

**FINANCIAL AGREEMENT PURSUANT TO THE LONG
TERM TAX EXEMPTION LAW,
N.J.S.A. 40a:20-1, et seq.
BETWEEN THE TOWNSHIP OF DELANCO AND
DELANCO FAMILY APARTMENTS LLC (name to be changed to Delanco Family
Apartments Urban Renewal LLC)**

THIS **FINANCIAL AGREEMENT** (hereinafter, the “Agreement”), is made as of this ____ day of _____, 2015, between DELANCO FAMILY APARTMENTS LLC (name to be changed to Delanco Family Apartments Urban Renewal LLC), a limited liability company of the State of New Jersey, having its principal office at 500 Barnegat Boulevard North, Building 100, Barnegat, New Jersey, 08005, herein designated as the “Entity,” and the TOWNSHIP OF DELANCO, a municipal corporation in the County of Burlington and the State of New Jersey, hereinafter designated as the “Township.”

WITNESSETH:

In consideration of the mutual covenants herein contained and for other good and valuable consideration, it is mutually covenanted and agreed as follows:

1. This Agreement shall be governed by the provisions of the Long Term Tax Exemption Law, as amended and supplemented, N.J.S.A. 40A:20-1, et seq. (the “Law”). It is expressly understood and agreed that the Township relies upon the facts, data, and representations contained in the Application of the Entity project for Tax Abatement pursuant to the Long Term Tax Exemption Law, 40A:20-1, et seq., (hereinafter, the “Application”) attached hereto as Exhibit “1.” The Entity shall at all times prior to the expiration or other termination of this Agreement remain bound by the provisions of the Law. Operation under this Agreement shall be terminable by the Entity in the manner provided by the Law.

2. The Township has granted and does hereby grant its approval for an urban renewal project, the nature, magnitude and description of which is disclosed below and in the accompanying Application, to be built under the provisions of the Law on the land described in said Application located at Block 2100, Lot 1 in the Township of Delanco, New Jersey (hereinafter, the “Project”). The Township finds that the redevelopment of the Project creates a substantial benefit to the Township when compared to costs, if any, associated with the tax exemption granted herein and, further finds that such tax exemption is of significant importance in obtaining the development of the Project and in influencing the locational decisions of probable occupants of the Project. A summary of the Project follows:

(a) The Project is a sixty-four (64) rental unit Low Income Housing Tax Credit project, comprised of a mix of one, two and three bedroom rental units. The sixty-four (64) rental units will be located in eight (8) buildings. The rental units will be leased exclusively to tenants whose incomes are at or below sixty percent (60%) of the area median income, and so qualifies as a “low and moderate income housing project” under the provisions of the New Jersey Long Term Tax Exemption Act and will be maintained as a low and moderate income housing project for a period of thirty (30) years from the completion of construction.

(b) The site for the Project will be conveyed to the Entity, which is a New Jersey limited liability company, and which will own the sixty-four (64) rental units. The Entity will be qualified as an “urban renewal” entity under the Law. The Entity will admit an investor member in connection with the Low Income Housing Tax Credit syndication of the Entity and Project.

(d) The Project’s proposed sources and uses is set forth on Exhibit “A” attached hereto and incorporated herein.

(e) The Project's proposed operating expenses are set forth on Exhibit "B" attached hereto and incorporated herein.

3. Approval hereunder is granted to the Entity for the undertaking of the Project on the lands referred to above, which shall in all respects comply and conform to all applicable statutes and municipal ordinances, and the lawful regulations made pursuant thereto, governing land, building(s) and the use thereof, and which Project is more particularly described herein and in the accompanying Application.

4. The Project to be constructed by the Entity shall be exempt from taxation on its improvements in accordance with the provisions of the Law and in the manner provided by this Agreement for a term of thirty (30) years from the completion of the entire Project but not more than thirty-five (35) years from the execution of this Agreement, and only so long as the Entity and the Project remain subject to the provisions of the Law and complies with this Agreement.

