

MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding ("MOU") is entered into by The Housing Authority of the City of Milwaukee, a public body corporate and politic organized and existing under the laws of the State of Wisconsin ("HACM") and The Alexander Company, Inc., a Wisconsin corporation ("TAC"), in connection with the development, rehabilitation and long-term use of Building 2 of the Clement J. Zablocki Medical Center located at 5000 W. National Avenue in Milwaukee, Wisconsin, as an 80-unit affordable rental housing development for occupancy by veterans and their families who are homeless or at-risk of homelessness (the "Project"). It is anticipated that the Project will obtain an allocation of 9% federal low-income housing tax credits from the Wisconsin Housing and Economic Development Authority ("WHEDA"). By executing this MOU, the parties agree to cooperate in good faith and in a commercially reasonable manner to cause the rehabilitation and operation of the Project as set forth herein.

1. Summary of Project Funding Sources. The parties agree that the Project will be owned by National Soldiers Home Residences, LLC, a newly formed Wisconsin limited liability company (the "**Company**"), and that the Company will enter into an Enhanced-Use Lease ("**EUL**") of the Project with the US Department of Veterans Affairs ("**VA**"). The currently estimated development cost of the Project is \$31.5 million, which is expected to be paid from the following sources ("**Funding Sources**"):

(a) equity from the Company's issuance of membership interests to one or more persons who will claim the federal low-income housing tax credits ("**LIHTC**") under Section 42 of the Internal Revenue Code of 1986, as amended (the "**Code**");

(b) equity from the Company's issuance of membership interests to one or more persons who will claim the federal rehabilitation credits under Section 47 of the Code ("**HTC**");

(c) proceeds from the sale of the State of Wisconsin supplement to the HTC ("**State HTC**");

(d) federal loans or grants to the Company under the Community Development Block Grant program and Federal Home Loan Bank Affordable Housing Program (the "**Federal Funds**");

(e) (e) loans from one or more local nonprofit organizations made with the proceeds of Project related fundraising ("**Nonprofit Financing**");

(f) interim construction loan financing from a financial institution to be repaid following completion of the rehabilitation from other Funding Sources (the "**Construction Loan**"); and

(g) TAC's agreement to defer payment of a portion of the development fee payable to TAC as contemplated by this Agreement (the "**Deferred Developer Fee**").

2. Responsibilities of TAC and HACM. It is anticipated that the development and operational responsibility for the Project will be divided between TAC and HACM as set forth below.

(a) Services Provided by TAC.

(i) TAC shall perform services relating to the design, permitting and rehabilitation of the Project as set forth in the form of Development Services Agreement attached hereto as Exhibit A (the “**Development Agreement**”);

(ii) TAC shall prepare applications for each of the Funding Sources and take such other commercially reasonable actions as may be necessary for the Company to obtain the required Funding Sources for the Project, including any substitute Funding Sources as may be required or become available following the date hereof;

(iii) TAC shall be primarily responsible for negotiating the terms of the documents evidencing each Funding Source, the EUL with the VA and the Operating Agreement of the Company (which shall contain the fundamental terms and conditions described in Section 3 of this MOU); and

(iv) TAC shall be responsible for selecting and engaging attorneys, accountants and other professionals for the Company to assist TAC and the Company in (A) structuring the Company and the Project so that it is eligible for HTC, the State HTC and the LIHTC; and (B) securing one or more investors willing to execute the Operating Agreement of the Company and to provide capital contributions or other funding in exchange for the allocation of such tax credit benefits; and (C) interacting with the National Park Service, the Wisconsin Economic Development Corporation and WHEDA to procure such tax credit benefits.

(b) Services Provided by HACM.

(i) HACM shall be primarily responsible for obtaining and administering Project based HUD VASH vouchers for the Project;

(ii) HACM shall be responsible for causing the Company to engage a property manager, currently anticipated to be Friends of Housing Corporation, and shall work with the property manager to locate referral sources for the veterans and their families who will lease the Project units and to prepare a marketing and leasing plan for the Project;

(iii) HACM shall be responsible for causing the Company to locate and contract with one or more experienced service providers, including Center for Veterans Issues (CVI), who are able to provide the medical, social or other

services required by the veterans and their families who will lease the Project units; and

(iv) TAC shall consult with HACM regarding any Funding Source which, in TAC's reasonable discretion, would be more likely to award funds to the Company or for the Project if HACM were the lead applicant or co-applicant. HACM agrees to consider any reasonable proposal arising out of such consultation and provide TAC its response in a timely way.

(b) Duty to Cooperate. Notwithstanding the division of responsibilities set forth above, upon request, each of HACM and TAC shall cooperate with and assist the other in the performance of its responsibilities; provided that all such requests for assistance must be timely and reasonable. TAC shall be responsible for raising the donations needed to support any Nonprofit Financing.

3. Fundamental Terms and Conditions of Company Operating Agreement. The Operating Agreement of the Company shall be entered into between TAC and HACM, as co-managing members, and one or more entities contributing capital to the Company in exchange for the allocation of LIHTC, HTC or State HTC by the Company (together, the **"Investor Member"**). It is assumed that the Investor Member will require industry standard tax credit guarantees (**"Investor Member Guarantees"**). It is anticipated that the fundamental terms and conditions of the Operating Agreement will be as follows:

(a) TAC shall be solely liable for Investor Member Guarantees attributable to or covering the following items: (i) the completion of the rehabilitation of the Project (including lease-up delays to the extent attributable to completion delays); and (ii) the amount of Project costs properly included in computing the amount of LIHTC, HTC or State HTC, whether determined as part of the cost certification process or as part of an audit by the IRS or the Wisconsin Department of Revenue.

