STATE OF NORTH CAROLINA)
)
COUNTY OF DURHAM)

MEMORANDUM OF UNDERSTANDING FOR 500 EAST MAIN STREET – AFFORDABLE HOUSING PROJECT

THIS MEMORANDUM OF UNDERSTANDING (the "MOU") is effective as of the 21st day of January, 2020 (the "Effective Date"), and is entered into by and between DURHAM COUNTY, NORTH CAROLINA, a political subdivision and body corporate of the State of North Carolina (the "County"), and LAUREL STREET RESIDENTIAL, a North Carolina limited liability company ("Laurel Street" or "Developer", and together with the County, the "Parties," each a "Party"), for the development of the "Project" as further described in Paragraph D below in response to the County's 300 and 500 East Main Development Solicitation for Development Partner Proposals dated Winter-Spring 2019 (the "Solicitation") and in the Response to Durham County Solicitation for Development Partner Proposals – Laurel Street Residential and ZOM Living submitted on April 5, 2019 (the "Response").

The following terms and conditions are intended to reflect the understanding of the Parties as to the material terms of development and operation of the Project.

RECITALS

A. GENERAL CONDITIONS.

1. This MOU is expressly conditioned upon and subject to the parties hereto finalizing and entering into a mutually satisfactory understanding and definitive written agreement as to all aspects of the proposed transaction. Accordingly, except for Paragraph F. 7., this MOU shall not be binding upon the Parties hereto in any way except to the extent it reflects the present intent of each of the Parties to (i) diligently and in good faith proceed with the development of the Project; (ii) negotiate in good faith a definitive written agreement between Laurel Street and the County regarding the development of the Project, including the business terms and conditions contained herein, or as otherwise agreed to by the parties; and (iii) maintain appropriate communication with each party, the public and key stakeholders throughout the development of the Project. This MOU does not otherwise state all key terms and conditions required for the parties to enter into a binding contract with enforceable obligations.

2. This MOU is intended to reflect the current understanding of the Parties, and all parties agree that time is of the essence. This MOU grants Laurel Street the exclusive right for a period from the Effective Date until August 31, 2020 (the "Evaluation Period") to diligently, reasonably and in good faith (i) negotiate and attempt to finalize the Master Development Agreement ("MDA"); and (ii) analyze and otherwise pursue the development of the Project. The MDA will also provide Laurel Street with an exclusive right to develop the Project, subject to the terms of the MDA. If the Parties have not executed the MDA by the expiration of the Evaluation Period, this MOU and any other agreements between the parties regarding the Project shall terminate except for Paragraph F.7. of the MOU, the terms of which shall survive any termination of this MOU.

3. This MOU shall commence on the Effective Date indicated above and shall continue in effect through August 31, 2020, provided, however, the term may be extended for an additional period of time upon the written consent of the parties, but shall not be extended for a

period greater than sixty (60) days without the express written approval of the Durham County Board of County Commission ("BOCC").

B. PURPOSE.

1. This MOU by and between the Parties is intended to accomplish the following goals:

(i) Provide a parking solution that will address Durham County employee and Health & Human Service facility customer needs and meet new demand created by the Project, and incorporate options for multiple modes of transportation;

(ii) Increase the availability of affordable housing in downtown Durham for households earning 80% Area Median Income ("AMI") and below in a mixed income and multi-generational setting;

(iii) Provide ground-floor commercial and service offerings for tenants and workers in and around the Site (as defined in Section E.1. below) and increase activity along East Main Street;

(iv) Efficiently use public investment to maximize public benefits and attract private investment; and

(v) Focus on pedestrian-scale design that creates a walkable, vibrant, urban streetscape along East Main Street.

2. This MOU is entered into to facilitate the Project pursuant to the authority conferred upon the County under North Carolina law, including but not limited to, Chapters 153A, 157 and 158 of the North Carolina General Statutes, and Session Law 2005-172. These statutes authorize redevelopment of 500 East Main Street for affordable housing, commercial uses, and construction of a County-owned parking deck to serve the Project.

C. PARTIES.

1. Developer. The Developer will be Laurel Street, comprising an integrated development and operating organization that specializes in the development and design of mixed-use communities and affordable housing developments throughout the Southeast.

Laurel Street's headquarters are located at 2132 Thrift Road, Suite A, Charlotte, North Carolina 28208. Laurel Street, along with the following, shall be hereinafter known together as the "Project Team."

Developer: Laurel Street Residential, LLC

Ashley's Corner, LLC

Architect: Little Diversified Architectural Consulting ("Little Diversified")

Neighboring Concepts

Engineering: Stewart

General Contractor: Weaver Cooke

Harmon Construction Services

Legal Counsel: The Banks Law Firm, P.A.