5. In consideration of the aforesaid exemption from taxation on improvement(s), the Entity, its successors and assigns shall make payment to the Township of an annual service charge of a sum equal to six and 28/100 percent (6.28%) for municipal services supplied to the Project (hereinafter the "Annual Service Charge") of the annual gross revenue determined pursuant to N.J.S.A. 40A:20-1, et seq. calculated from the first day of the month following the substantial completion of the Project. There is hereby established a schedule of Annual Service Charges to be paid over the term of the thirty (30) year exemption period which shall be in stages as follows:

(a) For the first stage of the exemption period, commencing upon substantial completion of the Project and for the fifteen (15) years thereafter (the "Commencement Date"), the Entity shall pay the Township an Annual Service Charge equal to six and 28/100 percent (6.28%) of the annual gross revenue.

For the remainder of the period of the exemption, the Annual Service Charge shall be determined as follows:

(b) For the second stage of the exemption period, which shall be for years sixteen (16) through twenty (20) of the exemption period, the Entity shall pay the Township an amount equal to either the amount determined pursuant to Paragraph 5(a) of this Agreement or twenty percent (20%) of the amount of taxes otherwise due on the value of the land and improvements, whichever shall be greater;

(c) For the third stage of the exemption period, which shall be for years twenty-one (21) through twenty-five (25) of the exemption period, the Entity shall pay the Township an amount equal to either the amount determined pursuant to Paragraph 5(a) of this Agreement or forty percent (40%) of the amount of taxes otherwise due on the value of the land and improvements, whichever shall be greater;

(d) For the fourth stage of the exemption period, which shall be for years twenty-six (26) through twenty-eight (28) of the exemption period, the Entity shall pay the Township an amount equal to either the amount determined pursuant to Paragraph 5(a) of this Agreement or sixty percent (60%) of the amount of taxes otherwise due on the value of the land and improvements, whichever shall be greater;

(e) For the final stage of the exemption period, which shall be for years twenty-nine (29) through thirty (30) of the exemption period, the Entity shall pay the Township an amount equal to either the amount determined pursuant to Paragraph 5(a) of this Agreement or eighty percent (80%) of the amount of taxes otherwise due on the value of the land and improvements, whichever shall be greater.

The Annual Service Charge shall be paid to the Township on a quarterly basis in a manner consistent with the Township's tax collection schedule.

Against the Annual Service Charge the Entity shall be entitled to credit for the amount, without interest, of the real estate taxes on the Project's land paid or that would have been due by it or by the owner of the Project's land in the last four (4) preceding quarterly installments. Notwithstanding the provisions of this section of the Agreement, the minimum Annual Service Charge shall be the amount of the total taxes levied against all the real property covered by the Project in the last full tax year in which the area was subject to taxation, and the minimum Annual Service Charge shall be paid in each year in which the Annual Service Charge calculated pursuant to this section of the Agreement would be less than the minimum Annual Service Charge. Prior to the Commencement Date, the Entity shall pay real estate taxes based on the assessed value of the Project as of the date of this Agreement. The calculation of the proposed Annual Service Charge is set forth on Exhibit "C" attached hereto and incorporated herein.

6. The Annual Service Charge payments for the first year of tax exemption shall be made on a pro rata basis, from the date of commencement of the exemption to the close of that calendar year, and, for the last calendar year of the tax exemption, from the first day of the calendar year to the date of termination of the exemption. Upon the termination of the exemption granted pursuant to the provision of the Law, the Project and all improvements made thereto shall be assessed and subject to taxation as are other taxable properties in the Township. After the date of termination, all restrictions and limitations upon the Entity shall terminate and be at an end upon the Entity's rendering its final accounting to and with the Township. Notwithstanding the foregoing, In the event of destruction of the Project improvements by fire or other disaster, the Entity will advise the Township within 120 days of the date of destruction

whether the Project improvements will be restored. If restoration will occur: (a) the Entity shall proceed with due diligence in commencing and completing the restoration and (b) the Agreement will not terminate and may be extended for the years where no payment was due based upon lack of improvements on the site. If restoration of the Project will not occur, the Agreement will be terminated, effective upon notification, and a final calculation of the Annual Service Charge payment due shall be made and delivered by the Entity within forty-five (45) days thereafter.

