

AGREEMENT FOR PAYMENTS IN LIEU OF TAXES

THIS AGREEMENT FOR PAYMENTS IN LIEU OF TAXES (this "**Agreement**") is made this 9th day of January, 2020 between **PIRHL DEVELOPERS, LLC**, a New Jersey limited liability company, and its permitted assigns (the "**Sponsor**"), having its regional office at 5 Commerce Way, Suite 210E, Hamilton, New Jersey 08691, and the **TOWNSHIP OF VERONA** (the "**Municipality**"), a municipal corporation in the County of Essex, State of New Jersey, with its offices at Bloomfield Avenue, Verona, New Jersey 07044.

WITNESSETH:

WHEREAS, the Sponsor intends to acquire from the Municipality fee simple ownership of real property identified on the Municipality's tax map as Block 2301, Lots 11, 12, 14, 15 and 16, and more fully described in Exhibit A attached hereto or a mutually agreeable reconfiguration of property in the event the Municipality undertakes a land swap with owners of Block 2301, Lots 17 and 18 (the "**Property**");

WHEREAS, the Sponsor intends to construct and operate an affordable rental housing project consisting of not less than 85 units, including 17 one-bedroom units, 46 two-bedroom units, and 22 three-bedroom units, lobby, community room, and management office, to be located in a four-story elevator building, 139 on-site parking spaces, together with such other improvements as may be necessary in connection therewith, (the "**Project**") in accordance with that certain redevelopment agreement by and between the Municipality and the Sponsor entered into simultaneously herewith (the "**Redevelopment Agreement**");

WHEREAS, the Sponsor will receive financing for the Project from the New Jersey Housing and Mortgage Finance Agency (the "**Agency**");

WHEREAS, the Municipality is authorized, pursuant to the New Jersey Housing and Mortgage Finance Agency Law of 1983, N.J.S.A. 55:14K-1 et seq. (the "**HMFA Law**"), to grant an exemption for real estate taxes to housing projects that meet an existing housing need if the project's owner agrees to pay to the Municipality an annual charge for municipal services supplied to the Project;

WHEREAS, the Municipality adopted Resolution No. 2019-180 on November 18, 2019 (the "**Resolution**"), finding that the Project meets an existing housing need, approving a tax exemption for the Project and authorizing this Agreement;

WHEREAS, implementation of the Project, which has been approved by the Superior Court of the State of New Jersey, Essex County in In the Matter of the Application of the Township of Verona, a municipal corporation of the State of New Jersey, Docket No. ESX-L-4773-15, will help to satisfy the Municipality's constitutional "Mount Laurel" obligation to provide low and moderate income housing;

WHEREAS, the Municipality has agreed to grant an exemption to the Project for real estate taxes and the Sponsor has agreed to make payments to the Municipality in lieu of real estate

taxes; and

WHEREAS, the Sponsor and the Municipality desire to enter into this Agreement to memorialize the Sponsor's exemption from real property taxes and its obligation to make payments in lieu of such real property taxes.

NOW, THEREFORE, the Sponsor and the Municipality, in consideration of the mutual undertakings set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, covenant and agree as follows:

1. This Agreement is made pursuant to the authority contained in Section 37 of the HMFA Law and the Resolution, and with the approval of the Agency, as required by the HMFA Law. This Agreement is subject to N.J.S.A. 55:14K-37 and shall be submitted to the Agency for review. Any exemption from taxation pursuant to the provisions of N.J.S.A. 55:14K-37 shall in no event extend beyond the date on which the eligible loan made by the Agency on the Project is paid in full.

