

**NEGOTIATED PAYMENTS IN LIEU OF TAXES (PILOT) AGREEMENT
BETWEEN
BELNOR RESIDENCES, LLC
AND
PRINCE GEORGE’S COUNTY, MARYLAND**

THIS NEGOTIATED PAYMENTS IN LIEU OF TAXES (“PILOT”) AGREEMENT (“Agreement”) is made this ___day of _____, 2016, by and between BELNOR RESIDENCES, LLC, a Maryland limited liability company (“Owner”), and PRINCE GEORGE’S COUNTY, MARYLAND, a body corporate and politic (“County”).

WHEREAS, the Owner proposes to acquire a certain parcel of undeveloped property located on the east side of Saint Barnabas Road, north of its intersection with Bedford Way, and south of its intersection with Silver Hill Road located in Suitland, Maryland 20746, and more particularly identified as the Silver Hill Acreage on Map-88, Grid C-2, Parcel-119 of the Maryland Department of Assessments and Taxations and consists of approximately 4.72 acres, as more particularly described in Exhibit A that is attached hereto and herein incorporated by reference (“**Property**”), and proposes to newly construct on the Property one hundred and twenty two (122) multifamily residential apartment units (“**New Construction**”) and related facilities specifically for seniors, age 62+, of which all units will be dedicated to providing housing for low to moderate income residents (the Property and the New Construction collectively referred to herein as the “**Project**”); and

WHEREAS, the acquisition of the Property and construction and equipping of the Project will be financed in part through a mortgage loan made by AGM Financial Services, Inc. and insured under the United States Department of Housing and Urban Development’s (“**HUD**”) 221(d)(4) program (“**First Loan**”), proceeds of tax-exempt bonds issued by the Community Development Administration (“**CDA**”), a unit of the Division of Development Finance of the Department of Housing and Community Development of the State of Maryland, the investment of investor member equity provided in connection with Low-Income Housing Tax Credits (“**LIHTC**”) awarded by the CDA, a loan by CDA under its Rental Housing Works program (“**RHW Loan**”), and a loan from the County under its HOME Investment Partnership Program (“**HOME Loan**”), which, with the First Loan, RHW Loan and HOME Loan shall collectively referred to herein as the “**Loans**”; and

WHEREAS, the Owner will operate the Project for rental housing on a limited distribution basis pursuant to certain regulatory agreements and restrictive covenant agreements and declarations between the Owner and certain parties in connection with the Owner’s financing of the Project, including (i) one or more regulatory agreements between the Owner and HUD, as the same may be amended and/or restated from time to time (collectively the “**HUD Regulatory Agreement**”); (ii) one or more regulatory agreements between the Owner and CDA, as the same may be amended and/or restated from time to time (collectively referred to herein as the “**State Regulatory Agreement**”); (iii) a HOME Regulatory Agreement Declaration of Covenants and Deed of Trust between the Owner and the County, as the same may be amended

and/or restated from time to time (“**County HOME Loan Agreement**”); and (iv) a Low Income Housing Tax Credit Covenant between the Owner and the CDA, as the same may be amended and/or restated from time to time (“**LIHTC Covenant**”) (the HUD Regulatory Agreement, the State Regulatory Agreement, the County HOME Loan Agreement and the LIHTC Covenant are collectively referred to herein as the “**Regulatory Agreements**”); and

WHEREAS, Section 7-506.1 of the Tax-Property Article of the Annotated Code of Maryland (2012 Replacement Volume, as amended) (“Section 7-506.1”), provides, among other things, that real property outside of Baltimore City may be exempt from county property tax and municipal corporation tax if: (a)(2)(i) the real property is owned by a person engaged in constructing or operating housing structures or projects (which may include non-dwelling commercial and community facilities, community rooms, dining halls, and infirmaries to serve its occupants and the surrounding neighborhood, which are collectively referred to herein as “Service Facilities”); (a)(2)(ii) the real property is used for a housing structure or project that is constructed or substantially rehabilitated under a federal, state or local government program that (a)(2)(ii)(1) funds construction, or insures its financing in whole or in part, or (a)(2)(ii)(2) provides interest subsidy, rent subsidy or rent supplements; (a)(2)(iii) the owner thereof enters into an agreement with the governing body of the county and, where applicable, the municipal corporation where the real property is located, wherein such parties agree that the owner shall pay a negotiated amount in lieu of the applicable county or municipal corporation tax; (a)(2)(iv) the owner of the real property (a)(2)(iv)(1)(A) agrees to continue to maintain the real property as rental housing for lower income persons under the requirements of the governmental programs described in (a)(2)(ii) of this paragraph and (a)(2)(iv)(1)(B) agrees to renew any annual contributions contract or other agreement for rental subsidy or supplement, OR (a)(2)(iv)(2) enters into an agreement with the governing body of the county or municipal corporation to allow the entire property or the portion of the property which was maintained for lower income persons to remain as housing for lower income persons for a term of at least five (5) years; and

