

Letter of Intent

This Letter of Intent ("LOI") is made as of December 13, 2023 by and between Woodbury Housing Authority, LLC, a Wyoming limited liability company ("WHA"), the Craig Housing Authority, a body corporate and politic ("Housing Authority"), and the City of Craig ("City").

RECITALS

- A. The Parties, collectively defined as WHA, the Housing Authority, and the City, desire to work collaboratively and in good faith for the purposes set forth below.
- B. The Housing Authority certifies that they have an adopted policy of "fostering the development of workforce housing" or a similar provision related to the development or furtherance of workforce housing as a purpose of its organizations in its incorporation documents, or that they will amend those documents as necessary to do so.
- C. The City enters into this agreement under the authority of the Constitution of the State of Colorado as a Home Rule City.
- D. The Parties agree that this LOI will be the basic structure for a future full development agreement.

Purpose. The purpose of the project is to complete a new +/- 96 to 120-unit apartment complex located on the +/- 3.75 acre Woodbury Park site (the "Property"), initially known as *Woodbury Apartments*, primarily with the utilization of federal and state development loans, acquisition grants and loans, and other funds, and to take any other actions allowed under the applicable laws that are necessary or desirable for the redevelopment of the property as workforce rental housing (the "Project"). "Workforce rental housing" shall be defined as housing rental costs ranging from 80% of the area median income (AMI) to 120% of the AMI. The final unit size and rental mix shall be determined by the Parties utilizing the housing study completed by Prior and Associates (the "Market Study").

Financing. All financing shall be obtained, identified, and controlled by WHA; provided, however, the Housing Authority shall, with the assistance of WHA, cooperate with WHA's efforts to apply for any loans, predevelopment and acquisition funds, or any grants, as needed. For any grant application(s), the Housing Authority or the City may agree to be the applicant, and WHA agrees to provide grant support free of charge. WHA shall reimburse the City or Housing Authority for reasonable out-of-pocket costs up to \$2,000 related to the review and negotiation of each grant or loan agreement as discussed in the Predevelopment Section.

Guarantees. If necessary, WHA or affiliates shall provide loan guarantees if required by Project's lender(s).

Predevelopment. WHA shall pay predevelopment costs related to the Property development. WHA (possibly through a predevelopment loan or grant) shall provide initial working capital funds for the Project, including legal, engineering and architectural fees required to be paid prior to closing of Project's financing, and any application fees related to financing and equity. WHA may receive reimbursement of such initial working capital funds from the construction loan closing, and or grant funding, including its costs of funds advanced for predevelopment purposes. Any pre-development financing expended by WHA may also be repaid when the Project financing closes. The City and WHA has engaged Prior and Associates to conduct the Market Study of the Property, including the general Craig area, to determine the market rental prices and unit mix for the Project. The Market Study costs are to be split between the Parties, of which the City agrees to pay the first ½ and WHA agrees to pay second ½ upon finalization of the report. The City will subdivide the Property based on EXHIBIT A, and will pay for the costs of an ALTA survey, Environmental Phase I Report, and a geotechnical report for the Property. Based on the legal expense estimate from both the City and Housing Authority, said legal expenses will be capped at a total \$20,000, plus an additional \$2,000 each (capped at \$4,000 total) for further subrecipient agreement(s).

Grant Commitments. The City has been awarded Congressionally Directed Spending CDS-HUD funds totaling \$978,800 ("CDS Funds"). The City and Housing Authority will allocate at least \$680,000 of the CDS Funds to the Project for use and payment of costs of the Project subject to HUD approval. Additionally, the City is applying for the state grants Division of Local Affairs funding ("State Grant"). If awarded any funds for the Project, the City agrees to apply the State Grant award(s) to the Project under the conditions of the State Grant.

Fee Waivers. The Housing Authority agrees to assist WHA and help negotiate with the City to reduce and/or waive all waivable Project fees, including but not limited to tap fees, permit fees, and impact fees (collectively the "Project Fees") for the Project.

Rezoning. The City, at its own expense, agrees to use its best efforts to rezone the Property and provide an estimate of all municipally imposed Project Fees. The City or Housing Authority is expected to apply for pre-development grants related to the Project, and, if successful, shall use these funds to pay for any eligible reports on the Project. WHA will assist the rezoning process with concepts, elevations and graphic site plans as determined to be beneficial for public project support.

Public-Private-Partnership. WHA will form a special purpose entity, which shall be a Limited Partnership to lease the Property pursuant to a long-term ground lease for \$10/year, receive debt, equity, state, and special financing, and develop and own the Project.

Subject to final approval by the Housing Authority's Board of Commissioners, the Housing Authority will become the Limited Partner of the new Partnership, with an ownership interest of 0.01% (one-tenth of one percent). WHA shall be the General Partner, and own the remaining 99.99% interest. This structure

will allow the Limited Partnership to be exempt from sales and use tax during construction and property taxes throughout the Partnership Term.

Subject to the legal expense cap in the Predevelopment section, WHA will reimburse the City and Housing Authority for reasonable out-of-pocket costs related to the negotiation of the long-term ground lease, partnership agreement, and Deed Restriction agreement.