(b) HACM shall be solely liable for Investor Member Guarantees attributable to or covering the following items: (i) the occupancy rates or rental rates of Project units; (ii) Project operating deficits not caused by construction delays or rehabilitation cost overruns attributable to TAC, but for which TAC is responsible; and (iii) the disallowance or recapture of LIHTC attributable to the income levels or rents of Project tenants, or the occupancy rate of Project units.

(c) TAC shall be responsible for preparing (or causing the preparation of) all construction related reports and all reports required to be submitted to or in connection with the Funding Sources to the extent related to the rehabilitation of the Project, including all LIHTC and HTC tax credit cost certifications and approvals.

(d) HACM shall be responsible for preparing (or causing the preparation of) all reports relating to the initial and ongoing leasing of Project units and all Company financial statements and tax returns beginning with the taxable year in which the rehabilitation of the Project is completed.

(e) TAC shall be entitled to withdraw as a Member and Manager of the Company following the close of the 5-year HTC recapture period.

(f) HACM shall be granted a right of first refusal to acquire the Project after the close of the 15-year LIHTC compliance period for the statutory purchase price under Code Section 42(i)(7).

(g) HACM shall be entitled to a fixed Company management fee in the amount permitted by the Investor Member payable as a first priority against Company cash flow after payment of the Investor Member asset management fee.

(h) The Deferred Developer Fee shall be paid as a first priority against Company cash flow after payment of the Investor Member and HACM asset management fees, and shall constitute TAC's only interest in Company cash flow except as provided in Section 3(m), below.

(i) All tax allocations to HACM shall be qualified allocations under section 168(h) of the Code.

(j) HACM shall be specially allocated the State HTC by Company, shall sell the State HTC to a Wisconsin taxpayer identified by TAC and shall loan the proceeds of the sale to the Company as a subordinated loan.

(k) HACM shall be the recipient of the Federal Funds at the direction of TAC, and shall loan the Federal Funds to the Company on terms and conditions acceptable to TAC and the Investor Member.

(l) The Construction Loan shall be guaranteed by TAC.

(m) To the extent TAC or HACM are required to make payments on any Investor Member Guarantee or the Construction Loan guarantee, such payments shall be treated as loans to the Company which are repayable from Company cash flow to the extent permitted by the Investor Member.

4. Payment of Costs. Prior to execution of the Operating Agreement of the Company and the admission of the Investor Member, TAC and HACM shall bear the costs incurred by each of them in performing the services contemplated by this MOU. Upon execution of the Operating Agreement and admission of the Investor Member, to the extent permitted by the Investor Member and Project Lenders, each of TAC and HACM shall be fully reimbursed for properly verified previously incurred Project related costs.

5. Termination of MOU. This MOU shall be terminated in the event that (a) TAC notifies HACM in writing that one or more of the Funding Sources for the Project is not available (in whole or in part) and that, as a result, the development of the Project is no longer financially feasible; (b) the VA provides notice that it will not enter into the EUL; or (c) the Project based HUD vouchers are not available (in whole or in part) and, as a result, HACM

determines that the operation of the Project is no longer financially feasible (each, a “**Termination Event**”). Written Notice of Termination Events shall be provided within 30 days by the Party initially informed, if possible. Each Party has agreed, by executing this MOU, to exercise good faith and commercially reasonable efforts to avoid termination of this MOU, but acknowledges that the Project is a complex multi-party real estate development and financing transaction which could cease to be a viable undertaking for reasons beyond the reasonable control of the parties. Accordingly, in the event this MOU is terminated, each Party shall bear the risk of loss of costs incurred by such party under this MOU, and, in the absence of a written agreement to the contrary, shall not be entitled to seek the reimbursement or recovery of any costs from the other party.

6. Phase 2. The development of the Project described in this MOU shall proceed independently of Phase 2 of the National Soldiers Home project described below. However, by executing this MOU, HACM and TAC also agree to cooperate in good faith and to use commercially reasonable efforts in connection with the ongoing development of Phase 2 of the National Soldiers Home project, consisting of 21 housing units in total and including: (a) the conversion of the former VA administration building into 14 SRO units with common kitchen, dining and community areas and first floor office space for supportive services; (b) the restoration of the former Chaplain’s quarters (Building 14) as a three-bedroom single family home; and (c) the restoration of Buildings 18, 19 and 62 as duplexes with two-story 3-BR units on each side.

TAC and HACM execute this MOU effective February __, 2017.

THE ALEXANDER COMPANY, INC.

By: _____
Joseph M. Alexander, President

HOUSING AUTHORITY OF THE CITY
OF MILWAUKEE

By: _____
Antonio Perez, Secretary–Executive Director

By: _____
Mark Wagner, Chair of HACM Board of
Commissioners

EXHIBIT A
FORM OF DEVELOPMENT AGREEMENT

A-1