

City of Hammond
ROBERT J. GOLEC
City Clerk

2016 053717

2016-053717

STATE OF INDIANA)
CLERK)
COUNTY)
COUNTY OF LAKE)

IN THE OFFICE OF THE C)
CITY OF HAMMOND, LAKE)
INDIANA)

CERTIFICATION

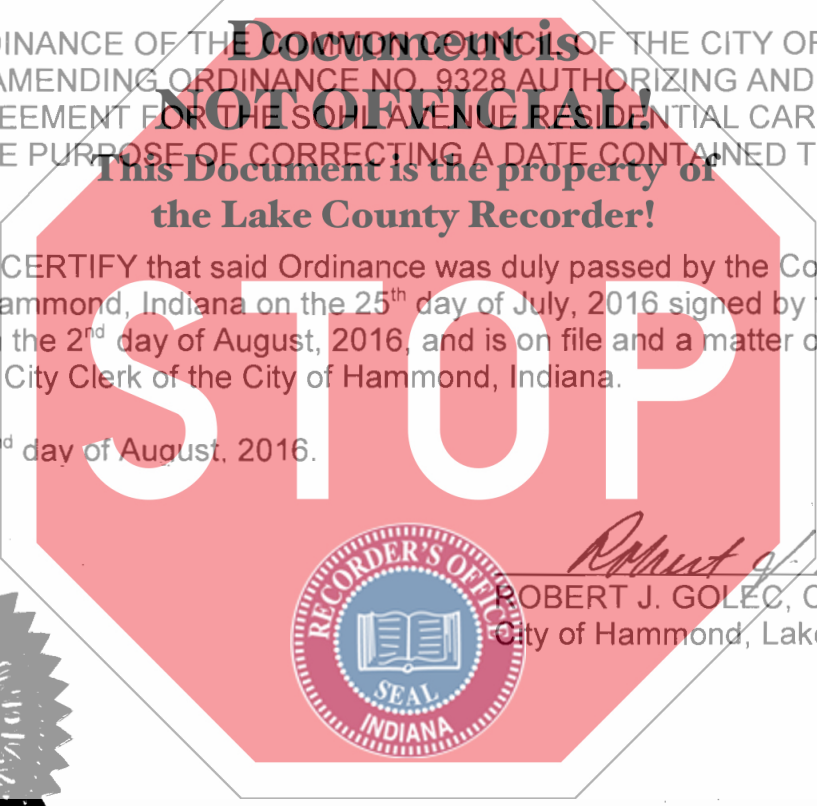
I, ROBERT J. GOLEC, the duly elected CITY CLERK of the City of Hammond, Lake County, Indiana DO HEREBY CERTIFY that the attached is a full, true, correct and complete copy of the following Ordinance (s):

2016 AUG -5 PM 12: 11
MICHAEL B. SHOWN
RECORDER

FILED FOR RECORD

ORDINANCE NO. 9349

AN ORDINANCE OF THE COMMON COUNCIL OF THE CITY OF HAMMOND, INDIANA AMENDING ORDINANCE NO. 9328 AUTHORIZING AND APPROVING A PILOT AGREEMENT FOR THE SOHL AVENUE RESIDENTIAL CARE PROJECT FOR THE PURPOSE OF CORRECTING A DATE CONTAINED THEREIN



I FURTHER CERTIFY that said Ordinance was duly passed by the Common Council of the City of Hammond, Indiana on the 25th day of July, 2016 signed by the Hammond City Clerk on the 2nd day of August, 2016, and is on file and a matter of record in the Office of the City Clerk of the City of Hammond, Indiana.

Dated this 2nd day of August, 2016.



Robert J. Golec

ROBERT J. GOLEC, CITY CLERK
City of Hammond, Lake County, Indiana

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ORDINANCE NO. 9349

**AN ORDINANCE OF THE COMMON COUNCIL OF THE
CITY OF HAMMOND, INDIANA AMENDING ORDINANCE NO. 9328
AUTHORIZING AND APPROVING A PILOT AGREEMENT FOR THE
SOHL AVENUE RESIDENTIAL CARE PROJECT FOR THE
PURPOSE OF CORRECTING A DATE CONTAINED THEREIN
(as amended)**

WHEREAS, the Common Council (the "Council") of the City of Hammond, Indiana (the "City") adopted and approved Ordinance No. 9328 on December 14, 2015 for the purpose of authorizing the entry by the City into a Pilot Agreement (the "Pilot Agreement") with Sohl Avenue RCF, LP (the "Developer") concerning the development, construction and operation of an affordable residential care assisted living multi-family housing project to be located within the City at 5620 Sohl Avenue (the "Project" or the "Real Estate"); and

WHEREAS, the Pilot Agreement was attached as Exhibit A to and incorporated by reference into Ordinance No. 9328; and

WHEREAS, Section 2.3 of the Pilot Agreement contained the following language:

The Annual in Lieu Amount payable by developer with respect to the Real Estate should be imposed as property taxes and payable in two equal installments due and payable on or before May 10 and November 10 of each successive calendar year, commencing with the first semiannual installment due and payable on or before May 10, 2016 (the "In Lieu of Payments").

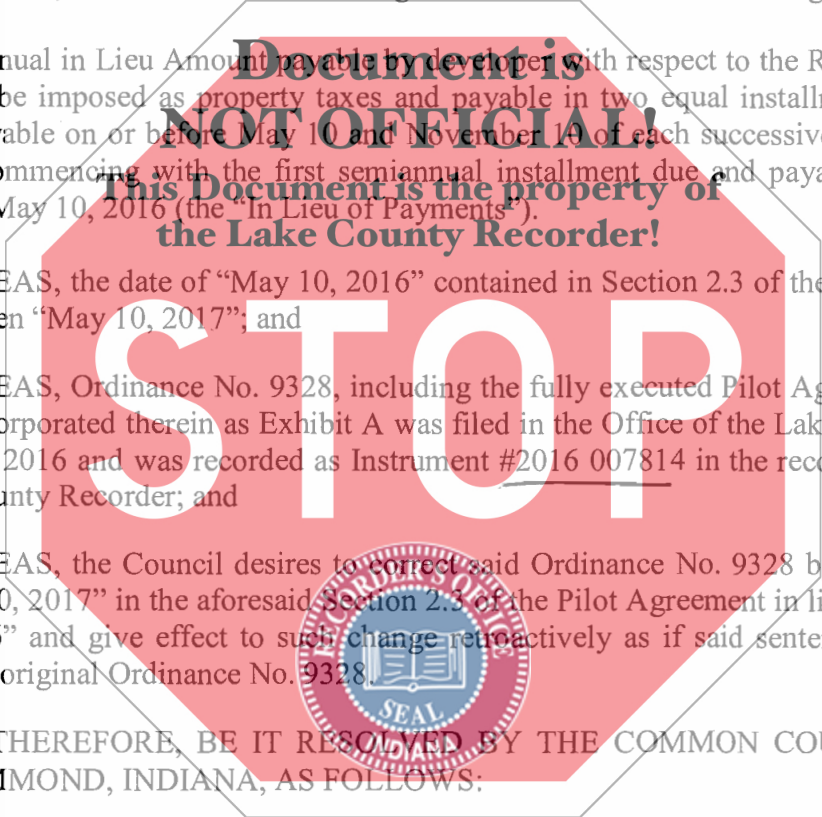
WHEREAS, the date of "May 10, 2016" contained in Section 2.3 of the Pilot Agreement should have been "May 10, 2017"; and

WHEREAS, Ordinance No. 9328, including the fully executed Pilot Agreement attached thereto and incorporated therein as Exhibit A was filed in the Office of the Lake County Auditor on February 3, 2016 and was recorded as Instrument #2016 007814 in the records of the Office of the Lake County Recorder; and

WHEREAS, the Council desires to correct said Ordinance No. 9328 by substituting the date of "May 10, 2017" in the aforesaid Section 2.3 of the Pilot Agreement in lieu of the existing "May 10, 2016" and give effect to such change retroactively as if said sentence was property included in the original Ordinance No. 9328.