The Special Limited Partnership shall be in effect for a term of at least fifteen (15) years ("Partnership Term"). During this time, Deed Restrictions will be enforced limiting the maximum rent that can be charged for a unit to an agreed-upon mix of units including those at or below 80% and up to 120% of Average Median Income (AMI) as determined by the Colorado Housing and Finance Authority. The specific terms of these Deed Restrictions will be determined by the parties in a separate Limited Partnership agreement and recorded affordability covenant.

The Housing Authority will have the Right of First Refusal (ROFR) to acquire the remaining 99.99% of the Partnership. The ROFR will be memorialized in a Right of First Refusal and Purchase Option Agreement between the Housing Authority and WHA at the closing of the financing for the Project. WHA may sell its general partnership interest subject to the prior written consent of the Housing Authority, which the Housing Authority shall not unreasonably withhold.

Development Responsibility. WHA will act as the developer for the Project, taking lead responsibility for all aspects of the development process. Development fees generated by the Project shall be payable to WHA as agreed upon with the Housing Authority. The Housing Authority will not participate in the net cash flow nor disposition proceeds of the Project.

Roles of the Parties:

Role of WHA: WHA, at its sole discretion, shall select all architects and general contractors to determine the feasibility of the Project; prepare preliminary budgets and modify them as needed during the development process; solicit proposals from and select qualified engineers, consultants, general contractors and other related firms to assist in the Project's development process, select Project attorneys, and coordinate the services of all third party providers; prepare and submit loan applications and negotiate the terms of construction and permanent loans for the Project; negotiate and review the construction loan agreement and all documents related thereto; and supervise construction of the Projects. WHA shall have the right to designate affiliates to provide consultation including property management and other services. All of the foregoing activities are subject to the Housing Authority's prior approval, which the Housing Authority will not unreasonably withhold or delay.

Role of Housing Authority: The Housing Authority shall assist with the review of the Project's capital needs and grants, review and provide comments on the proposed scope of work, operating budget and generally participate, at WHA's request, in meetings with potential lenders and equity investors; help secure the support of local government officials, including CHFA and DOLA; be involved in establishing relationships with any external service providers to obtain social services for residents; monitor community improvement goals and advise on any programs or opportunities which the Housing Authority identifies that could enhance the performance of the Project and contribute to the welfare of the residents, provided such prospective residents also meet the qualifications established by the Project and WHA in compliance with fair housing law; and facilitate public relations efforts and community relations programs with government officials, community groups and other interested parties. The Housing Authority may provide an exemption from state and local taxes under state statute, subject to entering into a payment-in-lieu-of-taxes agreement in a form and substance acceptable to the Housing Authority. This would include the Housing Authority signing all appropriate grants, agreements, applications, etc. required to properly finance and qualify the property.

Role of City: The City shall be the lead for the rezoning process for the Property, including securing the support of local and regional government officials and neighbors to the Project. At WHA's request, the City will participate in development meetings with potential lenders and equity investors, including HUD; be involved in establishing relationships with any external service providers to obtain social services for residents; monitor community improvement goals and advise on any programs or opportunities with the Housing Authority; assist with the application and submission of the Project's capital needs and grants; provide comments on the proposed scope of work and operating budget; and provide access maintenance, including snow removal, of all areas/sidewalks from the Project to the transit center.

Consideration: As consideration for entering into this contract, the Parties agree to record a rental AMI limitation on the Property ("Property Restriction"). The Property Restriction will limit the rents charged per the CHFA AMI ranges of 80% to 120% for the City Craig/Moffat County region. The City's consideration is the long-term leasing of the land for the project. WHA also agrees that if it has not begun construction on the Project within three (3) years of the City's execution of this LOI, then the City and Housing Authority have the right to Terminate this LOI.

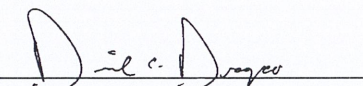
Daily Affairs during Development. Day-to-day affairs of the Project shall be undertaken by WHA during the development process, through WHA's role as the named project developer. WHA shall have authority to make all decisions regarding financial issues, construction change orders and related matters, and any issues relating to any guarantees provided by WHA or affiliates.

Daily Affairs during Operations. WHA will select the property manager (or be the property manager). If WHA or an affiliate serves as the property manager, the management fee will not exceed limits as set forth by CHFA. The property manager will propose an annual operating budget for the Project.

Withdrawal. WHA may withdraw from the Project prior to closing upon written notice to the Housing Authority for any reason whatsoever. Notwithstanding the foregoing, in the event WHA withdraws from the Project, including for convenience, or in the event the City is unable to deliver proper zoning and entitlements, both parties bear the responsibility for their own costs and fees as determined by the executed LOI.

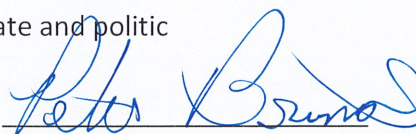
Agreed and accepted by the Parties signatures below:

Woodbury Housing Authority, LLC,
an Wyoming limited liability company


By: 
Its: David C. Dragoo, Its Manager

Dated: 12 / 13 / 2023

Craig Housing Authority,
a body corporate and politic

By: 
Peter Brixius
Its: Executive Director

Dated: 12/13/2023

The City of Craig
By: 
Peter Brixius

Its: City Manager

Dated: 12/13/2023

*Subject to Ratification by City Council & CHA
Commissioners. P+B 12/13/23*

EXHIBIT A

Property Boundary Line (red)