Laurel Street shall have the right to substitute members of the Project Team, provided Laurel Street (i) remains the Developer for the Project; and (ii) obtains prior written approval from the County on any changes to the Project Team, which consent shall not be unreasonably withheld.

D. THE PROJECT.

The Project will consist of (i) the conveyance and reservation of appropriate property interests between Laurel Street and the County; (ii) construction of a five (5)-story affordable housing structure (the "Housing Structure"); (iii) construction of a County-owned public parking deck containing approximately one thousand two hundred-fifty (1,250) parking spaces (the "Parking Facility"), a maximum of 200 spaces will be leased to Laurel Street for the residents of the affordable housing units (the Parking Facility will be owned and operated by the County, with at least 600 parking spaces reserved for County use); and (iv) the Housing Structure shall contain approximately two hundred (200) affordable housing units with a variety of studio, one, two and three bedroom units fronting Elizabeth, Ramseur, and Dillard Streets. The affordable housing units shall include rents at 30%, 60% and 80% of the AMI. At least thirty-six (36) of the affordable housing units will serve residents at 30% of the AMI. The 30% AMI units will benefit from a project-based subsidy in addition to tax exempt bonds and low-income housing tax credits ("LIHTCs"); provided, however, that Laurel Street reserves the right to provide thirty-six (36) units at 30% AMI without any subsidy so long as it can do so without seeking funding from the County in addition to the County's loan in the amount of $3,630,000 and grant in the amount of $1,480,000 as RAD replacement units from nearby downtown Durham Housing Authority communities.

E. PROJECT SITE

1. The Site. The project site for the Housing Structure is situated on a 4.09-acre parcel identified as Tax Parcel Number 102897 (PIN 0831-09-05-9723), which is currently owned and controlled by the County (the "Site"). The County shall lease to Laurel Street a portion of the Site (approximately 1.33 acres) (the "Housing Structure Site") for the construction of approximately two hundred (200) affordable housing units (the "500 East Main Affordable Housing Units"). A schematic design of the Site depicting the proposed location of the Housing Structure is attached hereto as Appendix A and incorporated herein by reference.

F. PROJECT DEVELOPMENT.

1. Development Schedule. Laurel Street and the County shall during the Evaluation Period agree upon a detailed development schedule ("Development Schedule") for the Project. The first draft of the Development Schedule shall be prepared by the Developer and submitted to the County for its review, comment, and approval on or before January 31, 2020. The Development Schedule shall be created to reflect Laurel Street's coordination with ZOM Living, the market rate housing developer ("ZOM"), and the County to mutually agree on milestones, timelines and other targeted measures to assure that the Project will be constructed and open for use in a timely manner in accordance with the terms of the MOU. The Development Schedule shall address all Project components, including but not limited to those set forth below, reasonably necessary to complete the Project as agreed by the Parties. Notwithstanding the foregoing, Developer shall provide to the County monthly written updates to confirm compliance with the Development Schedule. Laurel Street understands the need for ongoing communication and coordination with the County and ZOM regarding (i) the construction of the Housing Structure, and (ii) construction of the Parking Facility and other County improvements to reduce duplication of work and ensure completion of the Project within twenty-four (24) months of substantial completion of the Parking Facility. As used herein, the term "substantial completion" shall mean the issuance of the certificate of occupancy.

2. Development Budget. During the Evaluation Period, Laurel Street will provide a proposed development budget for the Housing Structure (the "Development Budget") to the County. The Development Budget shall include (i) sources such as LIHTC equity, tax exempt bond financing/mortgages, County loan, County grant, and other sources as needed and (ii) uses such as vertical construction costs, site work, general contractor fees, construction contingency, architect and engineering fees, permit fees, construction loan interest and fees, tax credit fees, legal expenses, developer fees, consulting fees, reserves, and other uses as needed (hereinafter collectively referred to as "Project Costs").

3. Financing. The Parties agree to use their best efforts to agree upon terms for funding the Project during the Evaluation Period and such agreed-upon terms shall be incorporated in the MDA. Notwithstanding the foregoing, the County's obligations under this MOU to construct the Parking Facility are conditioned upon receipt by Laurel Street of written notification of housing credit awards ("Notice of Award") of bond volume cap and LIHTCs for the construction of the Housing Structure from the North Carolina Housing Finance Agency on or before August 31, 2020 ("Notice Deadline"); provided, however, if Laurel Street shall fail to close on the financing for the Housing Structure within the timeframe stated in Section F.5. below, County shall have the right to terminate the MDA and pursue other development opportunities to complete the Project. Furthermore, Laurel Street shall provide a copy of the Notice of Award to County on or before the Notice Deadline. Nothing herein shall prevent Laurel Street from entering into any other mode of financing with respect to any portion of the Project, provided that, without the prior written consent of the County, Laurel Street shall not sell, assign, encumber, convey or transfer the Housing Site or any portion thereof that has been leased to Laurel Street.

