratliff@kyhousing.org

CONTRACTOR & ARCHITECT:

Name: Greg Blankenship
Title: CEO
Organization: GSB Contractors, Inc.
Phone: 901-388-9630
E-mail: gsbmemphis@aol.com

Name: Mitch Hall
Title: Principal
Organization: MMH Hall, Architects/Planners, Inc.
Phone: 901-725-1997
E-mail: mitch@mmhall.com

COMMUNITY SERVICE AGENCY:

Name: David Jordan
Title: Executive Director
Organization: Agape Child & Family Services, Inc.
Phone: 901-323-3600
E-mail: david.jordan@agapemeanslove.org

Name: Ephie Ballard-Johnson
Title: President/CEO
Organization: Neighborhood Christian Centers, Inc.
Phone: 901-881-6013
E-mail: ephiej@ncclife.org

RECENT AWARDS AND RECOGNITION:

1. 2015 Affordable Housing Advocate of the Year – Michael Johnson, EVP
National Affordable Housing Management Association (NAHMA)
2. 2015 Kentucky Affordable Housing Hall of Fame – Michael Johnson, EVP
U.S. Department of Housing and Urban Development, Louisville (KY HUD)
3. 2015 NAHMA Affordable 100
National Affordable Housing Management Association (NAHMA)
4. 2015 Top 100 Private Businesses
Memphis Business Journal
5. 2012 Outstanding Management Company of the Year
Kentucky Housing Corporation

Completed Tax Credit Projects

Year of Acquisition	Property Name	Property Location	Number of Units	Tax Credit Investor	Bond Issuer	Lender	Operating Subsidy	Other Funding
2000	South Pointe Apartments	Marianna, AR	80	First Tennessee Bank	ADFA	Love Funding- HUD 223a7	Section 8 HAP Contract	
2003	Chickasaw Place Apartments	Memphis, TN	271	First Tennessee Bank	HEHFB - Memphis	Love Funding- HUD 223f	Section 8 HAP Contract	PILOT
2003	Robinhood Park Apartments	Memphis, TN	104	First Tennessee Bank	HEHFB - Memphis	Love Funding- HUD 223f	Section 8 HAP Contract	PILOT
2005	Breezy Point Apartments	Memphis, TN	171	Regions Bank	HEHFB - Memphis	Love Funding- HUD 223f	Section 8 HAP Contract	PILOT, Sec. 236 IRP
2005	Knollcrest Apartments	Sparta, TN	50	Regions Bank	HEHFB - Memphis	Love Funding- HUD 223a7	Section 8 HAP Contract	Sec. 236 IRP
2005	Parkview Manor	Union City, TN	50	Regions Bank	HEHFB - Memphis	Love Funding- HUD 223f	Section 8 HAP Contract	Sec. 236 IRP
2005	Tyson Park Apartments	Paris, TN	40	Regions Bank	HEHFB - Memphis	Love Funding- HUD 223f	Section 8 HAP Contract	Sec. 236 IRP
2006	Greenbriar Apartments	Memphis, TN	208	Regions Bank	HEHFB - Memphis	Love Funding- HUD 223f	Section 8 HAP Contract	PILOT, Sec. 236 IRP
2006	Rolling Hills Apartments	Memphis, TN	138	Regions Bank	HEHFB - Memphis	Love Funding- HUD 223f	Section 8 HAP Contract	PILOT, Sec. 236 IRP
2007	Summit Park Apartments	Memphis, TN	402	First Tennessee Bank	HEHFB - Memphis	First Tennessee Bank		PILOT
2008	Southern Oaks Apartments	Georgetown, KY	58	Regions Bank	KHC	Wells Fargo Bank	Section 8 HAP Contract	Sec. 236 IRP
2008	Lincoln Terrace Apartments	Stanford, KY	48	Regions Bank	KHC	Wells Fargo Bank	Section 8 HAP Contract	
2008	Munfordville Apartments	Munfordville, KY	80	Regions Bank	KHC	Wells Fargo Bank	Section 8 HAP Contract	
2008	Pershing Park Apartments	Memphis, TN	160	Regions Bank	HEHFB - Memphis	Red Stone Partners	Section 8 HAP Contract	PILOT, HOME, 236 IRP
2010	Fallbrook Apartments	Nashville, TN	244	Regions Bank	HEHFB - Nashville	Wells Fargo - HUD 221d4	Section 8 HAP Contract	TCAP, NIBP
2010	Saints Court Apartments	Memphis, TN	128	Independent Bank	HEHFB - Memphis	Wells Fargo- HUD 221d4	Section 8 HAP Contract	PILOT, NIBP, TCAP, HOME
2010	Parsons Cove Apartments	Parsons, TN	50	1602 Direct Funding		Arbor Financial	Section 8 HAP Contract	
2010	Timber Creek Apartments	Camden, TN	44	1602 Direct Funding		Regions Bank	Section 8 HAP Contract	
2011	Todd Creek Apartments	Memphis, TN	150	Independent Bank	HEHFB - Memphis	Financial Federal Bank	Section 8 HAP Contract	PILOT, HOME
2012	Presidential West Apartments	Memphis, TN	112	Regions Bank		Greystone - HUD 221d4	Section 8 HAP Contract	PILOT
2013	Hillcourt Apartments	Huntingdon, TN	40	Regions Bank		Independent Bank	Section 8 HAP Contract	
2013	Brookfield Apartments	Paris, TN	50	Regions Bank		Independent Bank	Section 8 HAP Contract	
2013	Maple Street Apartments	Lebanon, KY	56	Regions Bank	KHC	Financial Federal Bank	Section 8 HAP Contract	HOME
2014	Royal Arms Apartments	Elkton, KY	48	Regions Bank		Love Funding- HUD 223(f)	Section 8 HAP Contract	
2015	Alco Apartments	Scottsville, KY	40	Regions Bank		Love Funding- HUD 223(f)	Section 8 HAP Contract	
2015	Belmont Court Apartments	Harrodsburg, KY	63	Regions Bank		Love Funding- HUD 223(f)	Section 8 HAP Contract	