2. On the date (the "**Tax Exemption Commencement Date**") of the Sponsor's execution of a mortgage encumbering the Property and the Project with a permanent (not merely construction) mortgage lien in favor of the Agency (the "**Agency Mortgage**"), the land and improvements comprising the Property and the Project shall be exempt from all ad valorem real property taxes, provided that the Sponsor shall make payments in lieu of taxes to the Municipality as provided hereinafter. In the year in which the Tax Exemption Commencement Date occurs, the Sponsor's payments to the Municipality (on account of real property taxes prorated through the Tax Exemption Commencement Date plus the applicable "**Annual Service Charge**" (hereinafter defined) due for the period from the Tax Exemption Commencement Date through December 31 of that year) shall not be more than the real property taxes due to the Municipality for the immediately preceding calendar year. The exemption of the Property and the Project from ad valorem real property taxation and the Sponsor's obligation to make payments in lieu of taxes shall apply until the earlier of (a) satisfaction and discharge of the Agency Mortgage or (b) the expiration of thirty (30) years from the Tax Exemption Commencement Date (such earlier event being the "**Tax Exemption Expiration Date**").

Prior to the Tax Exemption Commencement Date, the Sponsor shall make payments to the Municipality in an amount equal to the amount currently payable on an annual basis (pursuant to the HMFA Law, the annual amount may not exceed the amount of taxes due on the Property for the year preceding the recording of the Agency Mortgage).

3. The land comprising the Property shall be assessed in accordance with the rules and regulations governing the taxation of vacant land in the State of New Jersey and Sponsor agrees to pay the real estate taxes arising out of such assessment from the time Sponsor takes title to the Property until the Tax Exemption Commencement Date, subject to Sponsor's statutory rights to appeal such assessment. From the time of the execution of this Agreement until the Tax Exemption Commencement Date, the Municipality agrees that no assessment shall be made upon any improvements constructed in connection with the Project, whether by added/omitted

assessment, revaluation, interim assessment or any other manner permitted by law.

4. (a) From the Tax Exemption Commencement Date until the Tax Exemption Expiration Date, the Sponsor shall pay to the Municipality an annual service charge in lieu of taxes to the Municipality in an amount equal to One Percent (1%) of Project Revenues, as defined below (the "**Annual Service Charge**").

(b) As used herein, "Project Revenues" means the total annual gross rental or carrying charge or other income of the Sponsor from the Project less the costs of utilities furnished by the Project, which shall include the costs of gas, electricity, heating fuel, water supplied, and sewage charges, if any. Project Revenues shall not include any subsidy contributions received from any federal or state program.

(c) The estimated amounts of the Annual Service Charge to be paid each year pursuant to this Agreement are set forth in Exhibit B attached hereto. It is expressly understood and agreed that the revenue projections provided to the Municipality as set forth in Exhibit B and as part of the Sponsor's application for an agreement for payments in lieu of taxes are estimates only. The actual payments in lieu of real estate taxes to be paid by the Sponsor shall be determined as set forth in this Agreement.

5. (a) Payments of the Annual Service Charge by the Sponsor shall be made on a quarterly basis in accordance with bills issued by the tax collector of the Municipality in the same manner and on the same dates as real estate taxes are paid to the Municipality and shall be based upon One Percent (1%) of Project Revenues of the previous quarter.

(b) No later than four (4) months following the end of the Sponsor's fiscal year for each year that this Agreement is in effect after the Tax Exemption Commencement Date, the Sponsor shall submit to the Municipality a certified, audited financial statement of the operation of the Project (the "**Audit**"), setting forth (i) the Project Revenues for the previous year and (ii) the total Annual Service Charge due to the Municipality, calculated at One Percent (1%) of Project Revenues, for the previous year (the "**Audit Amount**"). The Sponsor simultaneously with the submission of the Audit shall pay the difference, if any, between (i) the Audit Amount and (ii) the quarterly payments in lieu of real estate taxes made by the Sponsor to the Municipality for the preceding year. The Municipality may accept any such payment without prejudice to its right to challenge the amount due. The Sponsor shall assume all costs associated with the preparation and submission of the Audit. In the event that the payments made by the Sponsor for any fiscal year shall exceed the Audit Amount for such fiscal year, the Municipality shall credit the amount of such excess to the account of the Sponsor.