NOW THEREFORE, BE IT RESOLVED BY THE COMMON COUNCIL OF THE CITY OF HAMMOND, INDIANA, AS FOLLOWS:

Section 1. Council Ordinance No. 9328 is hereby amended by striking out the date of "May 10, 2016" and inserting in lieu thereof the date of "May 10, 2017" in Section 2.3 of the Pilot Agreement. In all other respects, the text of Ordinance No. 9328 is affirmed.



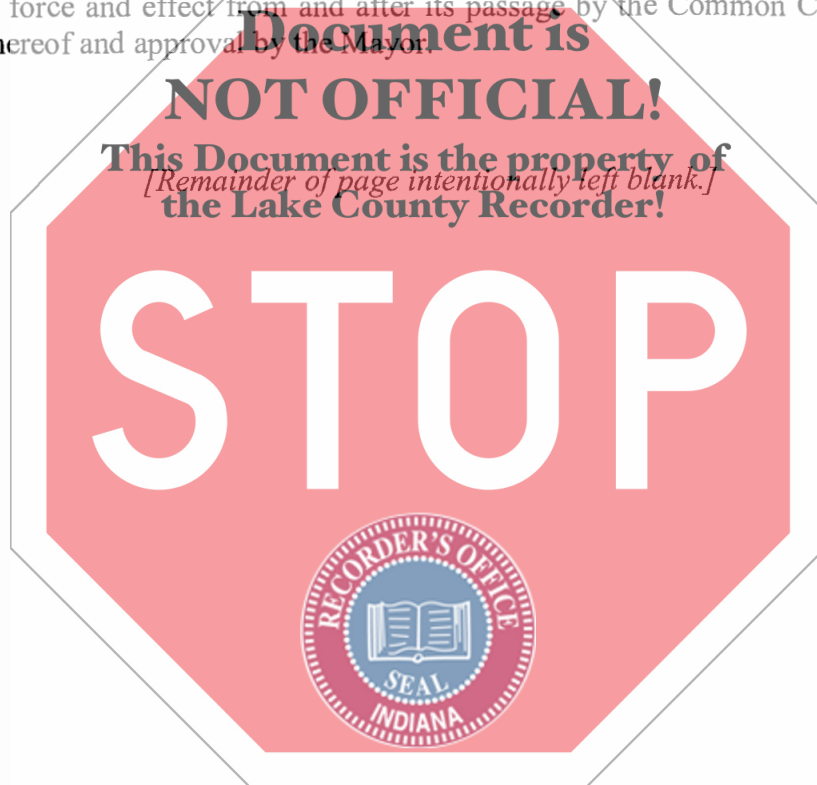
**AN ORDINANCE OF THE COMMON COUNCIL OF THE
CITY OF HAMMOND, INDIANA AMENDING ORDINANCE NO. 9328
AUTHORIZING AND APPROVING A PILOT AGREEMENT FOR THE
SOHL AVENUE RESIDENTIAL CARE PROJECT FOR THE
PURPOSE OF CORRECTING A DATE CONTAINED THEREIN**

Section 2. The Council directs and intends that the above-stated amendment be given effect *nunc pro tunc*, that is, as if the original text of Ordinance No. 9328 contained the newly inserted language described in the preceding section of this Ordinance.

Section 3. The City Clerk is hereby directed to record an executed copy of this Ordinance with the Lake County Recorder's Office and file the recorded Ordinance and PILOT Agreement with the City Controller's Office, the Lake County Assessor's Office, the Lake County Auditor's Office and the Lake County Treasurer's Office. **Developer shall pay all filing and recording costs.**

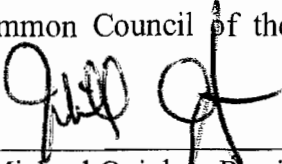
Section 4. This Ordinance shall be in full force and effect upon its adoption and its passage.

BE IT FURTHER ORDAINED by the Hammond Common Council that this Ordinance shall be in full force and effect from and after its passage by the Common Council, signing by the President thereof and approval by the Mayor.



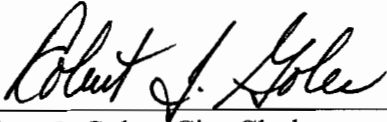
AN ORDINANCE OF THE COMMON COUNCIL OF THE
CITY OF HAMMOND, INDIANA AMENDING ORDINANCE NO. 9328
AUTHORIZING AND APPROVING A PILOT AGREEMENT FOR THE
SOHL AVENUE RESIDENTIAL CARE PROJECT FOR THE
PURPOSE OF CORRECTING A DATE CONTAINED THEREIN

ADOPTED AND APPROVED BY the Common Council of the City of Hammond,
Indiana, this 25th day of July, 2016.



Michael Opinker, President
Hammond Common Council

ATTEST:



Robert J. Golec, City Clerk
City of Hammond, Indiana

APPROVED PASSED by the Common Council on the 25th day of July, 2016, and
by the Mayor on the 1st day of August, 2016 at 2:00 p.m.

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the Lake County Recorder!



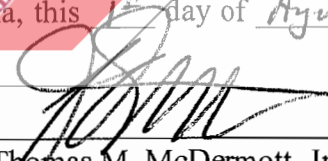
Robert J. Golec, City Clerk
City of Hammond, Indiana

PRESENTED TO ME, the undersigned City Clerk of the City of Hammond, Indiana, to
the Mayor, for approval and signature, this 26th day of July, 2016 at 10:40 A.m.



Robert J. Golec, City Clerk
City of Hammond, Indiana

The foregoing Ordinance No. 9349 is hereby APPROVED AND SIGNED BY ME, the
undersigned Mayor of the City of Hammond, Indiana, this 1st day of August, 2016 at
2:00 p.m.



Thomas M. McDermott, Jr., Mayor
City of Hammond, Indiana

CITY OF HAMMOND

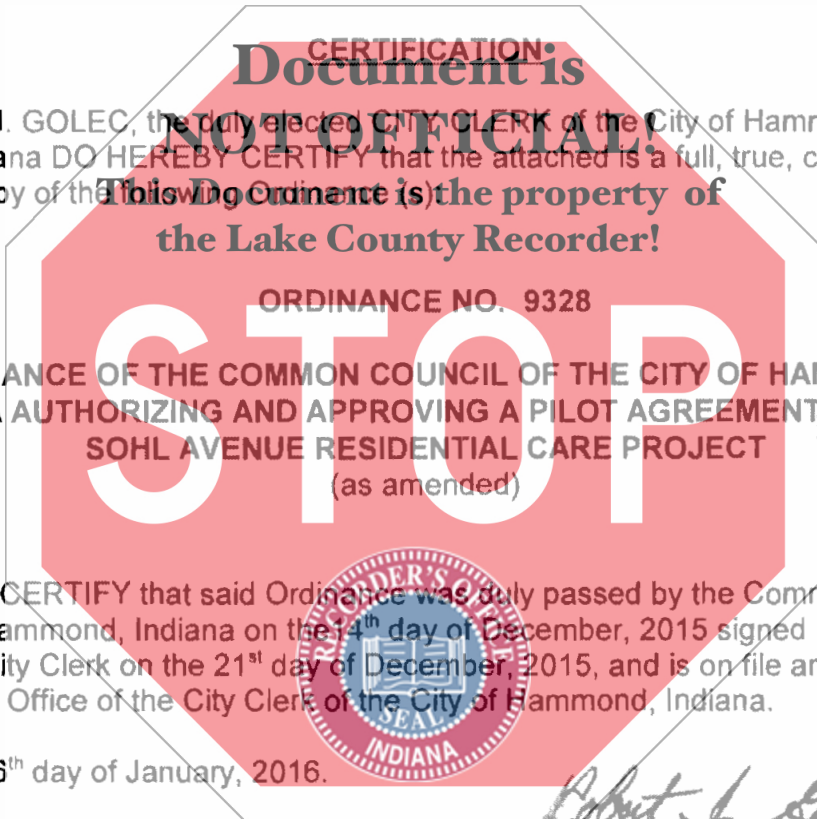
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STATE OF INDIANA)
CLERK)
COUNTY)
COUNTY OF LAKE)