Tax Credit Projects in Development

Year of Award	Property Name	Property Location	Number of Units	Tax Credit Investor	Bond Issuer	Lender	Operating Subsidy	Other Funding
2016 – 9%	Country Place Apartments	Columbia, KY	56	Regions Bank		Regions Bank	Section 8 HAP Contract	
2016 – 4%	Springbrook Apartments	Cleveland, TN	97	Regions Bank	Cleveland HEB	Love Funding- HUD 223(f)	Section 8 HAP Contract	PILOT
2016 – 4%	Woodlawn Apartments	Chattanooga, TN	163	Regions Bank	Chattanooga HEB	Love Funding- HUD 223(f)	Section 8 HAP Contract	PILOT
2016 – 9%	Eastern Heights Apartments	Memphis, TN	130	TBD		TBD	Section 8 HAP Contract	PILOT
2016 – 9%	Creekwood Village Apartments	Memphis, TN	96	TBD		TBD	Section 8 HAP Contract	PILOT

Tax Credit Projects Consulting

Year of Award	Property Name	Property Location	Number of Units	Tax Credit Investor	Bond Issuer	Lender	Operating Subsidy	Other Funding
2014	Wesley Highland Meadows	Memphis, TN	200	First Tennessee Bank		Love Funding- HUD 223(f)	Section 8 HAP Contract	PILOT
2015	Wesley Graceland Gardens	Memphis, TN	212	First Tennessee Bank		Love Funding- HUD 223(f)	Section 8 HAP Contract	PILOT

Alco Management, Inc. Portfolio Data

Total Properties	Total Units	Conventional	LIHTC	Section 8	Public Hsg
73	7296	1258	4415	4416	691

Pending Litigation
08/02/16

The following is a list of civil proceedings currently involving Alco Management, Inc. and/or its affiliates. All of the claims are insured.

1. Brian S. Walthall and Tamara Walthall v. Alco Management, Inc. an Eastern Heights Apartments.
 - a. Plaintiff alleges he was attacked by a pit-bull on the property.
2. Jessica Logan v. Alco Management, Inc. and Fallbrook Apartments.
 - a. Plaintiff alleges she fell on the property.
3. Jermamy Goodman v. Alco Robinhood Partners LP
 - a. Plaintiff alleges he was shot on the property.
4. Jessica Parnell v. Alco Management, Inc. and Rolling Hills Apartments
 - a. Plaintiff alleges a brick wall fell on him.
5. Delois Lewis v. Alco Management, Inc. and Summit Park Apartments.
 - a. Plaintiff alleges she fell on the property.
6. Nina Johnson v. Alco Management, Inc. and Todd Creek Apartments
 - a. Plaintiff alleges she was shot on the property.

EXHIBIT A
ARCHITECTURAL DRAWINGS

Submitted under separate cover.

EXHIBIT B
PROJECT COST ESTIMATE

15 year operating proforma - With PILOT

15 year operating proforma - No PILOT

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Sources and Uses - With PILOT

Detailed Project Budget - With PILOT

General Contractor Schedule of Values - HUD 2328

Alco Management, Inc.
Operating Proforma

With PILOT

Bayberry Apartments
Chattanooga, TN

Units	163	Alco Post Rehab Pro-Forma	Per Unit	Alco Pro-Forma Year 2	Alco Pro-Forma Year 3	Alco Pro-Forma Year 4	Alco Pro-Forma Year 5
Income							
Rental Income		\$ 1,421,640	\$ 8,722	\$ 1,450,073	\$ 1,479,074	\$ 1,508,656	\$ 1,538,829
less Vacancy Loss		63,974	392	65,253	66,558	67,890	69,247
Concessions		-	-	-	-	-	-
Office/Model/Staff		-	-	-	-	-	-
Bad Debt		7,108	44	7,250	7,395	7,543	7,694
Total Loss		71,082	436	72,504	73,954	75,433	76,941
Net Rental Income		1,350,558	8,286	1,377,569	1,405,121	1,433,223	1,461,887
Physical Occupancy		95.50%		95.50%	95.50%	95.50%	95.50%
Economic Occupancy		95.00%		95.00%	95.00%	95.00%	95.00%
Financial Revenue		530	3.25	546	562	579	596
Tenant Income		5,250	32.21	5,355	5,462	5,571	5,683
Other Income		3,250	19.94	3,315	3,381	3,449	3,518
Total Income		1,359,588	8,341	1,386,785	1,414,526	1,442,822	1,471,684
Expenses							
Administrative							
Mkt & Leasing		3,800	23	3,914	4,031	4,152	4,277
Office Exp.		22,000	135	22,660	23,340	24,040	24,761
Other Admin.		48,900	300	50,367	51,878	53,434	55,037
Management Fee		81,575	500	83,207	84,872	86,569	88,301
Service Coordinator/Programs		20,000	123	20,600	21,218	21,855	22,510
Payroll & Benefits							
Payroll		163,000	1,000	167,890	172,927	178,115	183,458
Benefits		45,640	280	47,009	48,419	49,872	51,368
Utilities							
Utilities - Electric		28,100	172	28,943	29,811	30,706	31,627
Utilities - Gas		-	-	-	-	-	-
Utilities - Water / Sewer		80,000	491	82,400	84,872	87,418	90,041
Operating & Maintenance							
Repairs & Maint.		41,000	252	42,230	43,497	44,802	46,146
Contracts		57,000	350	58,710	60,471	62,285	64,154
Turnover Exp.		16,000	98	16,480	16,974	17,484	18,008
Security		75,000	460	77,250	79,568	81,955	84,413
Taxes & Insurance							
Property Taxes		-	-	-	-	-	-
City - Current (Frozen)		30,950	190	30,950	30,950	30,950	30,950
City -Post Rehab Increment		-	-	-	-	-	-
County - Current		37,065	227	38,177	39,322	40,502	41,717
County -Post Rehab Increment		28,071	172	28,913	29,781	30,674	31,594
Tax Credit Tax - School Only		7,984	49	7,984	7,984	7,984	7,984
Misc. Tax, Fees		6,912	42	7,119	7,333	7,553	7,780
Insurance		52,975	325	54,564	56,201	57,887	59,624
Total Expenses		845,972	5,190	869,368	893,449	918,236	943,750
Replacement Reserve Deposits		52,975	325	54,564	56,201	57,887	59,624
Tax Credit Asset Mgt Fee		9,780	60	10,073	10,376	10,687	11,007
NET OPERATING INCOME		450,860	2,766	462,853	464,876	466,699	468,310
Proposed Annual Debt Service		357,596		357,596	357,596	357,596	357,596
Debt Service Coverage Ratio		1.26		1.29	1.30	1.31	1.31