WHEREAS, the Owner hereby represents that, as of the date hereof, pursuant to the Owner’s borrowing of the HOME and RHW Loans and execution and delivery of the subject Regulatory Agreements, the Project qualifies under the provisions of said Section 7-506.1, supra, for an agreement for negotiated payments in lieu of the payment of Prince George’s County taxes for the Project; and

WHEREAS, pursuant to Resolution No. CR-_____, adopted on _____, the County Council of Prince George’s County, Maryland, approved the PILOT for the Property and authorized the County to enter into this Agreement; and

WHEREAS, the County agrees to enter into this Agreement provided that the Owner conducts and operates the Property and Project in accordance with the criteria and controls set forth in said Section 7-506.1, supra, and as governed by all applicable local, State and federal laws; and

WHEREAS, pursuant to Section 7-506.1, supra, the Prince George’s County Department of Housing and Community Development (“DHCD”) analyzed and determined the amount

payable by the Owner to the County in lieu of the payment of Prince George's County real property taxes for the Property and Project.

NOW, THEREFORE, THIS AGREEMENT WITNESSETH:

In consideration of the mutual covenants, terms and agreements hereof and pursuant to the power and authority of said Section 7-506.1, supra, it is agreed as follows:

1. This Agreement shall become effective on the date of the Execution of this Agreement ("**Effective Date**") and the obligation to pay negotiated payments in lieu of taxes shall commence as of the established substantial completion and issuance of Certificate of Occupancy date ("**Substantial Completion**" as defined below in paragraph 3) for the Project and shall remain effective until the Termination Date (as defined in paragraph 4 below). The payments to be made by the Owner to the County, provided for herein with respect to the Project (as defined above), shall be in lieu of the payment of Prince George's County taxes on real property under the Tax-Property Article of the Annotated Code of Maryland (2007 Replacement Volume, as amended). Such payments shall be made by the Owner in accordance with paragraphs (3) and (4) hereof and shall be accepted by the County only as long as: (i) the Project shall be owned and used for the provision of rental housing and related Service Facilities, including parking facilities, on a limited distribution basis, pursuant to the Regulatory Agreements; (ii) the Owner shall in all other respects comply with the conditions of Section 7-506.1, which authorizes the County to enter into this Agreement, and shall comply with all of its obligations under this Agreement.

2. The intention of this Agreement is that the payments in lieu of taxes shall at no time exceed the amount of taxes otherwise payable based on the annual assessment for Prince George's County real property taxes. The Owner and the County expressly agree and understand that any taxes, fees and or fines assessed by other agencies such as the State of Maryland, Park and Planning, Washington Suburban Sanitation Commission, and solid waste charges and applicable fees for Bay Restoration and Clean Water (collectively referred to herein as "Other Real Estate Taxes and Fees") are not subject to provisions of this Agreement. The Owner shall, therefore, pay all Other Real Estate Taxes and Fees in accordance with the applicable assessment and payment requirements.

3. Commencing on the Effective Date and continuing through the first full year from Substantial Completion for the Project (which is defined as the date on which the Project has obtained a Certificate of Occupancy as a result of a certification of substantial completion from the Project's Architect), in lieu of all taxes normally assessed by Prince George's County, the Owner shall pay Prince George's County an annual fee of \$9,210.00 per year on September 30th of each year. The Owner shall forward a copy of the Certificate of Occupancy to the County's Director of Finance and the Director of the County's Department of Housing and Community Development, at the addresses provided herein, within five (5) business days after issuance.

4. Beginning with the first full tax year from the Substantial Completion Date for the Project, the Project shall be exempt from Prince George's County real property taxes for a period of forty (40) years, ending on the earlier of forty (40) years from the Substantial Completion

Date, or upon an occurrence of any of the events set forth in paragraph (5)(e) below (“Termination Date”). The intent of this Agreement being that the Owner shall receive the benefit of the PILOT commencing for a full forty (40) tax years from the first full tax year following the Substantial Completion Date.