IN THE OFFICE OF THE CITY CLERK
CITY OF HAMMOND, LAKE COUNTY
INDIANA

2016 007814



I, ROBERT J. GOLEC, the duly elected CITY CLERK of the City of Hammond, Lake County, Indiana DO HEREBY CERTIFY that the attached is a full, true, correct and complete copy of the following Ordinance(s):

ORDINANCE OF THE COMMON COUNCIL OF THE CITY OF HAMMOND, INDIANA AUTHORIZING AND APPROVING A PILOT AGREEMENT FOR THE SOHL AVENUE RESIDENTIAL CARE PROJECT (as amended)

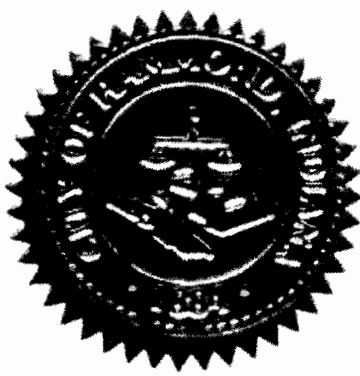
STATE OF INDIANA
LAKE COUNTY
FILED FOR RECORD
2016 FEB - 11 AM 9:25
MICHAEL BROWN
RECORDER

I FURTHER CERTIFY that said Ordinance was duly passed by the Common Council of the City of Hammond, Indiana on the 14th day of December, 2015 signed by the Hammond City Clerk on the 21st day of December, 2015, and is on file and a matter of record in the Office of the City Clerk of the City of Hammond, Indiana.

Dated this 26th day of January, 2016.

Robert J. Golec

ROBERT J. GOLEC, CITY CLERK
City of Hammond, Lake County, Indiana



FILED

FEB 03 2016

JOHN B. PETALAB
LAKE COUNTY AUDITOR

AMOUNT \$ 54-
CASH _____ CHARGE _____
CHECK # 051267
OVERAGE _____
COPY _____
NON-COM
CLERK AG



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Sponsor: Anthony Higgs
3rd District Councilman

ORDINANCE NO. 9328

**ORDINANCE OF THE COMMON COUNCIL OF THE
CITY OF HAMMOND, INDIANA AUTHORIZING AND APPROVING A
PILOT AGREEMENT FOR THE SOHL AVENUE RESIDENTIAL CARE PROJECT
(as amended)**

WHEREAS, the City of Hammond, Indiana (the "City") is a duly organized municipal corporation and political subdivision under the laws of the State of Indiana, governed by its duly elected Common Council (the "Common Council");

WHEREAS, Sohl Avenue PCE, LP (the "Developer") desires to acquire, develop, construct and operate an affordable residential care multi-family housing apartment project on the 4.7 acre site located at 5620 Sohl Avenue on the northwest corner of Sohl Avenue and Hyles Boulevard in the City to be known as the Sohl Avenue Residential Care Facility (the "Project") to develop, construct and make available the Project for the purpose of providing decent, safe, sanitary, affordable residential care facilities for the elderly low-income residents of the City and surrounding area;

WHEREAS, the Project will be developed, constructed and operated for the purpose of providing housing to income eligible persons under the federal low income housing tax credit program under 26 U.S.C. 42 (the "Section 42 Property");

WHEREAS, the Project, as a Section 42 Property, will be subject to an extended use agreement under 26 U.S.C. 42 (the "Extended Use Agreement") as administered by the Indiana Housing and Community Development Authority (the "IHCDA") for a period of at least fifteen (15) years;

WHEREAS, pursuant to the IHCDA Extended Use Agreement the Project, as a Section 42 Property, will only make available and rent to residents whose income is 60% or less of the area median gross income (the "Restricted Residents");

WHEREAS, pursuant to the IHCDA Extended Use Agreement, the Project, as a Section 42 Property will be limited to charges rents as determined in accordance with the IHCDA Extended Use Agreement (the "Restricted Rents") and in no event will such Restricted Rents exceed 18% of the area median gross income;

WHEREAS, the IHCDA limitations as to Restricted Residents and Restricted Rents set forth in the IHCDA Extended Use Agreement will cause the Project, as a Section 42 Project, to be qualify as low income housing that accomplishes a charitable purpose by relieving the poor and distressed under Internal Revenue Service Revenue. Procedure. 96-32 (collectively referred to as "Charitable Low Income Housing");

WHEREAS, the Project, as a Section 42 Project providing Charitable Low Income Housing, may be exempt from property tax under IC 6-1.1-10-16(a);

**ORDINANCE OF THE COMMON COUNCIL OF THE
CITY OF HAMMOND, INDIANA AUTHORIZING AND APPROVING A
PILOT AGREEMENT FOR THE SOHL AVENUE RESIDENTIAL CARE PROJECT**

WHEREAS, the Developer, as an owner of a Section 42 Project providing Charitable Low Income Housing, will qualify as a “property owner” under IC 36-1-8-14.2(c);

WHEREAS, the Developer has agreed to make certain payment-in-lieu-of-taxes (the “PILOT Agreement”);

WHEREAS, the City is authorized to enter into this PILOT Agreement pursuant to IC 36-1-3 et seq and IC 36-1-8-14.2 et seq; and

WHEREAS, in order to provide for the orderly and timely development of the Project, the Developer and the City have negotiated and agreed to a PILOT Agreement which has been presented to the Common Council for its ratification; and

NOW, THEREFORE, BE IT ORDAINED BY THE COMMON COUNCIL OF THE CITY OF HAMMOND, INDIANA, AS FOLLOWS:

Section 1. The Common Council hereby ratifies and approves the PILOT Agreement and acknowledges and ratifies its execution and delivery by the Mayor, City Controller and President of the Common Council on behalf of the City, all for the purposes contemplated herein.

Section 2. The PILOT Agreement, in substantially the form attached hereto as Exhibit A, is hereby authorized to be executed and delivered by the President of this Common Council on behalf of the Common Council, with such changes thereto as provided, upon the advice of the Corporation Council of the City, may approve, as conclusively evidenced by the execution thereof.

Section 3. The City Clerk is hereby directed to record an executed copy of this Ordinance and a copy of the executed PILOT Agreement with the Lake County Recorder’s Office and file the recorded Ordinance and PILOT Agreement with the City Controller’s Office, the Lake County Assessor’s Office, the Lake County Auditor’s Office and the Lake County Treasurer’s Office.