Alco Management, Inc.
Operating Proforma

With PILOT

Bayberry Apartments
Chattanooga, TN

	Alco Pro-Forma Year 6	Alco Pro-Forma Year 7	Alco Pro-Forma Year 8	Alco Pro-Forma Year 9	Alco Pro-Forma Year 10	Alco Pro-Forma Year 11
Units	163					
Income						
Rental Income	\$ 1,569,605	\$ 1,600,998	\$ 1,633,017	\$ 1,665,678	\$ 1,698,991	\$ 1,732,971
less Vacancy Loss	70,632	72,045	73,486	74,956	76,455	77,984
Concessions						
Office/Model/Staff						
Bad Debt	7,848	8,005	8,165	8,328	8,495	8,665
Total Loss	78,480	80,050	81,651	83,284	84,950	86,649
Net Rental Income	1,491,125	1,520,948	1,551,367	1,582,394	1,614,042	1,646,323
Physical Occupancy	95.50%	95.50%	95.50%	95.50%	95.50%	95.50%
Economic Occupancy	95.00%	95.00%	95.00%	95.00%	95.00%	95.00%
Financial Revenue	614	633	652	671	691	712
Tenant Income	5,796	5,912	6,031	6,151	6,274	6,400
Other Income	3,588	3,660	3,733	3,808	3,884	3,962
Total Income	1,501,124	1,531,153	1,561,782	1,593,024	1,624,891	1,657,396
Expenses						
Administrative						
Mkt & Leasing	4,405	4,537	4,674	4,814	4,958	5,107
Office Exp.	25,504	26,269	27,057	27,869	28,705	29,566
Other Admin.	56,689	58,389	60,141	61,945	63,803	65,718
Management Fee	90,067	91,869	93,707	95,581	97,493	99,444
Service Coordinator/Programs	23,185	23,881	24,597	25,335	26,095	26,878
Payroll & Benefits						
Payroll	188,962	194,631	200,469	206,484	212,678	219,058
Benefits	52,909	54,497	56,131	57,815	59,550	61,336
Utilities						
Utilities - Electric	32,576	33,553	34,559	35,596	36,664	37,764
Utilities - Gas	-	-	-	-	-	-
Utilities - Water / Sewer	92,742	95,524	98,390	101,342	104,382	107,513
Operating & Maintenance						
Repairs & Maint.	47,530	48,956	50,425	51,938	53,496	55,101
Contracts	66,079	68,061	70,103	72,206	74,372	76,603
Turnover Exp.	18,548	19,105	19,678	20,268	20,876	21,503
Security	86,946	89,554	92,241	95,008	97,858	100,794
Taxes & Insurance						
Property Taxes						
City - Current (Frozen)	30,950	30,950	30,950	30,950	30,950	30,950
City -Post Rehab Increment	-	-	-	-	-	-
County - Current	42,968	44,258	45,585	46,953	48,361	49,812
County -Post Rehab Increment	32,542	33,518	34,524	35,560	36,626	37,725
Tax Credit Tax - School Only	7,984	7,984	7,984	7,984	7,984	7,984
Misc. Tax, Fees	8,013	8,253	8,501	8,756	9,019	9,289
Insurance	61,413	63,255	65,153	67,107	69,120	71,194
Total Expenses	970,012	997,044	1,024,869	1,053,510	1,082,992	1,113,339
Replacement Reserve Deposits	61,413	63,255	65,153	67,107	69,120	71,194
Tax Credit Asset Mgt Fee	11,338	11,678	12,028	12,389	12,761	13,144
NET OPERATING INCOME	469,700	470,854	471,761	472,407	472,779	472,863
Proposed Annual Debt Service	357,596	357,596	357,596	357,596	357,596	357,596
Debt Service Coverage Ratio	1.31	1.32	1.32	1.32	1.32	1.32