5. (a) For each year after the first full year from the the Substantial Completion Date and continuing until the Termination Date, in addition to the annual payment of Other Real Estate Taxes and Fees, the Owner shall make annual payments to the County for each tax year in an amount equal to 8.6253% of the Project’s prior year Surplus Cash (as such term is defined in the HUD Regulatory Agreement), which will be determined from the audited annual property income statement for such prior year. Each annual payment shall be paid by September 30th of each tax year.

(b) Beginning on the Termination Date, the Project shall no longer be exempt from County real property taxes and the Owner shall commence paying the regular County real property tax for the Project.

(c) The difference between the Project amounts paid under (5) (a) above and the amounts which would otherwise have been due prior to the Termination Date, but which are being deferred under the terms of this Agreement is referred to as the “Deferred Amount.” The Deferred Amount shall be due and payable on the refinance, sale or transfer of the Property if the Project ceases to be used in whole or part for the purpose set forth in this Agreement prior to the Termination Date, unless prior written consent of the County is obtained.

(d) If the Property is transferred or conveyed due to a foreclosure or a deed in lieu of foreclosure, the Project shall no longer be exempt from the County real property taxes and as applicable, all real property taxes shall be due and immediately payable to the County.

(e) This Agreement shall terminate upon the occurrence of any of the events set forth in (e) i. through (e) iv. below, and upon termination all payments then due under this Agreement, shall be paid to the County within sixty (60) calendar days thereof.

(i) The Property shall cease to be owned by the Owner or any successor to Owner or an event of default, as defined within the Regulatory Agreements, has been declared by the benefactor of the Regulatory Agreements and remains uncured by the Owner or its successor within sixty (60) days;

(ii) The Owner, the Property or the Project shall cease to comply with the conditions of Section 7-506.1;

(iii) The Owner shall fail to make any payment hereby required as and when due, which failure continues for ten (10) business days following Owner’s receipt from the County of notice of such payment failure; or

(iv) The Owner shall elect to terminate this Agreement by providing written notice to the Company.

(f) The Limited Liability Company Operating Agreement of the Owner and the Regulatory Agreements shall be submitted by the Owner to the County's Director of Finance and the County's Director of the Department of Housing and Community Development, at the addresses shown below, within five (5) business days after execution.

(g) By March 31 of each tax year, the Owner shall submit to the County's Director of Finance and the County's Director of the Department of Housing and Community Development audited financial statements, in such detail as may be required by the Director of Finance to administer this Agreement. Said financial statements shall be based on an examination of the books and records prepared in accordance with generally accepted accounting principles, and shall be certified and audited by a Certified Public Accountant registered to practice in the State of Maryland or with the registration authority of any other State.

(h) Documents submitted to the County and notices provided hereunder should be addressed as follows:

Director
Office of Finance
County Administration Building
14741 Governor Oden Bowie Drive
Upper Marlboro, MD 20772

Director
Department of Housing and Community Development
9200 Basil Court, Suite 500
Largo, MD. 20774

6. (a) All taxes (as applicable) shall be due and payable by September 30th of each year. All payments under this Agreement shall be subject to the same interest rate, collection, and tax sale provisions of the Prince George's County Code as for the collection of County property taxes except as otherwise expressly set forth in this Agreement.

(b) If the Owner has not paid the amount due under this Agreement within one hundred and eighty (180) days after such payment is due, the County may, at its option, declare a default by providing notice of such default to the Owner and to the holders of all mortgages or deeds of trust. If within ten (10) business days of such notice, any payments that are owed have not been brought current by the Owner or any of the Project lenders, then the County may declare all taxes, which shall include the Deferred Amount, due as follows: the amount equal to the total Prince George's County real property taxes which would have been due from the Owner on account of the assessed value of the Improvements in the absence of this Agreement, plus all interest, if any,

which shall have been charged pursuant to this Agreement, less all amounts actually paid under this Agreement. In order to enforce its rights under this Paragraph after the Owner has failed to bring its payments current within thirty (30) days of Owner receiving notice of its default, the County may renegotiate this Agreement, foreclose or seek any other remedy available at law or in equity (including proceeding to Tax Sale). Payments due under this Paragraph shall be considered a lien against the Property subordinate to the lien of the Loans. The County's delay and or failure to provide notice within the time and manner stated herein shall not limit or otherwise be deemed a waiver of its rights and remedies in law and equity.

7. This Agreement shall be an obligation running with the Property and may be recorded in the land records of the County.

8. Any document or agreement referenced hereinabove or amendments thereto, shall be provided with appropriate recording reference by the Owner when executed and shall be attached to this Agreement by a subsequent addendum identifying such documents and agreements for purposes of this Agreement.