Section 4. This Ordinance shall be effective upon adoption and passage.

BE IT FURTHER ORDAINED by the Hammond Common Council that this Ordinance shall be in full force and effect from and after its passage by the Common Council, signing by the President thereof and approval by the Mayor.

**ORDINANCE OF THE COMMON COUNCIL OF THE
CITY OF HAMMOND, INDIANA AUTHORIZING AND APPROVING A
PILOT AGREEMENT FOR THE SOHL AVENUE RESIDENTIAL CARE PROJECT**

ADOPTED AND APPROVED BY the Common Council of the City of Hammond,
Indiana, this 14th day of December, 2015.

Michael Opinker, President
Hammond Common Council

ATTEST:

Robert J. Golec, City Clerk
City of Hammond, Indiana

**Document is
NOT OFFICIAL!**

PRESENTED BY ME the undersigned City Clerk of the City of Hammond,
Indiana, to the Mayor, for approval and signature, this 15th day of December, 2015.

Robert J. Golec, City Clerk
City of Hammond, Indiana

The foregoing Ordinance No. 9328 consisting of three (3) typewritten
pages, including this page, was APPROVED AND SIGNED BY ME, the undersigned Mayor of
the City of Hammond, Indiana, this 21st day of December, 2015.

Thomas M. McDermott, Jr., Mayor
City of Hammond, Indiana



Approved

PASSED by the Common Council on the 14th day of December, 2015, and
by the Mayor on the 21st day of December, 2015.

Robert J. Golec, City Clerk
City of Hammond, Indiana

EXHIBIT A

PILOT Agreement



PILOT AGREEMENT

THIS PAYMENT IN LIEU OF TAXES AGREEMENT (this "PILOT Agreement") is dated and made and entered into effective as of this 28th day of ~~JANUARY~~ 2016 (the "Effective Date"), by and among the CITY OF HAMMOND, INDIANA, a municipal corporation and political subdivisions of the State of Indiana (the "City"), and Sohl Avenue RCF, L.P, an Indiana limited partnership, and its permitted successors and assigns (collectively, the "Developer").

BACKGROUND/RECITALS

WHEREAS, the City of Hammond, Indiana (the "City") is a duly organized municipal corporation and political subdivision under the laws of the State of Indiana, governed by its duly elected Common Council (the "Common Council");

WHEREAS, Developer desires to acquire, develop, construct and operate an affordable residential care multi-family housing apartment project on the 4.7 acre site located at 5620 Sohl Avenue on the northwest corner of Sohl Avenue and Hyles Boulevard in the City which real estate is legally described on Exhibit A attached to and made a part of this PILOT Agreement ("Real Estate"), to be known as the Sohl Avenue Residential Care Facility (the "Project") to develop, construct and make available the Project for the purpose of providing decent, safe, sanitary, affordable residential care facilities for the elderly low-income residents of the City and surrounding area;

WHEREAS, the Project will be developed, constructed and operated for the purpose of providing housing to income eligible persons under the federal low income housing tax credit program under 26 U.S.C. 42 (the "Section 42 Property");

WHEREAS, the Project, as a Section 42 Property, will be subject to an extended use agreement under 26 U.S.C. 42 (the "Extended Use Agreement") as administered by the Indiana Housing and Community Development Authority (the "IHCDA") for a period of at least fifteen (15) years;

WHEREAS, pursuant to the IHCDA Extended Use Agreement, the Project, as a Section 42 Property, will only make available and rent to residents whose income is 60% or less of the area median gross income (the "Restricted Residents");

WHEREAS, pursuant to the IHCDA Extended Use Agreement, the Project, as a Section 42 Property will be limited to charges rents as determined in accordance with the IHCDA Extended Use Agreement (the "Restricted Rents") and in no event will such Restricted Rents exceed 18% of the area median gross income;

WHEREAS, the IHCDA limitations as to Restricted Residents and Restricted Rents set forth in the IHCDA Extended Use Agreement will cause the Project, as a Section 42 Project, to be qualify as low income housing that accomplishes a charitable purpose by relieving the poor and distressed under Internal Revenue Service Revenue Procedure 96-32 (collectively referred to as "Charitable Low Income Housing");

WHEREAS, the Project, as a Section 42 Project providing Charitable Low Income Housing, may be exempt from property tax under IC 6-1.1-10-16(a);

WHEREAS, the Project, a Section 42 Project providing Charitable Low Income Housing, the Developer qualifies as a "property owner" under IC 36-1-8-14.2(c);

WHEREAS, the Developer has agreed to make certain payment-in-lieu-of-taxes (the "PILOT Agreement");

WHEREAS, the City is authorized to enter into this PILOT Agreement pursuant to IC 36-1-3 et seq and IC 36-1-8-14.2 et seq; and

WHEREAS, in order to provide for the orderly and timely development of the Project, the Developer and the City have negotiated and seek to enter into this PILOT Agreement which has been ratified by the Common Council for its ratification.

NOW, THEREFORE, in consideration of the foregoing premises, mutual covenants and the sum of Ten and 00/100 Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

AGREEMENT

Section 1. Developer Compliance.

Section 1.1. (a) Developer represents and warrants that it shall be at all times in compliance with the requirements of IC 6-1.1-10-16.7 with respect to the ownership, financing and operation of the Real Estate as a low income multifamily residential care rental housing facility, and during the term of this Agreement, Developer covenants and agrees it shall at all times remain in compliance with the requirements of IC 6-1.1-10-16.7.

(b) Developer acknowledges that:

(i) the mere execution of this Pilot Agreement does not confer any property tax exemption on the Real Estate under IC 6-1.1-10-16.7;

(ii) in order to obtain any such property tax exemption or partial exemption under IC 6-1.1-10-16.7, the Developer must timely file its Property Tax Exemption Application, including renewal applications, if any are required, with the Lake County Assessor requesting an exemption pursuant to IC 6-1.1-10-16.7 from Developer's obligation to pay all or any portion of its property taxes on the Real Estate; and

(iii) the Developer must meet its burden of proof under Indiana law pursuant to the normal application and determination process applicable to IC 6-1.1-10-16.7 to justify and receive such exemption.

Section 2. Payment In Lieu of Taxes

Section 2.1. The annual amount payable by the Developer to the City Controller hereunder shall be calculated and determined by the City Controller based upon a reasonable method and calculation that is (i) consistent with the examples set forth in Exhibit B attached and made part a part of this PILOT Agreement and (ii) applied by the City Controller to determine in good faith the amount that the City would otherwise have levied upon the Real Estate if Developer was a non-exempt taxpayer. Such amount determined by the City Controller shall be reduced (i) first, by the amount of any property taxes for the tax year in question that are otherwise payable by Developer as a result of Developer's ownership of the Real Estate and (ii) second, by an annual affordable housing developer grant back from City to the Developer in the amount necessary to reduce the net annual amount paid to the City Controller under this Pilot Agreement to Fifty Thousand Dollars (\$50,000.00) (all as adjusted referred to as, the "Annual in Lieu of Amount").