Alco Management, Inc.
Operating Proforma

With PILOT

Bayberry Apartments
Chattanooga, TN

	Alco Pro-Forma Year 12	Alco Pro-Forma Year 13	Alco Pro-Forma Year 14	Alco Pro-Forma Year 15
Units	163			
Income				
Rental Income	\$ 1,767,631	\$ 1,802,983	\$ 1,839,043	\$ 1,875,824
less Vacancy Loss	79,543	81,134	82,757	84,412
Concessions				
Office/Model/Staff	-	-	-	-
Bad Debt	8,838	9,015	9,195	9,379
Total Loss	88,382	90,149	91,952	93,791
Net Rental Income	1,679,249	1,712,834	1,747,091	1,782,033
Physical Occupancy	95.50%	95.50%	95.50%	95.50%
Economic Occupancy	95.00%	95.00%	95.00%	95.00%
Financial Revenue	733	755	778	801
Tenant Income	6,528	6,658	6,791	6,927
Other Income	4,041	4,122	4,204	4,288
Total Income	1,690,551	1,724,369	1,758,864	1,794,049
Expenses				
Administrative				
Mkt & Leasing	5,260	5,418	5,580	5,748
Office Exp.	30,453	31,367	32,308	33,277
Other Admin.	67,689	69,720	71,811	73,966
Management Fee	101,433	103,462	105,532	107,643
Service Coordinator/Programs	27,685	28,515	29,371	30,252
Payroll & Benefits				
Payroll	225,630	232,399	239,371	246,552
Benefits	63,176	65,072	67,024	69,035
Utilities				
Utilities - Electric	38,897	40,064	41,266	42,504
Utilities - Gas	-	-	-	-
Utilities - Water / Sewer	110,739	114,061	117,483	121,007
Operating & Maintenance				
Repairs & Maint.	56,754	58,456	60,210	62,016
Contracts	78,901	81,268	83,706	86,218
Turnover Exp.	22,148	22,812	23,497	24,201
Security	103,818	106,932	110,140	113,444
Taxes & Insurance				
Property Taxes				
City - Current (Frozen)	30,950	30,950	30,950	30,950
City -Post Rehab Increment	-	-	-	-
County - Current	51,307	52,846	54,431	56,064
County -Post Rehab Increment	38,857	40,023	41,223	42,460
Tax Credit Tax - School Only	7,984	7,984	7,984	7,984
Misc. Tax, Fees	9,568	9,855	10,151	10,455
Insurance	73,330	75,530	77,796	80,129
Total Expenses	1,144,578	1,176,733	1,209,833	1,243,905
Replacement Reserve Deposits	73,330	75,530	77,796	80,129
Tax Credit Asset Mgt Fee	13,538	13,944	14,362	14,793
NET OPERATING INCOME	472,644	472,107	471,236	470,015
Proposed Annual Debt Service	357,596	357,596	357,596	357,596
Debt Service Coverage Ratio	1.32	1.32	1.32	1.31

Alco Management, Inc.
Operating Proforma

No PILOT

Bayberry Apartments Chattanooga, TN		Alco Post Rehab Pro-Forma	Alco Per Unit	Alco Pro-Forma Year 2	Alco Pro-Forma Year 3	Alco Pro-Forma Year 4	Alco Pro-Forma Year 5
Units	163						
Income							
Rental Income		\$ 1,421,640	\$ 8,722	\$ 1,450,073	\$ 1,479,074	\$ 1,508,656	\$ 1,538,829
less Vacancy Loss		63,974	392	65,253	66,558	67,890	69,247
Concessions		-	-	-	-	-	-
Office/Model/Staff		-	-	-	-	-	-
Bad Debt		7,108	44	7,250	7,395	7,543	7,694
Total Loss		71,082	436	72,504	73,954	75,433	76,941
Net Rental Income		1,350,558	8,286	1,377,569	1,405,121	1,433,223	1,461,887
Physical Occupancy		95.50%		95.50%	95.50%	95.50%	95.50%
Economic Occupancy		95.00%		95.00%	95.00%	95.00%	95.00%
Financial Revenue		530	3.25	546	562	579	596
Tenant Income		5,250	32.21	5,355	5,462	5,571	5,683
Other Income		3,250	19.94	3,315	3,381	3,449	3,518
Total Income		1,359,588	8,341	1,386,785	1,414,526	1,442,822	1,471,684
Expenses							
Administrative							
Mkt & Leasing		3,800	23	3,914	4,031	4,152	4,277
Office Exp.		22,000	135	22,660	23,340	24,040	24,761
Other Admin.		48,900	300	50,367	51,878	53,434	55,037
Management Fee		81,575	500	83,207	84,872	86,569	88,301
Service Coordinator/Programs		-	-	-	-	-	-
Payroll & Benefits							
Payroll		163,000	1,000	167,890	172,927	178,115	183,458
Benefits		45,640	280	47,009	48,419	49,872	51,368
Utilities							
Utilities - Electric		28,100	172	28,943	29,811	30,706	31,627
Utilities - Gas		-	-	-	-	-	-
Utilities - Water / Sewer		80,000	491	82,400	84,872	87,418	90,041
Operating & Maintenance							
Repairs & Maint.		41,000	252	42,230	43,497	44,802	46,146
Contracts		57,000	350	58,710	60,471	62,285	64,154
Turnover Exp.		16,000	98	16,480	16,974	17,484	18,008
Security		50,000	307	51,500	53,045	54,636	56,275
Taxes & Insurance							
Property Taxes		-	-	-	-	-	-
City - Current		30,950	190	31,879	32,835	33,820	34,834
City -Post Rehab Increment		23,440	144	24,143	24,867	25,614	26,382
County - Current		37,065	227	38,177	39,322	40,502	41,717
County -Post Rehab Increment		28,071	172	28,913	29,781	30,674	31,594
Tax Credit Tax		29,516	181	29,516	29,516	29,516	29,516
Misc. Tax, Fees		6,925	42	7,133	7,347	7,567	7,794
Insurance		52,975	325	54,564	56,201	57,887	59,624
Total Expenses		845,957	5,190	869,635	894,007	919,093	944,915
Replacement Reserve Deposits		52,975	325	54,564	56,201	57,887	59,624
Tax Credit Asset Mgt Fee		9,780	60	10,073	10,376	10,687	11,007
NET OPERATING INCOME		450,875	2,766	462,585	464,318	465,842	467,145
Proposed Annual Debt Service		357,596		357,596	357,596	357,596	357,596
Debt Service Coverage Ratio		1.26		1.29	1.30	1.30	1.31