7. In the event of a breach of the Agreement by either of the parties hereto, or a dispute arising between the parties in reference to the terms and provisions as set forth herein, either party may, pursuant to N.J.S.A. 40A:20-9f, invoke the rules of the American Arbitration Association for resolution by arbitration (the “AAA Rules “). The arbitration shall be before one neutral arbitrator to be selected in accordance with the AAA Rules and whose decision shall be rendered in writing. The results of the arbitration shall be final and binding upon the parties, with each party paying its own costs of the arbitration and 50% of the costs of the neutral arbitrator, and judgment on the award may be entered in any court having jurisdiction thereof. In rendering the award, the arbitrator shall determine the rights and obligations of the parties according to the substantive and procedural laws of the State of New Jersey. The arbitration shall be held in Delanco, New Jersey, or at such other place as may be selected by mutual agreement of the parties. The arbitrator shall have no authority to award punitive damages or any other damages not measured by the prevailing party’s actual damages, and may not, in any event, make any ruling, finding or award that does not conform to the terms and conditions of this Agreement.

In the event of a default on the part of the Entity pursuant to its obligation to pay the Annual Service Charge as defined in Paragraphs 5 and 6 above, the Township may terminate the

tax abatement if the default is not remedied within ninety (90) days of the due date of the Annual Service Charge or in the alternative it reserves the right to proceed against the Entity's Project that is the subject of this Agreement, in the manner provided by N.J.S.A. 54:5-1 to 54:5-129 and any act supplementary or amendatory thereof, it being understood and agreed by the parties hereto that throughout N.J.S.A. 54:5-1 to 54:5-129 and any act supplementary or amendatory thereof, whenever the word "taxes" appears, or is applied, directly or impliedly to mean taxes or municipal liens on land, such statutory provision shall be read, as far as is pertinent to this Agreement, as if the Annual Service Charge were taxes or municipal liens on land. In any event, however, the Entity does not waive any defense it may have to contest the right of the Township to proceed in the above-mentioned manner by conventional or in rem tax foreclosure.

8. It is agreed between the parties that the Entity, at any time after the expiration of one (1) year from the completion of the Project, may notify the Township Committee of the Township that, as of a certain date designated in the notice, it relinquishes its status under the Law, and that the entity has obtained the consent of the Commissioner of the Department of Community Affairs to such a relinquishment. As of that date, the tax exemption, the service charges, and the profit and dividend restrictions for the Entity shall terminate. The date of termination of tax exemption, whether by relinquishment by the Entity or by terms of this Agreement, shall be deemed to be the close of the fiscal year of the Entity. Within ninety (90) days of that date, the Entity shall pay to the Township the amount of reserve, if any, maintained pursuant to section 15 or 16 of the Law, as well as the excess net profits, if any, payable as of that date.

9. The Entity shall be subject, during the period of this Agreement and tax exemption under the Law, to a limitation of its profits and in addition, in the case of a

corporation, of the dividends payable by it. Whenever the net profits of the Entity for the period, taken as one accounting period, commencing on the date on which the construction of the Project is completed and terminating at the end of the last full fiscal year, shall exceed the allowable net profits for the period, the Entity shall, within ninety (90) days of the close of the fiscal year, pay the excess net profits to the Township as an additional service charge. The Entity may maintain during the term of this Agreement a reserve for unpaid rentals, reasonable contingencies and/or vacancies in an amount not exceeding seven percent (7%) of the gross annual revenues of the Entity for the fiscal year preceding the year in which a determination is being made with respect to permitted net profits as provided in N.J.S.A. 40A:20-15. This seven percent (7%) reserve is established as required by the Low Income Housing Tax Credit regulations of the New Jersey Housing and Mortgage Finance Agency.

10. Within ninety (90) days after the date of such termination, the Entity shall pay the Township a sum equal to the amount of the reserve, if any, maintained pursuant to N.J.S.A. 40A:20-15 and 40A:20-16, as well as the excess net profits, if any, payable as of that date.

11. The Entity shall submit annually, within ninety (90) days after the close of each of its fiscal years, its auditor's reports of income and expenses related to the Project to the Mayor and Municipal Committee of the Township and to the Director of Local Government Services in the Department of Community Affairs having a mailing address of CN-805, Trenton, NJ 08625-0805.