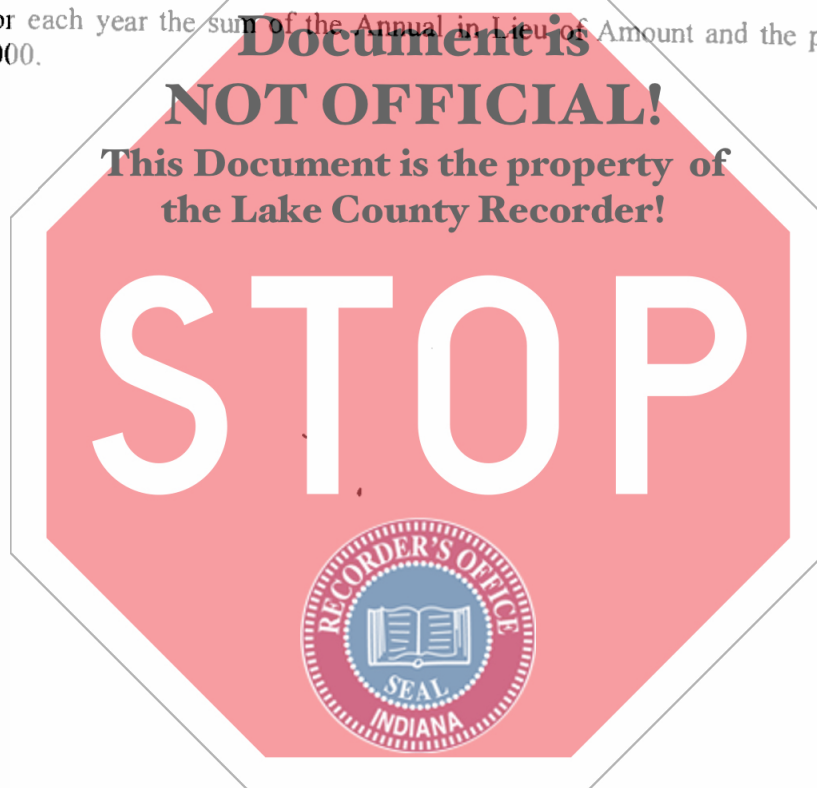
Section 2.2. The Annual in Lieu Amount shall be based on the assessed value of the Real Estate as determined by the assessor in accordance with the method set forth in Exhibit C attached to and made a part of this PILOT Agreement.

Section 2.3. The Annual in Lieu Amount payable by Developer with respect to the Real Estate shall be imposed as property taxes and payable in two equal installments due and payable on or before May 10 and November 10 of each successive calendar year, commencing with the first semiannual installment due and payable on or before May 10, 2016 (the "In Lieu of Payments"). Upon receipt by the Developer of its Annual In Lieu Amount bill from the City Controller, the Developer shall compute annual amount of the Annual in Lieu Amount due after credit for the annual affordable housing developer grant back from the City to the Developer and shall remit its calculation and a copy of the Annual In Lieu Amount bill together with its Annual In Lieu of Payments to the City Controller at the Office of the City Controller with a copy to the City, c/o the Director of the Redevelopment, on or before the installment due date. Such semi-annual In Lieu of Payments shall not exceed Twenty-Five Thousand Dollars (\$25,000.00). The obligation of the Developer to pay Annual In Lieu of Amounts shall be subordinate to the obligations of the Developer with respect to the Bonds or the mortgage securing the Bonds.

Section 2.4. Developer hereby reserves the right to contest and to appeal the amount of any tax assessment of the Real Estate. Any such challenge will not affect the timely payment of the Annual In Lieu of Amount described herein; provided, however, any reduction in the Annual In Lieu of Amount as a result of the contest or appeal shall be refunded to the Developer upon the final determination by the assessor.

Section 2.5. Developer shall be liable for prompt payment of all In Lieu of Payments when due. Developer shall be liable for all penalties, costs and expenses imposed under IC 6.1.1-22-1 *et seq.* and IC 6-1.1-37-1 or any statute which amends or replaces them for delinquent In Lieu of Payments.

Section 2.6. In addition, in consideration for the City providing police and fire protection to the Property, in the event the Annual in Lieu of Amount is less than \$50,000 then the Developer shall make a supplemental public safety surcharge payment to the City of an amount so that for each year the sum of the Annual in Lieu of Amount and the public safety surcharge is \$50,000.



Section 3. Termination.

Section 3.1. The parties hereto mutually may agree to terminate this PILOT Agreement. Such termination agreement shall be in writing and executed by all parties. Upon mutual termination pursuant to this Section 3.2, this PILOT Agreement shall become null and void, and of no further force or effect between parties; provided, however, Developer shall pay the applicable pro rata amount of In Lieu of Payments for the year in which such termination occurs up to the date of termination, and receive a credit for all In Lieu of Payments already paid for such year.

Section 3.2. Upon the last date on which applicable compliance period specified in Section 42(i)(1) of the Federal Tax Code expires, Developer may terminate this PILOT Agreement upon ninety (90) days written notice to the City; provided, however, Developer shall pay the applicable pro rata amount of In Lieu of Payments for the year in which such termination occurs up to the date of termination, and receive a credit for all In Lieu of Payments already paid for such year. Upon termination by Developer pursuant to this Section 3.3, the parties hereto agree to the following:

- (a) Until such time as the Real Estate is otherwise appropriately assessed for purposes of property taxes, Developer shall pay to the City Controller the property taxes for the Real Estate accruing from and after the termination date notwithstanding Developer's tax exemption. Also, Developer shall pay the applicable pro rata amount of In Lieu of Payments for the year in which such termination occurs up to the date of termination, and receive a credit for all In Lieu of Payments already paid for such year.
- (b) Except for this Section 3.3, upon termination hereof all other provisions of this PILOT Agreement shall become null and void, and of no further force or effect between the parties.

Section 4. General Provisions

Section 4.1. Conditions Precedent To Agreement. Notwithstanding any other provision herein, this Agreement shall be conditioned upon:

- (a) the Developer acquiring fee simple title to the Real Estate; and
- (b) the Developer executing and recording the IHCD A Extended Use Agreement.

Section 4.2. Captions; Incorporation and Exhibit. The captions and headings of various Articles, Sections and Exhibit referenced herein are for convenience only and are not to be considered as defining or limiting in any way, the scope or intent of the provisions hereof. Notwithstanding the foregoing, each of the Recitals and the Exhibit referenced herein are incorporated and expressly made a part hereof.

Section 4.3. Entire PILOT Agreement. This PILOT Agreement constitutes the entire agreement of the parties, and all prior discussions, negotiations and document drafts are merged herein. The parties acknowledge and agree that the Original Agreement is hereby amended and restated in its entirety by the terms of this Agreement.

Section 4.4. Notices. Any notice, demand, request or other communication which any party hereto may be required or may desire to give hereunder shall be in writing, addressed as follows and shall be deemed to have been properly given if hand delivered (effective upon delivery), if sent by reputable overnight courier, charges prepaid (effective the business day following delivery to such courier) or if mailed by United States registered or certified mail, postage prepaid, return receipt requested (effective two business days after mailing):

If to Developer:

c/o Sohl Avenue RCF LLC
401 N. Franklin Street, Suite 4 South
Chicago, Illinois 60654
Attention: David J. Cocagne
Telephone: (312) 268-5692
Facsimile: (312) 488-1919
Email: dave@vermilliondevelopment.com

If to City:

**This Document is the property of
the Lake County Recorder!**

c/o Hammond City Hall
5925 Calumet Avenue
Hammond, Indiana 46320
Attention: Kristina Kantar
Telephone: (219) 853-6381
Facsimile: (219) 853-6641
Email: law@gohammond.com

or at such other address as the party to be served with notice may have furnished in writing to the party seeking or desiring to serve notice as a place for the service of notice. Notices given in any other manner shall be deemed effective only upon receipt.

Section 4.5. Modification, Amendment or Waiver. No modification, waiver, amendment, discharge or change of this PILOT Agreement shall be valid unless the same is in writing and signed by all parties to this PILOT Agreement.