Alco Management, Inc.
Operating Proforma

No PILOT

Bayberry Apartments Chattanooga, TN		Alco Pro-Forma Year 6	Alco Pro-Forma Year 7	Alco Pro-Forma Year 8	Alco Pro-Forma Year 9	Alco Pro-Forma Year 10	Alco Pro-Forma Year 11
Units	163						
Income							
Rental Income		\$ 1,569,605	\$ 1,600,998	\$ 1,633,017	\$ 1,665,678	\$ 1,698,991	\$ 1,732,971
less Vacancy Loss		70,632	72,045	73,486	74,956	76,455	77,984
Concessions		-	-	-	-	-	-
Office/Model/Staff		-	-	-	-	-	-
Bad Debt		7,848	8,005	8,165	8,328	8,495	8,665
Total Loss		78,480	80,050	81,651	83,284	84,950	86,649
Net Rental Income		1,491,125	1,520,948	1,551,367	1,582,394	1,614,042	1,646,323
Physical Occupancy		95.50%	95.50%	95.50%	95.50%	95.50%	95.50%
Economic Occupancy		95.00%	95.00%	95.00%	95.00%	95.00%	95.00%
Financial Revenue		614	633	652	671	691	712
Tenant Income		5,796	5,912	6,031	6,151	6,274	6,400
Other Income		3,588	3,660	3,733	3,808	3,884	3,962
Total Income		1,501,124	1,531,153	1,561,782	1,593,024	1,624,891	1,657,396
Expenses							
Administrative							
Mkt & Leasing		4,405	4,537	4,674	4,814	4,958	5,107
Office Exp.		25,504	26,269	27,057	27,869	28,705	29,566
Other Admin.		56,689	58,389	60,141	61,945	63,803	65,718
Management Fee		90,067	91,869	93,707	95,581	97,493	99,444
Service Coordinator/Programs		-	-	-	-	-	-
Payroll & Benefits							
Payroll		188,962	194,631	200,469	206,484	212,678	219,058
Benefits		52,909	54,497	56,131	57,815	59,550	61,336
Utilities							
Utilities - Electric		32,576	33,553	34,559	35,596	36,664	37,764
Utilities - Gas		-	-	-	-	-	-
Utilities - Water / Sewer		92,742	95,524	98,390	101,342	104,382	107,513
Operating & Maintenance							
Repairs & Maint.		47,530	48,956	50,425	51,938	53,496	55,101
Contracts		66,079	68,061	70,103	72,206	74,372	76,603
Turnover Exp.		18,548	19,105	19,678	20,268	20,876	21,503
Security		57,964	59,703	61,494	63,339	65,239	67,196
Taxes & Insurance							
Property Taxes							
City - Current		35,880	36,956	38,065	39,207	40,383	41,594
City -Post Rehab Increment		27,173	27,989	28,828	29,693	30,584	31,501
County - Current		42,968	44,258	45,585	46,953	48,361	49,812
County -Post Rehab Increment		32,542	33,518	34,524	35,560	36,626	37,725
Tax Credit Tax		29,516	29,516	29,516	29,516	29,516	29,516
Misc. Tax, Fees		8,028	8,269	8,517	8,772	9,036	9,307
Insurance		61,413	63,255	65,153	67,107	69,120	71,194
Total Expenses		971,495	998,854	1,027,015	1,056,004	1,085,843	1,116,558
Replacement Reserve Deposits		61,413	63,255	65,153	67,107	69,120	71,194
Tax Credit Asset Mgt Fee		11,338	11,678	12,028	12,389	12,761	13,144
NET OPERATING INCOME		468,217	469,044	469,614	469,913	469,928	469,644
Proposed Annual Debt Service		357,596	357,596	357,596	357,596	357,596	357,596
Debt Service Coverage Ratio		1.31	1.31	1.31	1.31	1.31	1.31

