

Term Sheet

Family Health West Multifamily Redevelopment

DATE: December 17, 2024

TO: Headwaters Housing Partners (“HHP”), on behalf of 805 Ottley Avenue LLC

FROM: City of Fruita, Colorado (the “City”) and Fruita Housing Authority (the “Authority”)

RE: Family Health West Multifamily Redevelopment – “Term Sheet”

Recitals	The Redevelopment Agreement will contain recitals regarding the description of the Project, the need for workforce housing in the City, and the overall public benefit of the Project.
Parties to the Agreements	Redevelopment Agreement - HHP, the City and the Authority Land Use Restriction Agreement – HHP and the Authority.
Property	Agreements will include an Exhibit depicting the Property.
Project	The Project will include the conversion of the existing property into 62 multifamily housing units and a community building with associated amenities.
Eligible Improvements	HHP will, itself or by and through one or more contractors, undertake improvements necessary to convert the existing property into 62 multifamily housing units and a community building, including associated amenities. The Redevelopment Agreement will contain an Exhibit describing the eligible improvements (the “Eligible Improvements”).
Eligible Costs	The Redevelopment Agreement will contain an Exhibit that lists the general categories and estimated costs of the Eligible Improvements. Eligible Costs include: <ul style="list-style-type: none">• Costs incurred to design, engineer, and construct the Eligible Improvements as described on an Exhibit and as may subsequently be identified in future development-related approvals by the City;• Costs incurred to acquire property or easements necessary to construct the Eligible Improvements.

City Support	<p>The City has provided:</p> <ul style="list-style-type: none"> • Planning and zoning interpretation that the proposed Project is a by-right use based on the zoning and existing use of the property. • Confirmation of credit against all development, tap and impact fees based on the existing conditions and improvement of the developed property. • Approval of an Administrative Site Plan application for the redevelopment of the property into 62 multifamily housing units and auxiliary community amenity uses. <p>The City will:</p> <ul style="list-style-type: none"> • Grant a credit for all development, impact and tap fees. • Subject to annual appropriation, make direct cash contributions at the times and in the minimum amounts agreed to by the parties to buy down the unit costs in order to achieve desired AMI restrictions (as set forth below). <ul style="list-style-type: none"> ○ The initial City cash contribution of \$400,000 (the “Initial Contribution”) has been included in the City’s 2025 budget and will go before the City Council for appropriation in January of 2025. The Initial Contribution will be paid from the City to the Authority, and then will be contributed by the Authority, as a loan that converts to equity, as its consideration to buy into the partnership entity established with HHP to own and manage the Project. The Initial Contribution will be disbursed at the point of the current final sales closing on the property or at the point of construction loan closing if the City or the Authority is able to negotiate an extended closing date with Family Health West. The Initial Contribution will be used to pay for all or part of the purchase price of the property. ○ Future cash contributions from the City shall: <ul style="list-style-type: none"> ▪ be deposited in the income fund or the debt service fund for the Project loan in order to increase the debt service coverage ratio, or be deposited in the debt service reserve fund; and ▪ shall only be used to pay operating expenses or capital expenses for the Project, or to pay debt service. ▪ Any City cash contributions not spent in the year contributed shall remain in the income fund, debt service fund, or debt service reserve fund, and be carried over to the next year in order to continue to support the debt service coverage ratio, operational or capital needs of the Project, or support overall debt service.
--------------	--

<p>Authority Support</p>	<p>The Board of Commissioners of the Authority (the “Authority Board”) has adopted a resolution authorizing the Authority to participate as Special Limited Partner (“SLP”) in the partnership entity established with HHP to own and manage the Project in order to provide property tax exemption for the property as well as sales and use tax exemption for the construction of the Project.</p> <p>The Authority will:</p> <ul style="list-style-type: none"> • Participate as a SLP with HHP. • Work with HHP and legal counsel to establish the terms of the SLP for the Authority’s participation in the property ownership structure for property tax and sales and use tax exemptions so that the SLP will be set up in time to purchase the property at closing. • The Authority will contribute the Initial Contribution, as a loan that converts to equity, as its consideration to buy into the partnership entity established with HHP to own and manage the Project.
--------------------------	---