Section 4.6. Governing Law. This PILOT Agreement shall be governed by and construed under the laws of the State of Indiana.

Section 4.7. Time is of the Essence. Time is hereby declared to be of the essence of this PILOT Agreement and of every part hereof.

Section 4.8. Execution in Counterparts. This PILOT Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

Section 4.9. Severability. If any provision of this PILOT Agreement is determined by a court having jurisdiction to be illegal, invalid or unenforceable under any present or future law, the remainder of this PILOT Agreement will not be affected thereby. It is the intention of the parties that if any provision is so held to be illegal, invalid or unenforceable, there will be added in lieu thereof a provision as similar in terms to such provision as is possible that is legal, valid and enforceable.

Section 4.10. No Joint Venture. Nothing contained in this PILOT Agreement will be construed to constitute Developer as a joint venturer with City or to constitute a partnership between Developer and City.

Section 4.11. Construction. The parties acknowledge that each party and each party's counsel have reviewed and revised this PILOT Agreement and that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party will not be employed in the interpretation of this PILOT Agreement or any amendments or schedules hereto.

Section 4.12. Authorization. The person executing and delivering this PILOT Agreement on behalf of the parties hereto represent and warrant to the other party that such person is duly authorized to act for and on behalf of said party, and execute and deliver this PILOT Agreement in such capacity as is indicated below.

Section 4.13. Assignment/Successor. This PILOT Agreement shall be binding upon City, Controller and Developer, and all successor, grantees or assignees of Developer with respect to the Real Estate (or any portion thereof) which would otherwise be entitled to claim an exemption for real property taxes imposed on the Real Estate.

Section 4.14. Recording. The City will cause, at Developer's expense, this PILOT Agreement and any other instruments of further assurance to be promptly recorded, filed and registered, and at all times to be recorded, filed and registered, in such manner and in such places as may be required by law to preserve and protect fully the rights of the City hereunder as to all of the mortgaged property.

[Remainder of this page intentionally left blank]

IN WITNESS WHEREOF, the undersigned parties have caused the execution of this PILOT Agreement by their duly authorized officers as of the day, month and year first above written.

CITY OF HAMMOND

Heather Garay

Controller Heather Garay
Board of Public Works and Safety

STATE OF INDIANA

COUNTY OF Lake

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Before me, a Notary Public, in and for said County and State, personally appeared Heather Garay in his capacity as the Controller, acting for and behalf of the City of Hammond, Indiana, and who, having been duly sworn, stated that any and all representations and warranties contained therein are true and correct in all material respects.

Witness my hand and Notarial Seal this 10th day of December 2015.

LINDA A. MARINKOVIC
Lake County
My Commission Expires
July 5, 2017



Linda Marinkovic

Notary Public

LINDA MARINKOVIC

Printed Signature

My Commission Expires:

7/5/17

My County of Residence:

Lake

[Executions Continued on Following Page]

DEVELOPER:

SOHL AVENUE RCF, LP,
an Indiana limited partnership

By: Sohl Avenue RCF LLC,
an Indiana limited liability company,
its General Partner

By: Vermilion Indiana LLC,
its Managing Member

Document is Not
NOT OFFICIAL!
By: David J. Cocagne
David J. Cocagne, Member

**This Document is the property of
the Lake County Recorder!**

STATE OF Illinois)
) SS:
COUNTY OF Cook)

OFFICIAL SEAL
KIMBERLY E. COLEMAN
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES: 03/06/18

Before me, a Notary Public, in and for said County and State, personally appeared David Cocagne in his Member capacity as the Member who acknowledged the execution of the foregoing instrument as such Member of the sole member of the sole general partner acting for and on behalf of said., and who, having been duly sworn, stated that any and all representations and warranties contained therein are true and correct in all material respects.

Witness my hand and Notarial Seal this 3rd day of December, 2015.



Kimberly E. Coleman
Notary Public

Kimberly E. Coleman
Printed Signature

My Commission Expires:

3/6/18

My County of Residence:

Cook

This instrument is approved as to form this 21st day of December, 2015 by James T. Crawford, Jr., outside special counsel to the Developer.

Prepared by and return after recording to: James T. Crawford, Jr., Krieg DeVault LLP, 12800 North Meridian Street, Suite 300, Carmel, Indiana 46032; (317) 238-6239.

I affirm, under penalties for perjury, that I have taken reasonable care to redact each Social Security Number in this document, unless required by law. James T. Crawford, Jr.



EXHIBIT A

Legal Description

The site is located at 5620 Sohl Avenue, at the northwest corner of Hyles Boulevard and Sohl Avenue; and is more particularly described as:

Parcel E in Replat of Douglas Pointe, a Planned Unit Development, in the City of Hammond, as per plat thereof, recorded in Plat Book 74, page 19, and as amended by the Corrective Plat of the Replat of Douglas Pointe, recorded in Plat Book 76, page 49, in the Office of the Recorder of Lake County, Indiana.

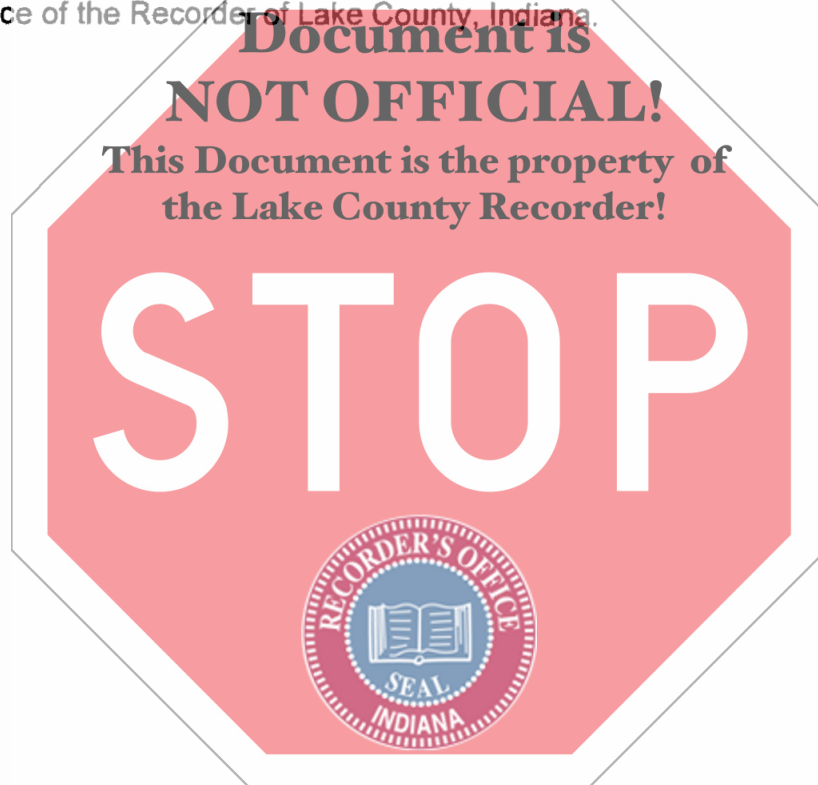


EXHIBIT B

Gross PILOT Calculation

To determine in good faith the amount that the City would otherwise have levied upon the Real Estate if Owner was a non-exempt taxpayer, each year the City Comptroller will determine the PILOT calculation using a method described as follows:

Net assessed value of the Real Estate (NAV) as determined by lines 1, 2 and 3 below
MULTIPLIED BY
City of Hammond Share of Overall Property Tax Rate
EQUALS

PILOT Calculation

As a general matter, "City of Hammond Portion of Overall Property Tax Rate" is intended to reflect Hammond's share of the overlapping effective property tax rate after applying the "Tax Cap" limitations on property tax rate.