Alco Management, Inc.
Operating Proforma

No PILOT

Bayberry Apartments Chattanooga, TN		Alco Pro-Forma Year 12	Alco Pro-Forma Year 13	Alco Pro-Forma Year 14	Alco Pro-Forma Year 15
Units	163				
Income					
Rental Income		\$ 1,767,631	\$ 1,802,983	\$ 1,839,043	\$ 1,875,824
less Vacancy Loss		79,543	81,134	82,757	84,412
Concessions		-	-	-	-
Office/Model/Staff		-	-	-	-
Bad Debt		8,838	9,015	9,195	9,379
Total Loss		88,382	90,149	91,952	93,791
Net Rental Income		1,679,249	1,712,834	1,747,091	1,782,033
Physical Occupancy		95.50%	95.50%	95.50%	95.50%
Economic Occupancy		95.00%	95.00%	95.00%	95.00%
Financial Revenue		733	755	778	801
Tenant Income		6,528	6,658	6,791	6,927
Other Income		4,041	4,122	4,204	4,288
Total Income		1,690,551	1,724,369	1,758,864	1,794,049
Expenses					
Administrative					
Mkt & Leasing		5,260	5,418	5,580	5,748
Office Exp.		30,453	31,367	32,308	33,277
Other Admin.		67,689	69,720	71,811	73,966
Management Fee		101,433	103,462	105,532	107,643
Service Coordinator/Programs		-	-	-	-
Payroll & Benefits					
Payroll		225,630	232,399	239,371	246,552
Benefits		63,176	65,072	67,024	69,035
Utilities					
Utilities - Electric		38,897	40,064	41,266	42,504
Utilities - Gas		-	-	-	-
Utilities - Water / Sewer		110,739	114,061	117,483	121,007
Operating & Maintenance					
Repairs & Maint.		56,754	58,456	60,210	62,016
Contracts		78,901	81,268	83,706	86,218
Turnover Exp.		22,148	22,812	23,497	24,201
Security		69,212	71,288	73,427	75,629
Taxes & Insurance					
Property Taxes					
City - Current		42,842	44,127	45,451	46,815
City -Post Rehab Increment		32,446	33,420	34,422	35,455
County - Current		51,307	52,846	54,431	56,064
County -Post Rehab Increment		38,857	40,023	41,223	42,460
Tax Credit Tax		29,516	29,516	29,516	29,516
Misc. Tax, Fees		9,586	9,873	10,170	10,475
Insurance		73,330	75,530	77,796	80,129
Total Expenses		1,148,175	1,180,721	1,214,223	1,248,710
Replacement Reserve Deposits		73,330	75,530	77,796	80,129
Tax Credit Asset Mgt Fee		13,538	13,944	14,362	14,793
NET OPERATING INCOME		469,046	468,118	466,845	465,210
Proposed Annual Debt Service		357,596	357,596	357,596	357,596
Debt Service Coverage Ratio		1.31	1.31	1.31	1.30

Bond Size:	\$7,047,000
Name of Property:	Bayberry Apartments
Issue:	
Term:	35 Years
Interest Rate:	3.31%
Amortization Period:	35 Years
Financing Costs As a Percentage Of Total Mortgage Amount:	6.42%
Sources and Uses of Funds	
<u>Sources</u>	
Mortgage Proceeds	\$7,047,000
Tax Credit Equity	\$4,930,424
Const. Period Op. Income - For Dev Costs	\$197,702
Total Sources	\$12,175,126
<u>Uses</u>	
Acquisition Costs	\$3,249,900
Construction/Rehabilitation Costs - Hard Costs	5,785,369
Owner Direct - Hard Cost / PILOT Enhancements	207,000
Real Estate - Soft Costs	557,241
Development Fee	1,421,266
Capitalized Interest	323,174
Financing Costs	452,379
Reserves - Taxes	0
Reserves - Partnership	178,798
Total Uses	\$12,175,126
Difference: Surplus/(Shortage)	\$0.00