(c) All payments made pursuant to this Agreement shall be in lieu of taxes and, subject to the provisions of this Agreement, the Municipality shall have all the rights and remedies of tax enforcement granted to Municipalities by law just as if such payments constituted regular tax obligations on real property within the Municipality. If, however, the Municipality disputes any Audit Amount, it may apply to the Superior Court, Chancery Division, Essex County for an accounting of the Project Revenues in accordance with this Agreement and HMFA Law. The Municipality must commence any such action to challenge an Audit Amount within one year of

the receipt of the corresponding Audit.

(d) In the event of any delinquency in the payments required under this Agreement, the Municipality shall give notice of the delinquency to the Sponsor and the Agency in the manner set forth in Section 10(a) below and allow Sponsor or Agency forty-five (45) days to cure the delinquency prior to taking any legal action.

6. The tax exemption herein shall apply only so long as the Sponsor or its successors and assigns and the Project remain subject to the provisions of the HMFA Law and Regulations made thereunder and the supervision of the Agency, but in no event after the Tax Exemption Expiration Date.

7. (a) Notwithstanding anything to the contrary contained herein, the Municipality and the Sponsor agree that Sponsor may sell, transfer, or convey the Project and the Property to a special purpose limited liability company formed by Sponsor to own and operate the Project and the Property (the "**Owner Entity**"). The withdrawal, removal and/or replacement of the Owner Entity's managing member(s) for cause in accordance with the operating agreement of the Owner Entity (the "**Operating Agreement**") shall not require the consent of the Municipality and shall not constitute a default under this Agreement. If the investor member of the Owner Entity (the "**Investor Member**") exercises its right to remove a member thereof under the Operating Agreement, the Municipality shall not unreasonably withhold its consent to any substitute managing member proposed by the investor member. In no event shall Municipality's consent be required if the investor member or its affiliate decides to serve as the substitute managing member. Notwithstanding the foregoing, the substitute managing member shall assume all of the rights and obligations of the removed managing member under this Agreement. In the event of (1) a sale, transfer or conveyance of the Project by the Sponsor to the Owner Entity or (b) a change in the organizational structure of the Sponsor or the Owner Entity pursuant to this Section 7(a), this Agreement shall be assigned to the Sponsor's successor without the Municipality's consent, but upon prior written notice to the Municipality and shall continue in full force and effect only if; (i) the successor entity assumes the Agency Mortgage, (ii) the successor entity qualifies under HMFA Law, (iii) the Sponsor is not then in Default of this Agreement or the HMFA Law, (iv) the Sponsor's obligations under this Agreement are fully assumed by the successor entity, and (v) the successor entity agrees to abide by all terms and conditions of this Agreement. In no event may this Agreement be voluntarily terminated without notice to and consent of the Agency.

(b) The Project may be sold or transferred with the prior written consent of the Municipality, which consent shall not be unreasonably withheld, subject to all statutory and regulatory requirements and conditions applicable to the Project. Sponsor agrees that the Municipality shall not be deemed unreasonable in refusing to consent to the sale or transfer of the Project if (a) the Sponsor, or the Owner Entity is in material default under this Agreement or the HMFA Law, and such default has continued beyond any applicable cure period; (b) the Municipality reasonably believes that the risk of a breach of any covenant or agreement contained in this Agreement would be increased as a result of such sale or transfer; (c) the Municipality reasonably believes that the prospective transferee has insufficient experience or net worth to operate the Project in a manner satisfactory to the Municipality, or has willfully violated affordability or management covenants with the Municipality or other public agencies; or (d) the Municipality reasonably believes that such sale or transfer will result in the loss of the Project's

exemption from real estate taxes, without satisfactory payment or arrangement therefor. No such sale or transfer shall be effective until the transferee signs an assumption agreement that is acceptable to the Municipality and that obligates the transferee to keep all the covenants and agreements contained in this Agreement and/or the Financing, Deed Restriction and Regulatory Agreement that will be recorded in connection with the NJHMFA first mortgage. In the event of (a) a sale, transfer or conveyance of the Project by the Sponsor pursuant to this Section 7(b), this Agreement shall be assigned to the Sponsor's successor with the Municipality's consent, not to be unreasonably withheld, and shall continue in full force and effect only if the successor entity assumes the Agency Mortgage and qualifies under the HMFA Law or any successor thereto for the tax exemption provided by this Agreement. In no event may this Agreement be voluntarily terminated without notice to and consent of the Agency.

