

FORM OF
MEMORANDUM OF UNDERSTANDING
BETWEEN
SHREVEPORT HOME MORTGAGE AUTHORITY
AND
SPC DEVELOPMENT LLC
(GALILEE SENIOR HOUSING)

This Memorandum of Understanding (the “*MOU*”) is between the Shreveport Home Mortgage Authority (the “*Authority*”), a Louisiana public trust, and SPC Development LLC (the “*Developer*”), and is dated as of _____, 20__.

The Developer is a developer of affordable housing. The Authority is a local public trust authority whose mission and purpose is to provide safe, decent, and sanitary housing for residents at affordable prices and to manage resources efficiently and effectively. The City of Shreveport (the “*City*”) and Caddo Parish have a significant need for affordable housing for residents, and the Authority desires to assist in efforts to develop and substantially rehabilitate affordable housing. The Developer and the Authority hereby agree to work cooperatively to substantially rehabilitate affordable housing at the following location, in accordance with the terms of this MOU, a multifamily apartment housing facility consisting of a total of 126 units and related personal property and equipment, located in Shreveport, Louisiana and known as “Galilee Senior Housing” (the “*Project*”).

This MOU serves as a basis to move forward pursuant to these guidelines. In order to accomplish this purpose, the parties agree as follows:

AGREEMENTS:

A. Ownership Structure.

1. The Developer has formed Galilee Senior Housing LP, a limited partnership in good standing and qualified to do business in the State of Louisiana (the “*Company*”) for the purpose of developing the Project. The Developer or an affiliate will serve as the 0.01% general partner.
2. The Authority shall own the Project and lease the Project to the Company pursuant to the terms of a lease agreement (the “*Lease*”), which will contain, among other things, rentals sufficient to timely pay the PILOT (defined below). The terms and provisions of the Lease will be subject to the approval of the Company, which approval shall not be unreasonably withheld, delayed or conditioned.
3. The ownership structure contemplated herein is expected to generate a 100% *ad valorem* tax exemption on all current and future improvements and freeze any

Exhibit A

current *ad valorem* taxes as of January 1, 2021, due in part from the current improvements constituting the Project. In the Lease, the Company and the Authority will agree upon an annual payment in lieu of tax (a “**PILOT**”) to be paid by the Company to the Tax Collector (defined below). The first year of the PILOT is expected to commence in the tax year following the completion of rehabilitation of the Project. The Authority, as owner of the Project, shall work with the Caddo Parish Assessor to obtain confirmation of the availability of such exemption, as set forth in a tax exemption determination letter. The Company will agree to make an annual payment in lieu of tax directly to the Sheriff of Caddo Parish, as the tax collector for the Parish of Caddo (the “**Tax Collector**”) or to the Authority for remittance to the Tax Collector, who shall remit the PILOT to each of the *ad valorem* tax recipients in the Parish that would have received *ad valorem* taxes if the Project had been subject to *ad valorem* taxation. The percentage of each annual payment due to each of the *ad valorem* tax recipients shall be an amount equal to the percentage of the total *ad valorem* taxes that would have been applied to the Project with respect to each *ad valorem* tax recipient. The PILOT shall be in the amount of \$100 each year until December 31, 2037 or the termination of the Proposed Services Plan for tenants (the “**PILOT Termination Date**”); however, notwithstanding anything to the contrary, the tax exemption contemplated herein shall not exceed 20 years.

In addition, and pursuant to the terms of the Lease, the Company shall pay all fees and related expenses of the Authority as agreed to by the parties.

B. Financing.

1. The Developer additionally shall be responsible for applying in a timely manner to the Louisiana Housing Corporation (“**LHC**”) for the issuance by the LHC of tax-exempt bonds (the “**Bonds**”) to qualify the Project for the 4% Low Income Housing Tax Credits (“**LIHTCs**”). The Developer shall be responsible for obtaining LHC approval of the tax credits required under this MOU in order for the transaction to proceed as contemplated in this MOU. Assuming that the Developer’s efforts to arrange for the Bonds to be issued by the LHC and to obtain 4% LIHTCs for the Project are successful, the Company and the Developer shall enter into a development agreement (the “**Development Agreement**”) for the Project that will cover all aspects of the development of the Project. Said Development Agreement will comply with the provisions contained in this MOU.
3. The Developer shall be responsible for negotiating the allocation of the 4% LIHTCs generated by the Project to one or more LIHTC investors.
3. The Developer shall provide, or cause to be provided, any guarantees of financing and operating expenses that may be required (i) by the purchaser of the Bonds or the credit enhancer, if any, or (ii) by the Company’s LIHTC investors. The Developer will provide, or cause to be provided, guaranties from affiliates or principals of the Developer as required by the Company’s LIHTC investor(s) or lender.