To calculate "City of Hammond Portion of Overall Property Tax Rate", each year, the City Controller will determine the percentage share of property taxes that would be paid to the City of Hammond by applying the method illustrated in the tables on the following page. The source of information for the City Controller's annual update of this method will be information on tax levies for the relevant tax year taken from the Certified Budget Order delivered to the Lake County Auditor as prepared by the Indiana Department of Local Government Finance. The Certified Budget Orders for Lake County for 2014 and 2015 are posted on the web site for the DLGF. The tax rates in these two illustrative tables are taken from the Certified Budget Orders for Lake County for 2014 and 2015.

Line 1: Gross Assessed Value (GAV) ¹	\$ _____
Line 2: Less: Any applicable assessed value deductions	(\$ _____)
Line 3: Net assessed value of property (NAV)	\$ _____

Refer to the following page for two examples that illustrate the method to calculate "City of Hammond Portion of Overall Property Tax Rate".

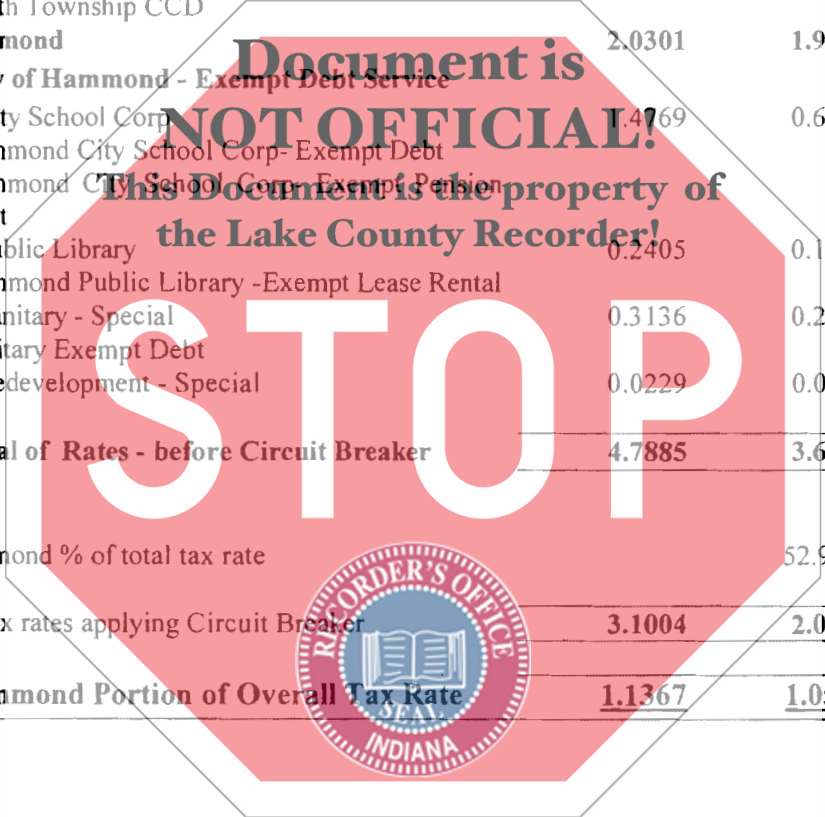
¹ As determined in accordance with Exhibit C to this PILOT Agreement.

² Any and all applicable deductions allowed under IC 6-1.1-12 *et seq.*

³ The amount upon which taxes are calculated after all applicable deductions allowed assuming the property is nonexempt.

Example 1 to illustrate the method to calculate "City of Hammond Portion of Overall Property Tax Rate".

	<u>2013 pay 2014</u>		
	<u>Total Tax Rate</u>	<u>Rate NOT on Exempt Debt</u>	<u>Tax Rates on Exempt Debt</u>
Lake County	0.606	0.5743	
Lake County - Exempt Debt			0.0208
Lake County- Park Bond #2			0.0109
Lake County Solid Waste Management District	0.0234	0.0234	
North Township	0.0751	0.0751	
North Township CCD			
City of Hammond	2.0301	1.9519	
City of Hammond - Exempt Debt Service			0.0782
Hammond City School Corp	1.4769	0.6484	
Hammond City School Corp- Exempt Debt			0.8095
Hammond City School Corp- Exempt Pension Debt			0.0190
Hammond Public Library	0.2405	0.1854	
Hammond Public Library -Exempt Lease Rental			0.0551
Hammond Sanitary - Special	0.3136	0.2067	
Sanitary Exempt Debt			0.1069
Hammond Redevelopment - Special	0.0229	0.0229	
Total of Rates - before Circuit Breaker	4.7885	3.6881	1.1004
City of Hammond % of total tax rate		52.92%	7.11%
Applicable tax rates applying Circuit Breaker	3.1004	2.0000	1.1004
City of Hammond Portion of Overall Tax Rate	<u>1.1367</u>	<u>1.0585</u>	<u>0.0782</u>



Example 2 to illustrate the method to calculate "City of Hammond Portion of Overall Property Tax Rate".

	2014 pay 2015		
	Total Tax Rate	Rate NOT on Exempt Debt	Tax Rates on Exempt Debt
Lake County	0.6573	0.6331	
Lake County - Exempt Debt			0.0141
Lake County- Park Bond #2			0.0101
Lake County Solid Waste Management District	0.0237	0.0237	
North Township	0.0809	0.0809	
North Township CCD			0
City of Hammond	1.8676	1.8265	
City of Hammond - Exempt Debt Service			0.0411
Hammond City School Corp	1.7762	0.6973	
Hammond City School Corp- Exempt Debt			1.0401
Hammond City School Corp- Exempt Pension Debt			0.0388
Hammond Public Library	0.2288	0.1763	
Hammond Public Library - Exempt Lease Rental			0.0525
Hammond Sanitary - Special	0.3009	0.2005	
Sanitary Exempt Debt			0.1004
Hammond Redevelopment - Special	0.0217	0.0217	
Total of Rates - before Circuit Breaker	4.9571	3.6600	1.2971
City of Hammond % of total tax rate		49.90%	3.17%
Applicable tax rates applying Circuit Breaker	3.2971	2.0000	1.2971
City of Hammond Portion of Overall Tax Rate	1.0392	0.9981	0.0411