8. Upon any termination of such tax exemption, whether by affirmative action of the Sponsor, its successors and assigns, or by virtue of the provisions of the HMFA Law, or any other applicable state law, the Property and the Project shall be taxed as omitted property in accordance with the law.

9. The Sponsor, and its successors and assigns, shall, upon request, permit duly authorized representatives of the Municipality to inspect and examine (a) the Property, (b) the equipment, buildings and other facilities of the Project, and (c) all documents and papers relating to the Project. Any such inspection or examination shall be made during reasonable hours of the business day, in the presence of an officer or agent of the Sponsor, or its successors and assigns.

10. Any notice or communication sent by either party to the other hereunder shall be sent by certified mail, return receipt requested, addressed as follows:

(a) When sent to the Sponsor, it shall be addressed to:

PIRHL Developers, LLC
5 Commerce Way, Suite 210E
Hamilton, New Jersey 08691
Attn: Lara Schwager

or to such other address as the Sponsor may hereafter designate in writing,

with copies to:

PIRHL Developers, LLC
800 West St. Clair Avenue
4th Floor
Cleveland, OH 44113
Attention: David Burg

and

Katharine A. Coffey, Esq.
Day Pitney, LLP

One Jefferson Road
Parsippany, New Jersey 07054

- (b) When sent to the Municipality, it shall be addressed to:

Township of Verona
Verona Town Hall
Bloomfield Avenue
Verona, New Jersey 07044
Attn: Mayor Jack McEvoy

with a copy to:

Joseph P. Baumann, Esq.
McManimon, Scotland & Baumann, LLC
75 Livingston Avenue
Roseland, New Jersey 07068

- (c) A copy of all notices or communications sent to the Sponsor or Municipality pursuant to this Agreement shall also be sent to:

New Jersey Housing and Mortgage Finance Agency
637 South Clinton Avenue
P.O. Box 18550
Trenton, New Jersey 08650-2085

11. In the event of a breach of this Agreement by either party or a dispute arising between the parties in reference to the terms and provisions as set forth herein, either party may apply to the Superior Court, Chancery Division, Essex County for relief in such fashion as will tend to accomplish the purposes of the HMFA Law.

12. (a) Default shall be failure of the Sponsor or the Municipality, as the case may be, to conform with the material terms of this Agreement or failure of the Sponsor to perform any obligation imposed by the HMFA Law, beyond any applicable notice, cure or grace period.

(b) Should the Sponsor or the Municipality, as the case may be, be in Default, the non-defaulting party shall send written notice to the defaulting party of the Default ("**Default Notice**"). The Default Notice shall set forth with particularity the basis of the alleged Default. The non-defaulting party shall have forty-five (45) days from receipt of the Default Notice to cure any Default. However, if, in the reasonable opinion of the non-defaulting party, the Default cannot be cured within forty-five (45) days using reasonable diligence and with continuity of purpose, the non-defaulting party will extend the time to cure for a period not to exceed thirty (30) days. Upon written notice to the Municipality, all notices of default shall also be sent to the Investor Member at the address set forth therein. The Municipality agrees to accept a cure by the Investor Member as if cured by the Sponsor itself.

Subsequent to such forty-five (45) days, or any approved thirty (30) day extension, the

Municipality shall have the right to terminate this Agreement upon written notice to the Sponsor in the event any Default by the Sponsor remains uncured. Subsequent to such forty-five (45) days, or any approved thirty (30) day extension, the Sponsor shall be entitled to either (i) terminate this Agreement upon written notice to the Municipality, or (ii) proceed against the Municipality for specific performance in the event any Default by the Municipality remains uncured.