12. The Entity shall, upon request, permit inspection of the Project, equipment, buildings and other facilities of the Entity by authorized representatives of the Township or the State of New Jersey. The Entity shall also permit examination and audit of its books, contracts,

records, documents and papers by authorized representatives of the Township or the State at the Entity's expense. Such inspection or examination shall be made during the reasonable hours of the business day, in the presence of an officer or agent of the Entity.

13. After examination of the books, contracts, etc. as set forth in Paragraph 12, the Township, in its reasonable discretion, may, within ninety (90) days after the close of any fiscal or calendar year (depending on the Entity's accounting basis) in which this Agreement remains in effect, require the Entity to submit an auditor's report for the preceding fiscal or calendar year, certified by a certified public accountant, to the Mayor, the Township Committee, the Finance Director and the Clerk of the Township. Said auditor's report shall include, but not be limited to, such details as may relate to the Project's cost and to the financial affairs of the Entity and to its operation and performance hereunder, pursuant to the Law, as amended and supplemented, and this Agreement, and shall be prepared in a manner consistent with the current standards of the Financial Accounting Standards Board. Said auditor's report shall be submitted to the representatives of the Township mentioned above within 90 days of receipt by the Entity of the Township's request for said auditor's report.

14. The failure on the part of the Entity to make timely payment of all municipal obligations, taxes, fees and charges arising out of this Agreement or in any way arising out of the affected Project, its land and/or improvements, or failure on the part of the Entity to comply with the requirements of the aforementioned audit, or with any other substantive condition of this Agreement shall permit the Township to exercise such remedies as may be provided by the Law or this Agreement, provided that this Entity shall have received from the Township a Notice of Default and Intent to Terminate, in which case the Entity shall have ninety (90) days in which to cure any default and avoid such termination.

15. Any notice required hereunder to be sent by either party to the other, shall be sent by certified mail, return receipt requested, or by a nationally recognized overnight delivery service, addressed as follows:

(a) When sent by the Township to the Entity it shall be addressed to: Entity, 500 Barnegat Boulevard North, Building 100, Barnegat, New Jersey, 08005, unless prior to giving such notice the Entity shall have notified the Township otherwise in writing.

(b) When sent by the Entity to the Township, it shall be addressed to the Township Clerk, 770 Coopertown Road, Delanco, NJ 08075, unless prior to giving such notice the Township shall have notified the Entity otherwise in writing.

16. It is understood and agreed that in the event the Township shall be named as a party defendant in any action brought against the Entity by reason of any breach, default, or a violation of any of the provisions of this Agreement and/or the provisions of N.J.S.A. 40A:20-1, et seq., the Entity shall indemnify and hold the Township harmless and shall further defend any such action at its own expense. Notwithstanding anything in the Agreement to the contrary, the Entity's liability under this Agreement shall be limited to its interest in the Project. However, the Township maintains the right to intervene as a party thereto, to which intervention the Entity consents, the expense thereof to be borne by the Township.

17. The Entity shall have and may exercise such of the powers conferred by law on limited liability companies as shall be necessary for the operation of the business of the Entity and as shall be consistent with the provisions of the Law, and, in addition shall have and may exercise the powers set forth in the Law, but only so long as this Agreement, together with any amendments thereto, is in effect with the Township pursuant to the Law.

18. Upon the prior written approval of the Township and pursuant to the Law, the Entity may transfer the Project to another urban renewal entity organized pursuant to the Law, their successors, assigns, all owning no other project at the time of the transfer. Upon assumption by the transferee urban renewal entity of the transferor's then remaining obligations under this Agreement, the tax exemption of the improvements of the Project shall continue and inure to the transferee urban renewal entity, its respective successors or assigns.

However, any change made in the ownership of the Project which, as determined by the Township in its reasonable discretion, would materially affect the terms of this Agreement, shall render this Agreement voidable unless approved by the Township Committee by resolution. It is understood and agreed that the Township may, on written application by the Entity, consent to a sale of the Project and the transfer of the Agreement to an urban renewal corporation or association eligible to function under the Law provided the Entity is not in default as respects any performance required of it hereunder and full compliance with the terms and conditions of N.J.S.A. 40A:20-1, et seq. has occurred and the Entity's obligation under this Agreement with the Township is assumed by the transferee.