4. Project Design and County Approval. The parties acknowledge that preliminary designs of the Project were prepared by Little Diversified and Neighboring Concepts. Drawings

were provided as a part of the Solicitation and contained conceptual mixed-use site plans. Laurel Street and the County acknowledge that the design for the Project has not been completed. Furthermore, Laurel Street acknowledges that the County has architectural review rights, and the design and architecture of the Housing Structure shall be subject to County written approval, which approval shall not be unreasonably withheld. The County shall approve of the updates to the design and architecture of the Housing Structure so long as said updates and full plans and specifications are substantially in conformance with schematic designs and elevations submitted to and approved by the County Commissioners during it's working session on December 2, 2019. Laurel Street agrees to work with the County to provide the County with an opportunity to timely review and provide feedback on the schematic design of the Housing Structure. Upon receipt by the County of the Housing Structure schematic design, the County shall have ten (10) business days from the date of receipt to review the schematic design and provide feedback to Laurel Street. Laurel Street shall comply with all County ordinances and regulations. Notwithstanding the foregoing, in the event Laurel Street fulfills all of its obligations under this MOU and the County decides to make material changes to the Project affecting the size, scope, unit mix, retail requirements, or elevations which necessitate material design changes and increases the Development Budget by ten percent (10%) or more, County shall reimburse Laurel Street for all its actual costs and expenses related to the Project not to exceed $100,000.00.

5. Execution of Construction Contract. Laurel Street agrees to enter into a construction contract with the General Contractor for the construction of the Housing Structure at the closing of the financing for the Housing Structure, which shall occur within ninety (90) days following "substantial completion" of the Parking Facility by ZOM.

6. Construction Schedule. The construction schedule will be determined by agreement between the Parties. Laurel Street acknowledges that the public facilities included in the Project shall be constructed in accordance with approved architectural plans and design and within the budget agreed upon by the Parties to meet the needs of the County.

7. Laurel Street acknowledges that the public facilities included in the Project shall be constructed in accordance with approved architectural plans and design and within the budget agreed upon by the Parties to meet the needs of the County.

G. MINORITY AND WOMEN BUSINESS ENTERPRISE ("MWBE").

Laurel Street shall implement a practical plan to achieve 30% MWBE participation for the Project inclusive of a 20% commitment to ethnic minority business enterprises. The 30% MWBE participation shall be inclusive of construction costs, construction management, design and engineering, legal, developer and consultant fees. Notwithstanding the foregoing, the MWBE information shall be reviewed by the Durham County Purchasing Division for MWBE compliance at the time of construction bidding pursuant to Durham County MWBE policy.

H. FORCE MAJEURE.

For purposes of this MOU, a delay in, or failure of, performance by any Party, shall not constitute a default, nor shall Laurel Street or the County be held liable for loss or damage or in breach of this MOU, if and to the extent that such delay, failure, loss or damage is caused by an occurrence beyond the reasonable control of such Party, and its agents, employees, contractors, subcontractors and consultants, including results from Acts of God or the public enemy, compliance with any order or request of any governmental authority or person authorized to act thereof, acts of declared or undeclared war, public disorders, rebellion, sabotage, revolution, earthquake, floods, riots, strikes, labor or equipment difficulties, delays in transportation, inability to obtain necessary materials or equipment or permits due to existing or future laws, rules or regulations of governmental authorities or any other causes, whether direct or indirect, which by the exercise of reasonable diligence said Party is unable to prevent.

I. CONVEYANCE OF PROPERTY INTERESTS.

Pursuant to the terms and conditions of this MOU, the parties will execute an option to lease the Housing Structure Site (the "Option") in the form attached hereto as Exhibit A in accordance with the Development Schedule. Laurel Street shall exercise its option to lease (pursuant to the terms of the Option) and shall enter into a ground lease agreement with the County for a term necessary to satisfy the requirements of tax exempt bond and LIHTC financing, not to exceed ninety-nine (99) years (the "Ground Lease") for the construction and operation of the Housing Structure, which Ground Lease shall include affordability restrictions for the 200 affordable units during the entire term of the Ground Lease. Commencing in year thirty-six (36) of the Ground Lease term, the Parties agree to negotiate in good faith the terms and conditions of a new Ground Lease to include affordability restrictions; provided, however, that the Parties can secure additional future financial support from other sources mutually pursued by the Parties for the maintenance, upkeep and/or rehabilitation of the 200 affordable housing units after their useful life of forty (40) years. In the event the Parties cannot agree upon a new Ground Lease and close on the financing for the Project prior to the end of the fortieth (40^{th}) year of the Ground Lease term, the Ground Lease shall terminate and the Housing Structure Site will revert back to the County.