Bayberry Apartments

Project Budget			Tax Credit Calculation			
Item	Per Unit	Total	Ineligible Basis	Eligible Basis	Acquisition Basis	Rehabilitation Basis
ACQUISITION						
Acquisition of Existing Structures	19,018	\$3,099,900		\$3,099,900	\$3,099,900	
Land Costs	920	150,000	(\$150,000)	\$0		
Sub-Total	19,938	3,249,900	(150,000)	3,099,900	3,099,900	\$0
DEVELOPMENT COSTS						
Hard Construction Costs	29,209	4,777,603		\$4,777,603		4,777,603
General Requirements (6%)	1,753	285,667		\$285,667		285,667
Overhead (2%)	584	95,222		\$95,222		95,222
Profit (6%)	1,753	285,667		\$285,667		285,667
Architect and Engineer	423	69,000		\$69,000		69,000
Contingency	1,670	272,208		\$272,208		272,208
Owner Direct - Hard Cost	1,270	207,000		\$207,000		207,000
Developer's Fee - Deferred	7,500	1,222,500		\$1,222,500		1,222,500
Developer's Fee and Overhead	8,719	1,421,266		\$1,421,266		1,421,266
Sub-Total	52,881	8,636,135	0	8,636,135	0	8,636,135
REAL ESTATE						
Appraisal & Market Study	114	18,600		18,600		18,600
PCNA/ A,E & Cost Estimator/Seismic	137	22,375		22,375		22,375
Environmental Surveys	80	12,960		12,960		12,960
Survey	54	8,750		8,750		8,750
Title & Recording	236	38,398	(38,398)	0	0	0
Tax Credit Monitoring Fee	600	97,800	(97,800)	0	0	0
Tax Credit Application & Reservation Fees	224	36,441	(36,441)	0	0	0
Cost Certification & Audit	46	7,500	(7,500)	0	0	0
Taxes & Insurance During Construction	1,587	258,752	(187,595)	71,157		71,157
LOC Fees Constr Pd (Assurance of Comp.)	50	8,166	(8,166)	0	0	0
Subsidy Layering Review Fee	0	0	0	0	0	0
Legal Partnership Fees	0	0	0	0	0	0
PILOT Lease	0	0	0	0	0	0
Real Estate Attorney	123	20,000		20,000		20,000
Construction Inspection Fees	169	27,500		27,500		27,500
Sub-Total	3,419	557,241	(375,899)	181,342	0	181,342
FINANCING COSTS						
Issuer Application and Closing Fee	9	1,500	(1,500)	0		
Issuer's Counsel	0	0	0	0		
THDA App, Commit and Incentive Fees	304	49,500	(49,500)	0		
Bond Counsel	215	35,000	(35,000)	0		
Borrower's Attorney	123	20,000	(20,000)	0		
Negative Arbitrage (in interest)	0	0		0	0	
Trustee Fee & Set-Up	80	13,000	(13,000)	0		
Rating Agency Fees	31	5,000	(5,000)	0		
Underwriter Expense/Legal	109	17,700	(17,700)	0		
Discount/Remarketing (0.6%)	301	49,000	(49,000)	0		
Equity Counsel & Financial Projections	313	51,000	(51,000)	0		
Mortgage App. & Origination Fees	663	108,061	(108,061)	0		
Misc: HUD Special Counsel & Soft Cost Cont.	337	55,000	(55,000)	0		
Mortgagee counsel	184	30,000	(30,000)	0		
MIP @ 100bp - 1st yr	108	17,618	(17,618)	0		
Sub-Total	2,775	452,379	(452,379)	0	0	0
REQUIRED RESERVES						
Reserves - Taxes	0	0	0	0		
Reserves - Partnership	1,097	178,798	(178,798)	0		
Sub-Total	1,097	178,798	(178,798)	0	0	0
CONSTRUCTION INTEREST						
Capitalized Interest	1,766	287,939	(115,176)	172,764	0	172,764
Negative Arbitrage	216	35,235		35,235		35,235
Sub-Total	1,983	323,174	(115,176)	207,999		207,999
Total	82,194	\$13,397,626	(\$1,272,252)	\$12,125,375	\$3,099,900	\$9,025,475
LESS DEFERRED FEE	(7,500)	(\$1,222,500)				
GRAND TOTAL PROJECT COST	74,694	\$12,175,126				

Tax Credit Calculation and Equity Proceeds	Acquisition	Rehabilitation	Total
Eligible Basis	\$3,099,900	\$9,025,475	\$12,125,375
Income Restricted	100%	100%	
Adjustment Factor	100.00%	130.00%	
Applicable Federal Rate	3.18%	3.24%	
Maximum Annual Federal Tax Credits	\$98,577	\$380,153	\$478,730
Maximum Total Federal Tax Credits	\$985,768	\$3,801,530	\$4,787,298
Tax Credits To Be Sold			99.99%
Purchase Price			\$1,030
Proceeds			\$4,930,424.06

**Contractor's and/or Mortgagor's
Cost Breakdown
Schedules of Values**

U.S. Department of Housing and
Urban Development
Office of Housing
Federal Housing Commissioner

OMB No. 2502-0044 (exp. 06/30/2016)

Public reporting burden for this collection of information is estimated to average 4 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. This information is required to obtain benefits. HUD may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB Control Number.

Section 227 of the National Housing Act (Section 126 of the Housing Act of 1954, Public Law 560, 12 U.S.C., 1715f), authorizes the collection of this information. The information is required for a general contractor when an identity of interest exists between the general contractor and the mortgagor or when the mortgagor is a non-profit entity and a cost plus contract has been used. The information is used by HUD to facilitate the advances of mortgage proceeds and their monitoring.

Privacy Act Notice. The United States Department of Housing and Urban Development, Federal Housing Administration, is authorized to solicit the information requested in this form by virtue of Title 12, United States Code, Section 1701 et seq., and regulations promulgated thereunder at Title 12, Code of Federal Regulations. While no assurances of confidentiality is pledged to respondents, HUD generally discloses this data only in response to a Freedom of Information request.

Date	Sponsor
8-24-2016	ALCO WOODLAWN PARTNERS, L.P.
Project No.	Building Identification
	1, 2, 3, 4, 5, 6, 7, 8, 1101, 1103, 1105 ARLINGTON 2300, 2302 AND 2304 WINDSOR
Name of Project	Location
WOODLAWN AND WINDSOR TERRACE APTS.	2300 WILSON ST., CHATTANOOGA, TN.

This form represents the Contractors and/or Mortgagors firm costs and services as a basis for disbursing dollar amounts when insured advances are requested. Detailed instructions for completing this form are included on the reverse side.