(c) Upon Default by the Sponsor, the Municipality may (i) bring an action for the payment of overdue Annual Service Charges; (ii) seek specific performance; and/or (iii) terminate this Agreement and tax exemption for violation of any of the conditions provided herein.

(d) All of the remedies provided in this Agreement to the Municipality or the Sponsor shall be cumulative and concurrent. No enforcement of any provision of this Agreement shall deprive the Municipality or the Sponsor of any of its remedies or actions against the other party. No determination of invalidity of any provision within this Agreement shall deprive the Municipality or the Sponsor of any of their remedies or actions against the other party because of its Default (after the expiration of any applicable grace, notice or cure period) under this Agreement. No enforcement of any provision of this Agreement shall deprive the Municipality of any of its remedies or actions against the Sponsor because of its failure to pay the Annual Service Charge. This right shall apply to arrearages that are due and owing at the time or which, under the terms hereof, would in the future become due as if there had been no enforcement. Further, the bringing of any action for the Annual Service Charge or for breach of covenant or the resort to any other remedy herein provided shall not be construed as a waiver of the rights to terminate the tax exemption or any other specified remedy.

13. This Agreement sets forth all of the promises, covenants, agreements, conditions and understandings between the parties with respect to the subject matter hereof, and supersedes all prior and contemporaneous agreements and understandings, inducements or conditions, express or implied, oral or written, with respect thereto.

14. If any clause, sentence, subdivision, paragraph, section or part of this Agreement be adjudged by any court of competent jurisdiction to be invalid, such judgment shall not affect, impair, or invalidate the remainder hereof, but shall be confined in its operation to the clause, sentence, subdivision, paragraph, section or part hereof directly involved in the controversy in which said judgment shall have been rendered.

15. This Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original and such counterparts together shall constitute one and the same instrument.

16. Subject to the terms of Agency financing, this Agreement may be assigned by the Sponsor to an affiliate of the Sponsor, provided that such affiliate develops the Project in accordance with the terms and conditions set forth in this Agreement.

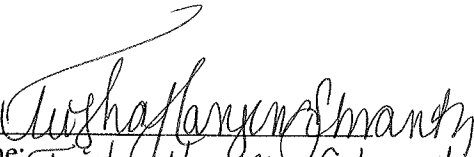
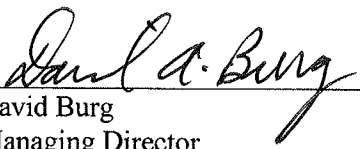
17. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

SIGNATURES ON NEXT PAGE

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


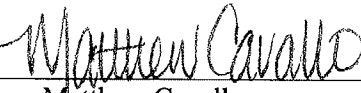
ATTEST:

SPONSOR:
PIRHL DEVELOPERS, LLC

By:  By: 
Name: Trisha Hansen Schrantz David Burg
Title: Executive Assistant Managing Director

ATTEST:

MUNICIPALITY:
TOWNSHIP OF VERONA

By:  By: 
Jennifer Kiernan, RMC Matthew Cavallo
Township Clerk Township Manager

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

ATTEST:

SPONSOR:
PIRHL DEVELOPERS, LLC

By: _____
Name:
Title:

By: _____
David Burg
Managing Director

ATTEST:

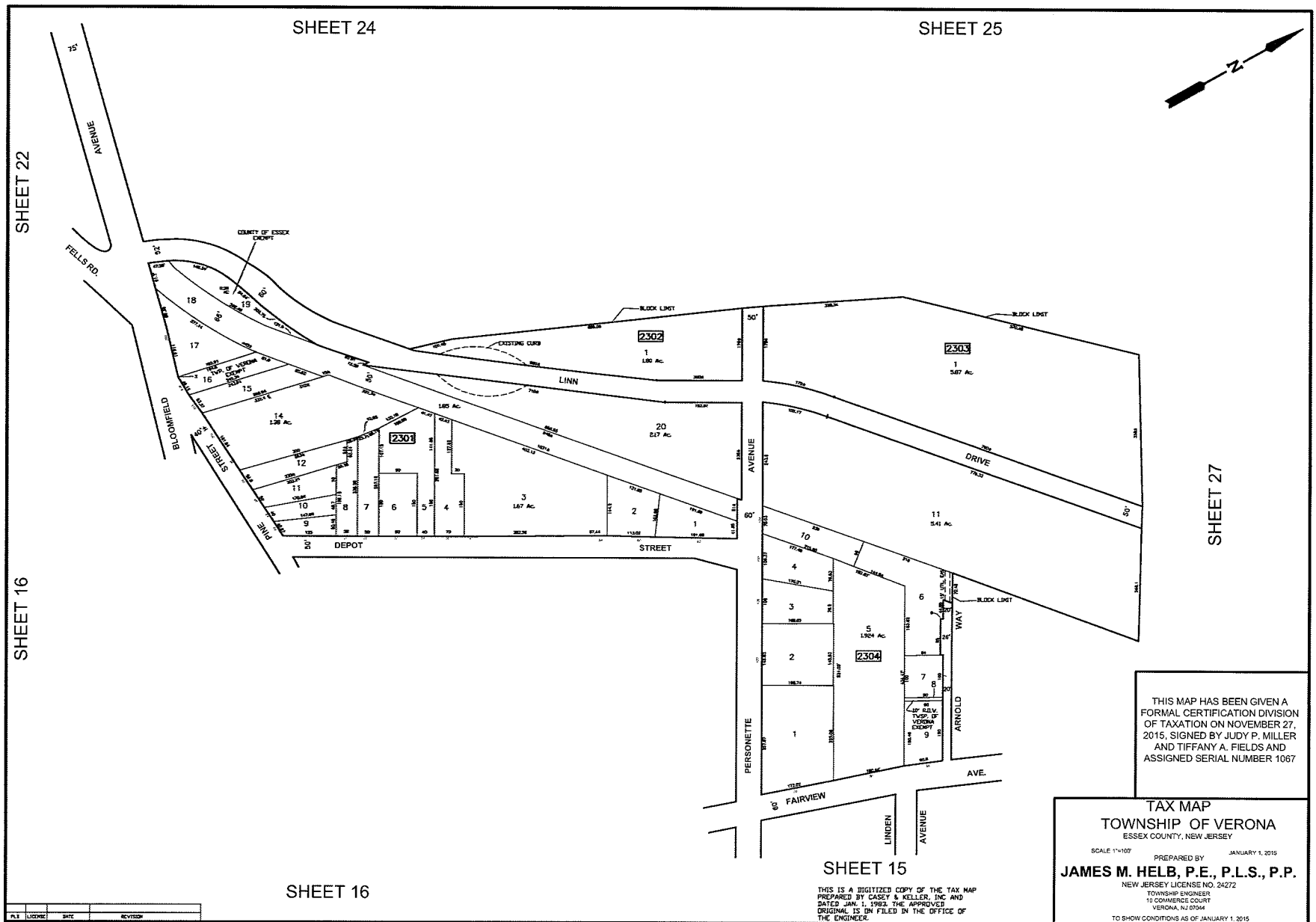
MUNICIPALITY:
TOWNSHIP OF VERONA

By: Jennifer Kiernan
Jennifer Kiernan, RMC
Township Clerk

By: Matthew Cavallo
Matthew Cavallo
Township Manager

EXHIBIT A

PROPERTY



PL	LOGS	DATE	REVISION

THIS MAP HAS BEEN GIVEN A FORMAL CERTIFICATION DIVISION OF TAXATION ON NOVEMBER 27, 2015, SIGNED BY JUDY P. MILLER AND TIFFANY A. FIELDS AND ASSIGNED SERIAL NUMBER 1067