J. OTHER MATERIAL TERMS AND CONDITIONS.

The Parties agree to identify and negotiate all other material terms and conditions of the proposed transaction between the parties during the Evaluation Period.

K. SCHEDULE OF MILESTONE TARGETS.

Following the execution of the MOU by the Parties, the Parties shall pursue completion of the milestone targets as set forth below:

1. Laurel Street shall submit a MWBE compliance plan on or before April 30, 2020.

2. Laurel Street shall submit its preliminary and subsequent applications to the North Carolina Housing Finance Agency ("NCHFA") for four percent (4%) LIHTC, secure its loan commitments, and finalize all loan documentation on or before May 15, 2020.

3. Laurel Street shall negotiate to reduce the parking requirements of the NCHFA Qualified Allocation Plan (QAP) and notify the County of said parking requirements on or before January 24, 2020.

4. Laurel Street shall complete its due diligence (i.e., tests and surveys reasonably sufficient to determine the condition of the Housing Structure Site, including title examination, market, geological and structural analyses) at its sole expense and risk on or before the expiration of the Evaluation Period.

5. Laurel Street shall provide the proposed Development Budget during the Evaluation Period.

6. Laurel Street shall enter into the Option to acquire such property interests as necessary for the financing of the Housing Structure.

7. Laurel Street agrees to schedule monthly updates on changes to the Development Schedule and Development Budget with County staff and the Development Finance Initiative ("DFI"), as necessary.

8. Within twenty (20) business days of the execution of this MOU, the County shall deliver to Laurel Street the following: (i) all boundary or other physical surveys; (ii) all title insurance policy(ies) with copies of exceptions; and (iii) all environmental site assessments (collectively, the "Property Documents"). Notwithstanding the foregoing, the County makes no representation or warranty regarding the currency or accuracy of any of the Property Documents. Laurel Street acknowledges that its receipt of the Property Documents does not in any way relieve Laurel Street from conducting such surveying; title examination; architectural, engineering, environmental, topographical, geological, soil, developmental, inspections and other due diligence reasonably sufficient to determine the condition of the Housing Structure Site.

9. The County will convey to Laurel Street necessary easements and encroachments appurtenant to the Housing Structure Site for access over, on and across designated entranceways, driveways and ramps and walkways as necessary for vehicular and pedestrian access to and from the Project, and other easements, rights and obligations to facilitate the development, construction, existence and operation of the Project.

10. The Parties shall negotiate and finalize the Option for the Housing Structure Site prior to the date for submission of the preliminary application to the North Carolina Housing Finance Agency for volume cap and LIHTCs on January 24, 2020.

L. INITIAL LAUREL STREET DEVELOPER OBLIGATIONS.

Laurel Street and the County intend that the MDA will include provisions which provide for the following obligations of the Developer:

1. Laurel Street shall be solely responsible for the entire construction development costs including hard and soft costs of the Housing Structure, excluding costs attributable to the County's Parking Facility pursuant to County obligations as set forth herein.

2. Laurel Street will be responsible for securing all permits including environmental, building and other such regulatory permits as required for the construction of the Housing Structure at Laurel Street's sole cost and expense.

3. Laurel Street agrees to enter into a ninety-nine (99)-year term (the "Term") Ground Lease as described in Section I above, which shall include affordability restrictions related to affordable housing consistent with the Term of the Ground Lease, and acquire such property interests as necessary for the Project.

4. Laurel Street agrees to lease 200 parking spaces in the newly constructed Parking Facility pursuant to the terms of a garage parking lease (the form of which shall be attached to the MDA) and to comply with all regulations regarding the use of the Parking Facility.

5. DFI is a nonprofit, charitable program of the University of North Carolina at Chapel Hill School of Government ("SOG") that has provided development services related to the Project. In accordance with the Solicitation, Laurel Street agrees to comply with the agreement between the County and SOG dated June 19, 2017 (the "SOG Agreement"), and incorporated herein by reference, whereby the selected development partner agrees to pay a fee equal to one and one half percent (1.5%) of the total development costs to the SOG as part of any development services agreement related to the development of the Project.

6. Laurel Street agrees to schedule monthly updates on changes to the Development Schedule and Development Budget with County staff and DFI, as necessary.

7. Laurel Street agrees to schedule and provide quarterly updates on the Project to the BOCC as requested by the County.

8. Laurel Street shall submit a commercial tenant identification plan that includes opportunities for appropriate community engagements.

9. Laurel Street shall use its best efforts to enter into an agreement or obtain a commitment from the Durham Housing Authority for RAD units or traditional project-based vouchers for the Project prior to submission of the full application for volume cap and LIHTCs in May 2020.