<p>AMI Restrictions</p>	<p>The City or Authority will contribute, subject to annual appropriation, \$20,000/unit or an aggregate total of \$1,250,000 contribution = 31 Units (50%) restricted to rental rates affordable to households earning 100% AMI and 31 Units (50%) restricted to rental rates affordable to households earning 80% AMI</p> <p>Subject to annual appropriation, the City or the Authority will make direct cash contributions towards the \$1,250,000 aggregate total buydown amount at the times and the amounts agreed to by the parties. The amounts agreed to by the parties will set a contribution floor. However, if the City elects to appropriate additional funds in a given year, the addition funds will be applied towards future payments in inverse order starting in the final year of cash contributions and working backwards. For example, if the City appropriates an additional \$50,000 in year two then the payment in year five will be reduced by \$50,000.</p> <p>Any contribution made by Family Health West, whether in cash or in the form of reducing the purchase price, will be credited towards the annual payments, starting from the final year and working backwards.</p> <p>The City and the Authority will work with HHP to determine the number of one-bedroom and two-bedroom units to which the different AMI restrictions apply. The mix of AMI distributions may be adjusted over time upon the mutual agreement of the parties.</p> <p>The Land Use Restriction Agreement will contain provisions allowing the City or the Authority to contribute additional cash to further buy down the AMI restrictions on a per unit basis in the future. The amount required for future AMI buy downs will be established at the time of the proposed buy down by a third-party consultant that is mutually agreeable to the parties. The factors to be considered by the third-party consultant will be set forth in the Land Use Restriction Agreement.</p> <p>As an alternative, the Land Use Restriction Agreement may also contain provisions allowing the City or the Authority to reserve the right to establish a master lease for a predetermined number of units for the purposes of creating deeper affordability than the AMI restrictions prescribed in the Land Use Restriction Agreement. The lease amount will be determined by a third-party consultant. The factors to be considered by the third-party consultant will be set forth in the Land Use Restriction Agreement.</p>
-----------------------------	---

	<p>If appropriations beyond the Initial Contribution are not made by the City or the Authority in accordance with the schedule agreed to by the parties, then a predetermined number of units will be released from AMI restrictions and effectively convert to market rate units, unless an appropriation is made to buy down the applicable units or a master lease is executed within the prescribed calendar year and pursuant to the terms of the Land Use Restriction Agreement.</p>
Tenant Preference and Targeted Marketing of Units	<p>HHP will agree to engage in targeted marketing of the units in accordance with preferences determined by the Authority Board, which may include requirements to target marketing to local employees and residents, to lease units subject to a tiered employer or local worker structure, enter into master leases or other arrangements involving financial contributions for units with employers identified by the City or the Authority.</p> <p>HHP will present an annual report to the Authority Board in each year that a direct cash contribution is made to the Project by either the City or the Authority. HHP will submit a written report to the Authority Board in each year that a direct cash contribution is not made to the Project by either the City or the Authority. Each report will include the proposed marketing strategy for the upcoming year, information about current AMI levels, net operating income, the prior year's marketing efforts, tenant makeup and vacancy rates.</p>
Assignment	<p>HHP may assign the Redevelopment Agreement in whole or in part with the prior written the consent of the City.</p>
Rights of the City and the Authority upon the occurrence of Payment Defaults	<p>The City and the Authority will have the right, but not the obligation, to cure any debt service defaults of HHP for the Project. Any funds appropriated by the City or the Authority to cure a debt service default will be a subordinate loan to be paid back with net operating income of the Project.</p> <p>The City and the Authority will have the right of first refusal to buy the Project before it goes to foreclosure sale.</p>
Successors	<p>The Agreements will be binding on successors and assigns.</p>
Miscellaneous	<p>The Agreements will contain industry-standard boiler plate language regarding covenants, amendments, governing law, venue, severability, force majeure, counterparts, etc.</p>

CITY OF FRUITA, COLORADO

By: _____

Name: _____

Title: _____