TAX MAP
TOWNSHIP OF VERONA
 ESSEX COUNTY, NEW JERSEY
 SCALE 1"=100' PREPARED BY JANUARY 1, 2015
JAMES M. HELB, P.E., P.L.S., P.P.
 NEW JERSEY LICENSE NO. 24272
 TOWNSHIP ENGINEER
 11 COMMENCE COURT
 VERONA, NJ 07044
 TO SHOW CONDITIONS AS OF JANUARY 1, 2015

THIS IS A DIGITIZED COPY OF THE TAX MAP PREPARED BY CASEY & KELLER, INC AND DATED JAN. 1, 1992. THE APPROVED ORIGINAL IS ON FILE IN THE OFFICE OF THE ENGINEER.

EXHIBIT B

CALCULATION OF PAYMENT IN LIEU OF TAXES

PILOT CALCULATION (November 14, 2019)

Cameco Site
 100 Pine Street
 9%, New Construction

Income	2.00%
Expenses	3.00%
Vacancy-Res	7.00%

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	
REVENUE													
Gross Potential Rent	1,020,531	1,040,942	1,061,760	1,082,996	1,104,656	1,126,749	1,149,284	1,172,269	1,195,715	1,219,629	1,244,022	1,268,902	
Other Income	-	-	-	-	-	-	-	-	-	-	-	-	
Vacancy	(71,437)	(72,866)	(74,323)	(75,810)	(77,326)	(78,872)	(80,450)	(82,059)	(83,700)	(85,374)	(87,082)	(88,823)	
Total Apartment Revenue	949,094	968,076	987,437	1,007,186	1,027,330	1,047,876	1,068,834	1,090,210	1,112,015	1,134,255	1,156,940	1,180,079	
APPLICABLE EXPENSES													
Utilities	97,750	100,683	103,703	106,814	110,018	113,319	116,719	120,220	123,827	127,542	131,368	135,309	
Total Operating Expenses	97,750	100,683	103,703	106,814	110,018	113,319	116,719	120,220	123,827	127,542	131,368	135,309	
TOTAL PROJECT REVENUES													
	851,344	867,393	883,734	900,372	917,311	934,557	952,115	969,990	988,188	1,006,713	1,025,572	1,044,770	
PILOT	1.00%	8,513	8,674	8,837	9,004	9,173	9,346	9,521	9,700	9,882	10,067	10,256	10,448



Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
1,294,280	1,320,166	1,346,569	1,373,500	1,400,970	1,428,990	1,457,570	1,486,721	1,516,455	1,546,784	1,577,720	1,609,275	1,641,460	1,674,289	1,707,775	1,741,931	1,776,769	1,812,305
(90,600)	(92,412)	(94,260)	(96,145)	(98,068)	(100,029)	(102,030)	(104,070)	(106,152)	(108,275)	(110,440)	(112,649)	(114,902)	(117,200)	(119,544)	(121,935)	(124,374)	(126,861)
1,203,680	1,227,754	1,252,309	1,277,355	1,302,902	1,328,960	1,355,540	1,382,650	1,410,304	1,438,510	1,467,280	1,496,625	1,526,558	1,557,089	1,588,231	1,619,995	1,652,395	1,685,443
139,368	143,549	147,856	152,291	156,860	161,566	166,413	171,405	176,547	181,844	187,299	192,918	198,706	204,667	210,807	217,131	223,645	230,354
139,368	143,549	147,856	152,291	156,860	161,566	166,413	171,405	176,547	181,844	187,299	192,918	198,706	204,667	210,807	217,131	223,645	230,354
1,064,312	1,084,205	1,104,454	1,125,064	1,146,042	1,167,395	1,189,127	1,211,245	1,233,756	1,256,666	1,279,981	1,303,707	1,327,852	1,352,422	1,377,424	1,402,864	1,428,750	1,455,089
10,643	10,842	11,045	11,251	11,460	11,674	11,891	12,112	12,338	12,567	12,800	13,037	13,279	13,524	13,774	14,029	14,288	14,551