10. To the extent not inconsistent with the MOU, Laurel Street shall comply with all of the material provisions of the Solicitation and the Response including, but not limited to, the "Timeline" and "Execution Plan" referenced therein. In the event of any inconsistency between the terms and conditions of the MOU on the one hand and the Solicitation and Response on the other hand, the terms and conditions of the MOU shall govern.

M. COUNTY OBLIGATIONS.

The Parties expressly intend that the MDA will include provisions which provide for the following obligations of the County:

1. The County agrees to enter into a ground lease of 1.33 acres of the Site to Laurel Street to construct, own and operate the Housing Structure for a period necessary to satisfy the financing for tax exempt multi-family housing bonds and 4% LIHTCs (not more than 99 years) for a nominal annual rent of $100.00.

2. The County agrees that the leasehold interest conveyed to the Developer shall be free and clear of all liens and encumbrances, except as otherwise provided herein.

3. Upon the receipt of a reasonable cost estimate, the County agrees to pay one hundred percent (100%) of the entire costs (hard and soft costs) of the construction of the Parking Facility.

4. The County shall assist Laurel Street in all legal and customary ways with any regulatory permits for the Housing Structure, if required, to the extent practicable and reasonably possible; provided, however, Laurel Street shall bear all costs associated with obtaining such permits.

5. The County shall schedule periodic updates with Laurel Street and shall regularly report on movement toward finalizing the Parking Facility construction plans.

6. Provided Laurel Street is successful in closing on the necessary financing for the construction of the Housing Structure as further described in the Development Budget, the County shall make a loan to the owner of the Housing Structure in the original amount of $3,630,000 with interest at three percent (3%) for a term of the lesser of (i) twenty (20) years, or (ii) the term of the first mortgage on the subject property for construction, equipping and operation of the Housing Structure.

7. Provided Laurel Street is successful in closing on the necessary financing for the construction of the Housing Structure as further described in the Development Budget, the County shall make a grant to the owner of the Housing Structure in the amount of $1,480,000 for the construction, equipping and operation of the Housing Structure.

8. Upon completion of the Parking Facility, the County shall make at least 200 parking spaces available to residents of the affordable housing units free of charge.

9. The County shall pay their own legal costs and expenses for the negotiation of the MOU, MDA, and all subsequent negotiations related to the Parking Facility and Housing Structure.

N. STATEMENT OF INTENT.

The undersigned acknowledge and agree that the Project terms described in this MOU are preliminary statements of intent of the parties and are subject to any and all necessary County approvals, procedures and definitive documents setting forth the complete agreement and understanding of the parties in form and in content satisfactory to the County and Developer.

O. EVALUATION PERIOD AGREEMENTS.

During the Evaluation Period, Laurel Street and the County shall prepare and execute the following agreements:

1. Loan commitment prepared by the County confirming the loan terms, including without limitation, the loan amount, interest rate, term of the loan, amortization period, anticipated security interest on the property, lien position, and source of funds for the loan;

2. All necessary grant documentation prepared by the County (the "Durham County Grant") outlining the terms and conditions of the Durham County Grant;

3. Escrow Agreement;

4. Option;

5. Ground Lease; and

6. the Master Declaration governing the use of land parcels, operations, maintenance, reciprocal easements, insurance requirements, etc. for the Project (form to become an Exhibit to the MDA)

P. MISCELLANEOUS.

1. Modifications. This MOU may only be modified in writing signed by Laurel Street and County. Should there be a conflict between this MOU, the Solicitation and the Response, the terms of this MOU shall be controlling.

2. Signature. This MOU may be signed in counterparts; each counterpart shall be considered an original.

3. County Action. Any act, obligation or action required in this MOU to be taken by the County or its BOCC may, in the discretion of the County, be taken by the BOCC, the County Manager or his designee and such action shall be deemed official action of the County.

4. Assignment. Except as otherwise provided herein, Laurel Street shall not assign, transfer or convey any of rights, title and interests hereunder or delegate any of the obligations or duties required to be kept or performed by it hereunder without the prior written consent of the County in the County's sole discretion.

5. No Partnership. Nothing contained in this MOU shall be deemed or construed to create a partnership or joint venture between the County and Laurel Street, or cause Laurel Street or the County to be responsible in any way for the debts or obligations of the other or those of any other party.

6. E-Verify. For agreements that include construction or services, employers and their subcontractors with 25 or more employees in North Carolina as defined in Article 2 of Chapter 64 of the NC General Statutes must comply with E-Verify requirements to contract with

the County. E-Verify is a Federal program operated by the US Department of Homeland Security and other federal agencies, or any successor or equivalent program used to verify the work authorization of newly hired employees pursuant to federal law. By executing this MOU, Developer certifies that Developer complies with the requirements of the E-Verify program.