Line	Div.	Trade Item	Cost	Trade Description
1	3	Concrete	16,500	DUMPSTER PADS
2	4	Masonry		
3	5	Metals	125,000	STAIRS AND RAILINGS
4	6	Rough Carpentry	280,946	SIDING, TRIM & INTERIOR FRAMING
5	6	Finish Carpentry	18,000	INTERIOR TRIM
6	7	Waterproofing		
7	7	Insulation	64,034	ADD ATTIC INSULATION
8	7	Roofing	160,105	INSTALL 30 YEAR SHINGLES
9	7	Sheet Metal		
10	8	Doors	33,930	EXTERIOR APT. ENTRY DOORS
11	8	Windows	193,200	COMPLETE WINDOW REPLACEMENT
12	8	Glass		
13	9	Lath and Plaster		
14	9	Drywall	33,250	INTERIOR ADDITIONS & MODIFICATIONS
15	9	Tile Work	189,569	TUB SURROUND & CERAMIC BATH FLOORING
16	9	Acoustical		
17	9	Wood Flooring		
18	9	Resilient Flooring	106,500	VCT APARTMENT FLOORING
19	9	Painting and Decorating	51,460	INTERIOR/EXTERIOR PAINTING
20	10	Specialties	22,115	BUILDING SIGNAGE & BATH ACCESSORIES
21	11	Special Equipment		
22	11	Cabinets	320,290	KIT CAB (93 SETS) & VANITIES (163) & TOPS
23	11	Appliances	91,344	REFRIGERATORS, RANGES, HOODS & BACKSPLASH
24	12	Blinds and Shades, Artwork	11,592	MINI-BLINDS
25	12	Carpets		
26	13	Special Construction	96,700	MAIL CENTERS (2) AND ADA MODIFICATIONS
27	14	Elevators		
28	15	Plumbing and Hot Water	357,136	PER PLANS
29	15	Heat and Ventilation	571,550	BRYANT R410A SPLIT SYSTEMS (154)
30	15	Air Conditioning	571,550	BRYANT 15/16 SEER (154)
31	16	Electrical	1,095,009	PER PLANS - ENERGY STAR FIXTURES
32		Subtotal (Structures)	4,409,780	
33		Accessory Structures	99,745	OLM & COMMUNITY SPACE MODIFICATIONS
34		Total (Lines 32 and 33)	4,509,525	

Line	Div.	Trade Item	Cost	Trade Description	
35	2	Earth Work	22,000	EXCAVATION FOR NEW PARKING	
36	2	Site Utilities			
37	2	Roads and Walks	187,600	ASPHALT AND SIDEWALKS PER PLANS	
38	2	Site Improvements			
39	2	Lawns and Planting	42,000	PER PLANS	
40	2	Unusual Site Condition	251,600	Nonresidential and Special Exterior Land Improvement (costs included in trade item breakdown)	
41		Total Land Improvements		Offsite Costs (costs not included in trade item breakdown)	
42		Total Struct. & Land Imprvts.	4,761,125	Description	Est. Cost
43	1	General Requirements	285,668		
44		Subtotal (Lines 42 and 43)	5,046,793		
45		Builder's Overhead	95,222		
46		Builder's Profit	285,668	Total \$	
47		Subtotal (Lines 44 thru 46)	5,427,683		
48				Other Fees	
49		Other Fees	16,478	PERMIT	1,478
50		Bond Premium		BLDR'S RISK	15,000
51		Total for All Improvements	5,444,161	Demolition (costs not included in trade item breakdown)	
52		Builder's Profit Paid by Means Other Than Cash		Description	Est. Cost
53		Total for All Improvements Less Line 52	5,444,161	Total \$	16,478

I hereby certify that all the information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate.
Warning: HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802)

Mortgagor	By	Date
<i>Alco Woodman Partners, L.P.</i>	<i>[Signature]</i>	8-24-16
Contractor	By	Date
GSB CONTRACTORS, INC.	<i>H. Greg Blankenship</i>	8-24-2016
FHA (Processing Analyst)	Date	FHA (Chief, Cost Branch or Cost Analyst)
FHA (Chief Underwriter)	Date	

Instructions for Completing Form HUD-2328

This form is prepared by the contractor and/or mortgagor as a requirement for the issuance of a firm commitment. The firm replacement cost of the project also serves as a basis for the disbursement of dollar amounts when insured advances are requested. A detailed breakdown of trade items is provided along with spaces to enter dollar amounts and trade descriptions.
A separate form is prepared through line 32 for each structure type. A summation of these structure costs are entered on line 32 of a master form. Land improvements, General Requirements and Fees are completed through line 53 on the master 2328 only.

- Date**—Date form was prepared.
- Sponsor**—Name of sponsor or sponsoring organization.
- Project No.**—Eight-digit assigned project number.
- Building Identification**—Number(s) or Letter(s) of each building as designated on plans.
- Name of Project**—Sponsors designated name of project.
- Location**—Street address, city and state.
- Division**—Division numbers and trade items have been developed from the cost accounting section of the uniform system.
- Accessory Structures**—This item reflects structures, such as: community, storage, maintenance, mechanical, laundry and project office buildings. Also included are garages and carports or other buildings. When the amount shown on line 33 is \$20,000.00 or 2% of line 32 whichever is the lesser, a separate form HUD-2328 will be prepared through line 32 for Accessory Structures.

- Unusual Site Conditions**—This trade item reflects rock excavation, high water table, excessive cut and fill, retaining walls, erosion, poor drainage and other on-site conditions considered unusual.
- Cost**—Enter the cost being submitted by the Contractor or bids submitted by a qualified subcontractor for each trade item. These costs will include, as a minimum, prevailing wage rates as determined by the Secretary of Labor.
- Trade Description**—Enter a brief description of the work included in each trade item.
- Other Fees**—Includable are fees to be paid by the Contractor, such as sewer tap fees not included in the plumbing contract. Fees paid or to be paid by the Mortgagor are not to be included on this form.
- Total For All Improvements**—This is the sum of lines 1 through 50 and is to include the total builder's profit (line 46).

EXHIBIT C
PROPOSED LOAN TERMS

FHA insured first mortgage through Love Funding Corporation under HUD's 223(f) Tax Credit Pilot Mortgage Program.

The loan terms are as follows:

Loan Amount: \$7,047,000
Term: 35 years, fully amortizing
Interest Rate: 3.31%
MIP: 0.25% annually

EXHIBIT D
ANNUAL INCOME VERIFICATION FORM