Exhibit A

4. The obligations of the Developer under its guaranty agreements will be coterminous with its ownership of the Project and cease upon sale of the Project.

5. The Developer shall prepare construction and operating budgets for the Project, subject to the terms of Paragraph C.2 of this MOU.

C. Design and Construction.

1. The Developer shall be responsible for obtaining the services of design professionals for the proposed improvements for the Project. The design of the Project shall be subject to the Authority's review, comment and approval, which approval shall not be unreasonably withheld or delayed.

2. The Developer shall be responsible for negotiating one or more construction contracts for the substantial rehabilitation of the Project. Such construction contracts may be between the Developer and its affiliates.

3. The Developer shall be responsible for the development of the Project, including obtaining all governmental approvals and permits needed in order to substantially rehabilitate and operate the Project.

4. The Developer shall guarantee to the Company, its LIHTC investor(s) and any parties required under the Bond documentation, as required, delivery of the Project on time and within the approved budget. All construction cost savings shall be utilized as determined by the Developer in its sole discretion.

5. The Project shall be substantially rehabilitated so as to comply with ADA, section 504 requirements and applicable state and federal laws.

6. The Authority shall not be responsible for design, substantial rehabilitation or management of the Project.

D. Management and Operation.

Signature Property Management LLC, a Louisiana limited liability company or an equivalent property management company will manage the Project on a day-to-day basis, subject to entering into a management agreement with the Company on terms and conditions customary in the industry and acceptable to the lenders and the limited partner. The Company shall also execute an Asset Management Agreement with the Authority pursuant to which the Company will utilize an electronic asset management model ("*AMEC Model*") that will permit the Authority to establish the baseline pro forma for the Project as of the financial closing date. The Company will be required to provide annual audits of the Project not later than April 1 of each year so that the audited financials of the project may be compared to the projected pro forma in the AMEC Model.

E. Community Support.

Exhibit A

The Authority and the Developer shall be jointly responsible for interfacing with the community and attempting to obtain community support for the Project. The parties will consult with each other and coordinate the response to any media inquiries and/or public opposition to the Project that may arise in connection with the 4% LIHTC application or the bond issuance.

F. Fees and Expenses.

1. For its development of the Project, the Developer shall be entitled to receive a developer's fee of 15% of the Project's actual total development cost as calculated pursuant to LHC guidelines.

2. Neither party shall enter into any contractual relationship or agreement relating to the Project that would cause either financial or legal liability to the other, without the other party's prior written consent.

3. All reasonable legal fees and expenses incurred by the Authority for the Project in reliance upon this MOU shall be paid out of the Project budget at the Bond closing.

G. Miscellaneous.

1. The venue of any disputes between the parties shall be in the First Judicial District Court, Caddo Parish, Shreveport, Louisiana.

2. This MOU reflects the entire understanding between the parties and may only be amended in writing, signed by both parties.

3. The parties hereto are each prohibited from assigning any of its interests, benefits or responsibilities hereunder to any third party or related third party, without the prior written consent of the other party, such consent not to be unreasonably withheld.

4. The Authority's execution of this MOU is subject to approval by the Authority's Board of Trustees.

5. This MOU shall continue until terminated upon the occurrence of one of the following conditions:

(i) The Authority and the Developer sign a mutual consent to terminate this MOU;

(ii) Either party breaches its obligations under this MOU, the non-breaching party provides the breaching party notice of such fact and a 30-day opportunity to cure, and the breaching party fails to do so; or

(iii) Either party files for bankruptcy protection, makes an assignment for the benefit of creditors, has a receiver appointed as to its assets, or generally becomes insolvent.

Exhibit A

EXECUTED on the dates hereafter indicated, but to be effective as of the date above shown.

SHREVEPORT HOME MORTGAGE AUTHORITY

By: _____
Name: _____
Title: _____

Date: _____

SPD Development LLC

By: _____
Name: _____
Title: _____

Date: _____