7. Iran Divestment Act Certification. Developer certifies that, as of the date listed below, it is not on the Final Divestment List as created by the State Treasurer pursuant to North Carolina General Statutes Section 143-6A-4. In compliance with the requirements of the Iran Divestment Act and North Carolina General Statutes Section 143C-6A-5(b), Developer shall not utilize in the performance of the contract any subcontractor that is identified on the Final Divestment List.

8. Governing Law; Jurisdiction and Venue. The transactions contemplated hereunder and the validity and effect of this Agreement are exclusively governed by, and shall be exclusively construed and enforced in accordance with, the laws of the State of North Carolina, except for the state's conflict of law rules. Laurel Street consents to jurisdiction over it and to venue in Durham County.

9. Time is of the Essence. Time is of the essence for this Agreement.

Q. RELEASE OF INFORMATION.

The Parties acknowledge that the information relating to the Project is subject to disclosure under the North Carolina Public Records Act, Chapter 132 of the North Carolina General Statutes, except any such information that the County is not required or authorized to disclose, pursuant to North Carolina General Statutes Section 132-1.2. It is understood, however, that nothing in this MOU shall preclude either Party from discussing the substance or any relevant details of the transaction contemplated in this Agreement with any of its attorneys, accountants, professional consultants or potential lenders, as the case may be, or prevent the holding of public BOCC meetings in compliance with applicable laws.

This MOU is entered into by the Parties through their duly and respective authorized representatives, as of the Effective Date.

[Signature Page Follows]

IN WITNESS WHEREOF, the Parties have caused this MOU to be duly executed as of the date first above written.

LAUREL STREET RESIDENTIAL, LLC,
a North Carolina limited liability company (SEAL)

By:____________________
Name: Dionne Nelson
Title: President and CEO

COUNTY OF DURHAM, North Carolina (SEAL)

By:____________________
Name: Wendell M. Davis
Title: County Manager

ATTEST:

By:____________________
County Clerk

APPROVED AS TO FORM

By:____________________
County Attorney

____
Notary Public

LECHELLE C FEINBERG
Notary Public
Durham County, North Carolina
My Commission Expires July 20, 2022

PPAB 5184324v11

EXHIBIT A TO MEMORANDUM OF UNDERSTANDING

STATE OF NORTH CAROLINA

DURHAM COUNTY

FORM OPTION TO LEASE REAL ESTATE – 300 EAST MAIN STREET

This Option to Lease Real Estate (the "Agreement") is effective as of January 21, 2020, by and between Durham County, North Carolina, a political subdivision and body corporate of the State of North Carolina, with an address of Durham County, Office of the County Attorney, 200 East Main Street, 2nd Floor, Old Courthouse, Durham, North Carolina 27701, Attn: Lowell L. Siler, Esq., County Attorney ("County") and Laurel Street Residential, LLC, a North Carolina limited liability company, with an address of 2132 Thrift Road, Suite A, Charlotte, North Carolina 28208 ("Developer").

WITNESS THAT:

WHEREAS, County is the fee simple owner of 4.09 acres of land located in Durham, North Carolina, more particularly described on Exhibit A attached hereto (the "Property");

WHEREAS, Developer desires to construct a five (5)-story affordable housing structure which shall provide for public open space and shall contain approximately two hundred (200) affordable housing units over five floors with a variety of studio, one, two and three bedroom units on a portion of the Property (the "Housing Structure Site"); and

WHEREAS, in furtherance of the foregoing purposes, Developer desires to hold an option to lease the Housing Structure Site, and County desires to grant to Developer an option to lease the Housing Structure Site, upon the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of and in reliance on the mutual promises and covenants herein made and the mutual benefits to be derived therefrom, County and Developer agree as follows:

1. **Grant of Option**. County hereby grants, bargains and conveys to Developer, and Developer hereby accepts and acquires from County a sole, exclusive and irrevocable right and option to lease the Housing Structure Site upon the terms and subject to the conditions set forth herein (the "Option").

2. **Term of Option**. The Option and all rights appurtenant thereto shall commence on the date of this Agreement and shall continue in full force and effect until June 30, 2023, unless terminated in accordance with the provisions hereof. The period between the date set forth in the first paragraph of this Agreement and the expiration or termination of the option pursuant to this section 2 is referred to as the "Option Term."

3. **Exercise of Option**. Developer may exercise the Option at any time during the Option Term by giving written notice (the "Option Notice") to County, signed by Developer, of Developer's intention to exercise the Option and setting forth the time and date of the closing of the lease transaction contemplated herein (the "Closing").