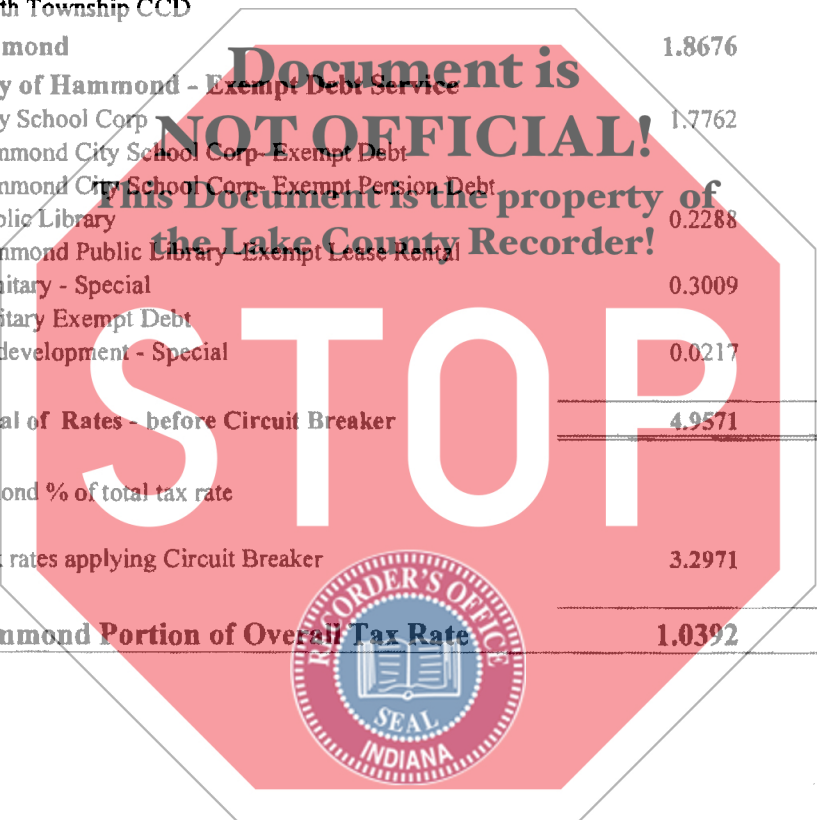


EXHIBIT C

Assessment Method

This Exhibit C to the PILOT Agreement between the City of Hammond and Sohl Avenue RCF, LP, its permitted successors and assigns, sets for the assessment method for the Project.

1. The Project is a Residential Property and is Subject to the 2% Property Tax Rate Cap

Under IC 6-1.1-20.6-4, "residential property" includes real property that consists of (i) a building that includes two (2) or more dwelling units; (ii) any common areas shared by the dwelling units (including any land that is a common area); and (iii) the land on which the building is located. The Project will consist of 125 studio and one-bedroom dwelling units on approximately 4.7 acres of land. Accordingly, the Project will be treated as residential property subject to the 2% cap under IC 6-1.1-20.6-7.5.

2. The Project will be Assessed Based upon Indiana's Statutory Assessment Methodology for LIHTC Properties

The Project qualifies as a LIHTC property which is assessed in accordance with the Indiana assessment statute for properties financed under Section 42 of the Internal Revenue Code of 1986, as amended. First, IC 6-1.1-4-40 provides that the value of the LIHTCs shall not be considered in valuing the Project for Indiana property tax purposes. Second, IC 6-1.1-4-41 provides that true tax value (i.e., assessed value) of LIHTC properties is equal to the greater of: (i) the income capitalization approach value; or (ii) the gross rents test value (i.e., the housing rental revenue for the prior year multiplied by 5% and divided by the 2% tax rate).

Indiana law specifically directs assessors to use income and not costs in deriving the assessed value of LIHTC properties. Applying the "cost approach" to LIHTC property is directly counter to the requirements of Indiana law, specifically, IC 6-1.1.-4-40 and -41.

3. The Project Should be Valued Based upon the Rental Income under Indiana Law and not the Business Services Income.

Because the Project will be categorized as LIHTC property and only the real estate is subject to property tax, the assessment should be based on income and expenses related only to the rental housing component of the Project, exclusive of the assisted living business services. Specifically, the assessment should be based on the LIHTC rent limits and related expenses. The property tax assessment should not include income and expenses related to the assisted living business services, which are (a) explicitly optional based on the choice of the resident and (b) delivered pursuant to a personal services contract that is separate and stand-alone from the rental lease agreement. Indiana assessors are generally familiar with the concept of bifurcating the value of the underlying real estate from the value of the "business operations", as this method is

commonly applied to the valuation of nursing homes, hotels, casinos and other real estate intensive business operations.

4. The Allocation of Project Income and Expenses Should Allocate the Typical Costs of Operating LIHTC properties to the Project.

The rents collected from the Project will be the amounts collected based on the rental agreements with residents for their occupancy of the apartment dwelling units. The rent on any single apartment will be limited as provided in the LIHTC statute under Section 42 of the tax code, which generally is 30% of the income for a person with income at 60% of area median income, adjusted for household size. Further, the amount of rent that the Project can charge will be further limited by the Indiana Department of Family and Social Services Administration will permit as the amount charged for "room and board" under its Aged & Disabled waiver program.

The expenses allocated to the Project operation should be the expense typically incurred from operating LIHTC properties. These expenses would include: salaries for site property manager, office manager/ income verification staff, and maintenance personnel; maintenance and operating expenses; audit expense; marketing expenses; insurance coverage for property, liability and umbrella; utility expenses; a property management fee equal to 5% of gross revenues on apartment rental income, and; a replacement reserve equal to \$400 per apartment per year.

5. Example of these methods of Property Tax Assessment of the Project.

IC 6-1.1-4-41 provides that true tax value (i.e., assessed value) of LIHTC properties is equal to the greater of: (i) the income capitalization approach value; or (ii) the gross rents test value (i.e., the housing rental revenue for the prior year multiplied by 5%, and divided by the 2% tax rate). The income capitalization approach requires determining a net operating income and applying a capitalization rate.

The application of IC 6-1.1-4-41 that will apply to the Property is illustrated by this example which sets forth a set of proximate facts. This example outlines a valuation under both the income capitalization approach and the gross rents test value, then compares to identify the greater of the two.

Income: The Project is 125 apartment units. Under Internal Revenue Code Section 42 and FSSA regulations prevailing as of November 2015, the maximum monthly rent is \$681 per apartment. Assuming a 7% combined vacancy rate to account for physical vacancy and bad debt losses, monthly income would be \$79,166 and annual income would be \$949,995, which can reasonably be rounded to \$950,000.

Operating Expenses: The Project operating expenses related to the rental apartments will include the categories of expenses identified above. Based on the typical operating costs for LIHTC properties in established large urban areas, operating expenses are expected to be in the

range of \$5,400-\$6,000 per apartment per year. Choosing the mid-point of this range and assuming \$5,700 per apartment per year results in an operating expense of \$712,500.

Net Operating Income: Revenues of \$950,000 and operating expenses of \$712,500 result in Net Operating Income of \$237,500 per year.

Capitalization Rate: With this set of facts, a capitalization rate in the range of 9.5% is likely. The Property will be encumbered by a Section 42 extended use agreement that requires the Property be leased to low income households for 30 years. Furthermore, many residents of the Property apartments are expected to participate in the Indiana program to provide assisted living personal services to residents under the FSSA Aged and Disabled waiver program. Affiliates of the Property owner will need to arrange such assisted living personal services to many Property residents. Both factors reduce the range of possible purchasers of the Property and also suppress the value of the Property when evaluated by new lenders or potential purchasers would pay for the Property.

Income Capitalization Approach: Net Operating Income of \$237,500 per year divided by a 9.5% capitalization rate results in a true tax value/ assessed value of \$2,500,000 according to the Income Capitalization Approach.

Gross rents test value: According to IC 6-1.1-4-41, the gross rents test rent value is: the housing rental revenue for the prior year multiplied by 5%, and divided by the tax rate. The local tax rate for the Property is approximately 3.035%, the 2% state cap plus 1.035% for exempt debt. In this example, housing rental revenue of \$950,000 per year multiplied by 5% and divided by the tax rate of 3.035% is equal to a true tax value/ assessed value of \$1,565,074.

Comparison of the two methods: According to IC 6-1.1-4-41 the true tax value (i.e., assessed value) of LIHTC properties is equal to the greater of: (i) the income capitalization approach value; or (ii) the gross rents test value. Under this example, the value under the income capitalization approach is \$2,500,000 and the gross rents test value is \$1,565,074.

The greater of these two methods is the income capitalization approach that results in a true tax value/ assessed value of \$2,500,000.