If the Entity has, with the consent of the Township, transferred its Project to another urban renewal entity which has assumed the then remaining contractual obligations of the Entity with the Township, the Entity shall be discharged from any further obligation under this Agreement, and shall be qualified to undertake another project with the same or a different municipality.

The Township recognizes and acknowledges that the Entity is a New Jersey limited liability company and as such intends to sell membership interests in the Entity through

syndication. The Township specifically recognizes and consents to such syndication and sale or resale of partnership interests in the Entity.

19. Where approval or consent of the Township is sought for an assignment of the Agreement, either the Entity or its assignee shall be required to pay to the Township a reasonable fee for the legal services of the Township's counsel, related to the review, preparation, and/or submission of papers to the Township Committee for its appropriate action on the request assignment.

20. Reference to the Long Term Exemption Law shall mean N.J.S.A. 40A:20-1, et seq., as amended and supplemented.

21. The Entity shall, from the time the Annual Service Charge becomes effective, and on the same due dates as scheduled for the payment of land taxes, pay the Township the estimated 1/4 of the Annual Service Charge on the Project's improvements until the correct amount due from the Entity as the Annual Service Charge on the Project's improvements is determined after any review and examination by the Township of the Entity's books and records and for submission to Township of any auditor's reports pursuant to Paragraphs 12 and 13 above.

Within 90 days after the correct amount due from the Entity as the Annual Service Charge on the Project's improvements has been determined by the Township's Finance Director and notice of same given to the Entity, the Township and the Entity will adjust and pay any over or under payment so made, or needed to be made.

22. All conditions in the Ordinance of the Township Committee approving this Agreement are hereby incorporated in this Agreement and made a part hereof.

[remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties have caused these presents to be executed the date and year first above written.

ATTEST/WITNESS:

DELANCO FAMILY APARTMENTS LLC (name to be changed to Delanco Family Apartments Urban Renewal LLC), a New Jersey limited liability company

Name:

By: _____
Name:
Title:

ATTEST:

TOWNSHIP OF DELANCO,
a New Jersey Municipal Corporation

Name:

By: _____
Name:
Title:

Exhibit “1”

Application

Exhibit "A"

Project Sources and Uses (Projected)

Delanco Family Apartments' proposed costs and funding sources are as follows:

DEVELOPMENT BUDGET FUNDING SOURCES

EXHIBIT "A"

PROJECT SOURCES & USES (PROJECTED)

Delanco Family Apartments (New Construction) proposed costs and funding sources as follows:

| <u>Development Budget</u> | | <u>Funding Sources</u> | |
|---------------------------|--------------|------------------------|--------------|
| Land | \$800,000 | LIHTC Equity | \$14,605,604 |
| Construction Costs | \$11,764,410 | Permanent Loan | \$1,105,000 |
| Professional Fees | \$833,000 | Delanco Township | \$885,000 |
| Carrying & Financing | \$3,514,906 | Deferred Developer Fee | \$974,000 |
| Marketing & Reserves | \$657,288 | | |
| Total | \$17,569,604 | | \$17,569,604 |

EXHIBIT "B"

Project Rental Income and Operating Expenses (Projected)

EXPENSES

| | |
|---------------------------------|----------------|
| Administrative | \$32,107 |
| Salaries | \$107,000 |
| Maint. & Repairs | \$27,000 |
| Maint. Contracts | \$38,467 |
| Insurance | \$32,000 |
| Sub-Total | 236,574 |
| Utilities | 53,000 |
| Management Fee | 49,920 |
| Real Estate Taxes | 30,281 |
| Reserves | 28,160 |
| Social Services | 10,000 |
| Total Operating Expenses | 407,935 |

Exhibit "C"

Calculation of Annual Service Charge

| | | |
|--------------------------------|-------|-------------------|
| Gross Rents | \$ | <u>575,472</u> |
| Less Vacancy | (-) | <u>40,283</u> |
| Less Utilities (if applicable) | (-) | <u>53,000</u> |
| | | <u> </u> |
| Gross Sheltered Rents | \$ | <u>482,189</u> |
| x Rate | x | <u>6.28%</u> |
| Real Estate Taxes | \$ | <u>30,281</u> |

Term of Abatement is 30 years

1st Stage fixed for Maximum Time Allowed by Statute