4. **Terms of Option**. At the Closing, Developer and County shall execute a ground lease agreement for the Housing Structure Site in accordance with such terms and conditions as they shall mutually agree. Unless otherwise agreed by the parties, such terms and conditions shall include the following:

(a) Lease Term. The lease to be entered into upon exercise of the Option (the "Ground Lease") shall convey a leasehold interest in the Housing Structure Site for a term of ninety-nine (99) years or such term as maybe required by an investor member.

(b) Annual Rental. The annual rental to be paid by Developer for the Ground Lease shall be One Hundred and 00/100 Dollars ($100.00);

(c) Title. The leasehold interest conveyed to Developer under the Ground Lease shall be good and marketable, free and clear of all liens and encumbrances, except for affordable housing restrictions and minor easements and other title defects which in Developer's reasonable judgment do not or will not materially adversely affect the use or value of the Housing Structure Site (such minor easements, and other title defects accepted by Developer being referred to as the "Permitted Encumbrances") and insurable as such by any title insurance company selected by Developer.

(d) Other Terms. Developer and County both agree and understand that the development of the Housing Structure Site is intended to be funded through the investment of equity in regard to low income housing tax credits and/or alternative affordable housing funding sources.

5. **Conditions Precedent to Closing**. Upon providing the Option Notice, Developer shall be obligated to complete the transaction and to consummate the Ground Lease only upon the satisfaction of each of the following conditions set forth below:

(a) The representations and warranties of County contained in this Agreement shall be true and correct in all respects as of the date hereof and on the date of Closing as though such representations and warranties were made on each date;

(b) County shall be able, as of the date of Closing, to convey an insurable leasehold interest in the Housing Structure Site except for Permitted Encumbrances;

(c) Developer shall have applied for any and all licenses, permits or other approvals necessary for the consummation of the transaction contemplated by this Agreement and its proposed construction of the 500 East Main Affordable Housing Units (as defined in the Memorandum of Understanding dated January ___, 2020) from the County of Durham, the State of North Carolina and any other governmental agency or authority having jurisdiction;

(d) Developer shall have received an allocation of low-income housing tax credits from NCHFA or have secured alternate financing as part of a financing and development plan approved by County.

6. Conditions Precedent to Closing by County. County shall be obligated to complete the transaction and to consummate the Ground Lease only upon the satisfaction of each of the following conditions set forth below:

(a) The representations and warranties of Developer contained in this Agreement shall be true and correct in all respects on the date hereof and on the Closing Date as though such representations and warranties were made on each such date;

(b) The County shall have given any necessary approvals for the disposition effected by the Ground Lease upon the terms, conditions and provisions agreed upon between the parties.

(c) Developer shall have received an allocation of low-income housing tax credits from the NCHFA or have secured alternate financing as part of a financing and development plan approved by County.

7. Representations and Warranties. Developer hereby represents, warrants and covenants to and with County, that:

(a) Developer is and on the date of Closing shall be duly organized and validly existing under the laws of the State of North Carolina; and

(b) Developer has the right, power, legal capacity and authority to execute, deliver and perform this Agreement and the agents who have executed this Agreement on behalf of Developer have the right, power, legal capacity and authority to execute, deliver and perform this Agreement.

8. Representations and Warranties. County hereby represents, warrants and covenants to and with Developer that:

(a) County owns the Housing Structure Site and has entered into no agreements, oral or written, and is subject to no judgment, order, writ, injunction, decree, statute, rule or regulation which would limit or restrict County's right to enter into this Agreement and fulfill its obligations hereunder or which would prevent possession by Developer of all or any part of the Housing Structure Site, subject only to encumbrances as are disclosed in the title insurance commitment to be obtained by Developer;

(b) From and after the date hereof during the Term, County shall not offer to sell the Housing Structure Site to any third party, entertain any offers to purchase the Housing Structure Site from any third party, or sell, convey, burden or encumber the Housing Structure Site in any manner whatsoever (whether by mortgage, lien, easement, restriction or otherwise), except as otherwise provided herein; and

(c) This Agreement and all instruments executed or to be executed in connection herewith are, or when executed will be, legal, valid and binding, instruments enforceable against County in accordance with their respective terms and conditions and upon payment in full of the Option Price will effectively vest in Developer an exclusive option to lease the Property.

9. **Termination of Option**. This Agreement shall become null and void and the Option herein granted shall lapse without further notice upon the occurrence of any one of the following events:

(a) Developer's written notice that it does not intend to exercise the Option.

(b) The execution of a Ground Lease by and between County and Developer, if said Ground Lease is entered into before the end of the Option Term.

(c) The expiration of the Option Term and Developer's failure to exercise the Option in the manner herein provided.