9. The recitals set forth above are herein incorporated as operative provisions.

[Signature Pages Follow]

IN WITNESS WHEREOF, BELNOR RESIDENCES, LLC, a Maryland limited liability company, has caused this Agreement to be signed in its name by its member, and PRINCE GEORGE'S COUNTY, MARYLAND has caused its name to be signed by the County Executive, or his designee representative, duly attested on this Agreement, on the day and year first hereinabove written.

BELNOR RESIDENCES, LLC

A Maryland limited liability company

By: Belnor Residences Manager, LLC
A Maryland limited liability company

WITNESS

By: _____
Sarah Constant
Its Manager

PRINCE GEORGE'S COUNTY, MARYLAND

WITNESS

By: _____
Thomas M. Himler
Deputy Chief Administrative Office for
Budget, Finance, Economic Development and
Administration

STATE OF MARYLAND, CITY/COUNTY OF _____, TO WIT:

I HEREBY CERTIFY that on this ___ day of _____, 20__ before me a Notary Public of said State of Maryland the undersigned officer, personally appeared _____, the _____ of The Belnor Residences Manager, LLC, the Authorized Member of The Belnor Residences LLC, and stated that as an officer being authorized to do so, has executed the foregoing instrument for the purposes herein contained.

AS WITNESS my hand and Notarial Seal.

Notary Public

My Commission Expires:

STATE OF MARYLAND, COUNTY OF PRINCE GEORGE'S, TO WIT:

I HEREBY CERTIFY that on this ___ day of _____, 20__, before me, the Subscriber, a Notary Public of said State of Maryland, in and for Prince George's County aforesaid, personally appeared Thomas M. Himler, Deputy Chief Administrative Officer for Budget, Finance, Economic Development and Administration of Prince George's County, and he acknowledged the foregoing Agreement to be the corporate act and deed of the Deputy Chief Administrative Officer for Budget, Finance, Economic Development and Administration on behalf of Prince George's County, Maryland.

AS WITNESS my hand and Notarial Seal.

Notary Public

My Commission Expires:

ATTORNEY CERTIFICATION:

I hereby certify that the foregoing Agreement for the Belnor Apartments was prepared by or under the supervision of the undersigned _____, an attorney admitted to practice before the Court of Appeals of Maryland.

By: _____

SCHEDULE 1

DEFINITIONS

“Capital Transaction” means the sales refinancing or other disposition of the Project.

“Gross Operating Revenue” means all revenues and income of any kind received by the Owner from the operation of the Project, including all rents and other revenues from tenants, but excluding all proceeds of a sale or refinancing and all condemnation awards.

“Net Capital Proceeds” means the net cash from any Capital Transaction, less any portion thereof used to pay debts and liabilities of the Owner or to establish reserves.

“Net Cash Flow” shall be on a pre-tax basis and means, for the period in question, the amount, if any by which Gross Operating Revenue exceeds Operating Expenses.

“Operating Expenses” shall mean cash expenditures incurred in the operation, maintenance and repair of the Project including (i) cleaning, janitorial, maintenance, repair and utility expenses paid by the Owner; (ii) salaries and benefits on on-site personnel; (iii) maintenance of an office, telephone, computers or other communication devices on-site; (v) collection or legal fees related to the Owner’s interest in the Project; (vi) accounting expenses; (vii) advertising and marketing of the Project; (viii) “Minor Capital Expenditures” (i.e., items not exceeding \$5,000 in single or bulk purchase); (ix) insurance premiums; (x) brokerage fees or commissions to the extent that they are not capitalized according to GAAP; (xi) license or permit fees; (xii) real estate taxes, PILOT payment or other taxes except for income taxes; (xiii) all debt service payments relating to the Project; (xiv) any annual reserve payments or contributions; (xv) all payments in the nature of common expenses, and (xvi) commercially reasonable property management and asset management fees whether paid to third parties or related entities.

EXHIBIT A

PROPERTY DESCRIPTION

BEING all of that parcel or tract of land described in a deed from Jess Fisher, Et Al to Sheehy Investments One Limited Partnership, dated January 12, 1989 and recorded among the Land Records of Prince Georges County, Maryland in Liber 7197 at Folio 871; said tract being more particularly described as follows:

Beginning at an iron bar found at the beginning of said deed Liber 7197 at Folio 8711; said point being located on the easterly right of way line of Maryland Route 414 (also known as St. Barnabas Road) as shown on Maryland State Roads Commission (SRC) Plat No. 34075, said point also being located at the southerly end of the N 75 degrees 49'44" East, 129.93 foot line of "Parcel One" as shown on a plat of subdivision titled "Parcels One and Two, Silver Hill Heights", recorded among said Land Records in Plat Book 85 at Plat No. 29. Thence, leaving the outline of said "Parcel One", and with the right of way line of Maryland Route 414, the following four courses and distances, as now surveyed (the basis of bearing being the tenth line of said Liber 7197 at Folio 871):

1. North 17 degrees 39'59" West, 13.82 feet to a three-quarter inch pinched iron pipe found, lying forty-five feet easterly and radial from station 117 + 00, as shown on said SRC Plat; thence
2. 215.93 feet along a non-tangent curve, deflecting to the left, having a radius of 1682.02 feet and a chord bearing North 06 degrees 35'06" West, 215.78 feet to a point lying forty-five feet easterly and radial from station 114 + 89.85, as shown on said SRC Plat; thence
3. 137.79 feet along the arc of a non-tangent curve, deflecting to the left, having a radius of 410.00 feet the chord of which is North 12 degrees 35'56" West, 137.14 feet, to a point lying forty-five feet easterly and radial from station 113 + 56.31, as shown on said SRC Plat; thence
4. 113.64 feet along the arc of a non-tangent curve deflecting to the left, having a radius of 1682.02 feet the chord of which is North 16 degrees 52'15" West, 113.61 feet to an iron bar found lying forty-five feet easterly of and radial from station 112 + 45.71, as shown on said SRC Plat; said point also lying on the South 68 degrees 29'00" West, 161.28 foot line of "Parcel D" as shown on a plat of subdivision titled "Parcel D, Silver Hill Park", recorded among said Land Records in Plat Book 74 at Plat No. 30, 161.33 feet from the northerly end thereof: thence, leaving the right of way of Maryland Route 414, and with the outline of said "Parcel D",

5. North 68 degrees 33'01" East, 161.33 feet to a one-half inch pinched iron pipe found on the South 23 degrees 00'40" West, 186.52 foot line of "Parcel E-2" as shown on a plat subdivision titled "Parcels E-1 and E-2, Silver Hill Park", recorded among said Land Records in Plat Book 78 at Plat No. 7, 221.76 feet from the northerly end thereof; thence, with the outline of said "Parcel E-2",
6. North 23 degrees 00'40" East, 221.76 feet to a point at the westerly end of the North 67 degrees 10'20" West, 346.00 foot line of "Parcel A" as shown on a plat of subdivision titled "Parcel A, D.J. Witt Property", recorded among said Land Records in Plat Book 57 at Plat No. 44; thence, with the outline of said "Parcel A",
7. South 67 degrees 04'30" East, 345.88 feet to an iron bar found; thence,
8. North 61 degrees 39'54" East, 45.28 feet to an iron bar found on the northerly end of the North 06 degrees 56'20" East, 47.52 foot line of "Parcel A" as shown on a plat of subdivision titled "Section One, Silver Hill Heights", recorded among said Land Records in Plat Book 126 at Plat No. 93; thence, with the outline of said "Parcel A",
9. South 06 degrees 58'45" West, 162.18 feet to a one-half inch iron pin found at the westerly end of the North 33 degrees 29'30" West, 284.18 foot line of "Parcel One" as shown on a plat of subdivision titled "Parcels One and Two, Silver Hill Heights", recorded among said Land Records in Plat Book 85 at Plat No. 29; thence, leaving the outline of said "Parcel One",
10. South 53 degrees 53'30" West, 498.69 feet to a three-quarter inch iron pipe found at the northwest corner of that parcel or tract of land conveyed to Raymond G. Owens, Jr., Et Al, recorded among said Land Records on December 3, 2002 in Liber 16523 at Folio 540; thence, with the outline of said Liber 16523 at Folio 540,
11. South 18 degrees 45'20" East, 140.75 feet to a one-half inch pinched iron pipe found, said point being located at the northerly end of the North 75 degrees 49'44" East, 129.93 foot line of "Parcel One" as shown on said plat of subdivision titled "Parcels One and Two, Silver Hill Heights", recorded among the Land Records of Prince George's County, Maryland in Plat Book 85 at Plat No. 29; thence, with the outline of said "Parcel One",
12. South 75 degrees 49'57" West, 130.05 feet to the POINT OF BEGINNING.

Containing 205,596 square feet or 4.7198 acres of land.

Tax Account Number 06-0483784
Tax ID #0483784