(d) Developer's failure on the date of Closing to be allocated bond volume cap and an allocation of 4% of low income housing tax credits by the NCHFA by 2023 or to secure alternative financing as part of a financing and development plan approved by County.

(e) Developer's failure on the date of Closing to be duly organized and validly existing under the laws of the State of North Carolina.

(f) During the term of the Option Term, Developer has filed articles of dissolution with N.C. Secretary of State, has filed bankruptcy or a receiver has been appointed for its business.

10. **Closing**. Closing shall occur within one hundred eighty (180) days after the date of the Option Notice, which date may be extended by mutual consent of the parties. At Closing, each of the parties shall deliver such other documents and perform such other conditions as are required of them by the terms of this Agreement or which may reasonably be required in order to complete the transaction.

11. **Condition of Housing Structure Site**. Possession of the Housing Structure Site shall be delivered at Closing to Developer "As Is" at the time of Closing.

12. **Right of Entry and Use of Housing Structure Site**. At any reasonable time prior to the expiration of this Agreement, at Developer's sole cost, Developer and its agents, employees, contractors and representatives, shall have the right to enter on the Housing Structure Site for the purpose of inspecting the condition of the Housing Structure Site and making such investigations and tests as are reasonable, including, but not limited to, surveys, environmental and geotechnical reports. Developer shall not use this right of entry, or permit this right of entry to be used, in a way which will cause waste to the Housing Structure Site. Developer hereby indemnifies and holds County harmless from and against damages (including reasonable attorney fees) arising out of the activities of Developer and Developer's agents, employees, contractors and representatives, on or with respect to the Housing Structure Site. Developer shall be entitled to re-inspect the Housing Structure Site within thirty (30) days immediately preceding Closing to assure that the Housing Structure Site continues to be in the condition warranted herein and complies with Developer's requirements. Developer shall give County reasonable notice of any entrance. All inspection and testing will be conducted in compliance with applicable law.

13. **Brokers**. Each party shall indemnify and hold the other party harmless from and against any and all commissions, fees, costs or expenses incurred by or due to any real estate broker alleged to be engaged by either party or by reason of the execution of this Agreement or the Ground Lease.

14. **Assignment**. Neither party has the right to assign its interest in this Agreement without the prior written consent of the other party hereto.

15. **Cooperation**. County shall fully cooperate with Developer in gathering and furnishing any material information reasonably requested by Developer in connection with its efforts to have the Housing Structure Site approved for the purposes herein intended.

16. **Miscellaneous**.

(a) Modifications. No modification of this Agreement shall be effective unless set forth in writing and signed by both Developer and County.

(b) Further Assurances. Each party shall execute such other and further documents as may be reasonably necessary or proper for the consummation of the transaction contemplated by this Agreement.

(c) Successors and Assigns. This Agreement shall be binding, upon and shall inure to the benefit of the parties hereto and their respective successors and assigns.

(d) Entire Agreement. This Agreement contains the entire agreement between the parties and supersedes all prior oral and written agreements between the parties with respect to the subject matter hereof.

(e) Paragraph Headings. Captions at the beginning of each paragraph of this Agreement are solely for the convenience of the parties and are not part of this Agreement.

(f) Exhibits. All exhibits which are attached to this Agreement are incorporated herein by this reference.

(g) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one instrument.

(h) Interpretation and Governing Law. This Agreement shall be construed as though prepared by both parties. This Agreement has been made and entered into and shall be construed, interpreted and governed by the law of the State of North Carolina. Any litigation regarding this Agreement or the Housing Structure Site shall be brought in the courts located in the County of Durham, North Carolina.

(i) Time. Time is of the essence in this Agreement.

(j) Severability. If any portion of this Agreement is declared by a court of competent jurisdiction to be invalid or unenforceable, such portion shall be deemed severed from this Agreement, and the remaining parts shall remain in full force as though such invalid or unenforceable provision had not been a part of this Agreement.

(k) Notices. Any notice, request, demand, approval, or other communication given hereunder or in connection herewith ("Notice") shall be in writing and shall be personally delivered, or sent by courier, or sent by express, registered, or certified mail, return receipt requested, postage and fees prepaid, or by a nationally recognized overnight delivery service, and addressed to the party to receive the Notice, at the following addresses:

If to Developer, to:	Laurel Street Residential, LLC 2132 Thrift Road, Suite A Charlotte, North Carolina 28208 Attention: Dionne Nelson, President and CEO
With a copy to:	The Banks Law Firm, P.A. P.O. Box 14350 Research Triangle Park, NC 27709 Attention: Sherrod Banks, Esq.
If to County, to:	Durham County Office of the County Attorney 200 East Main Street 2nd Floor, Old Courthouse Durham, NC 27701 Attn: Lowell L. Siler, Esq., County Attorney
With a copy to:	Parker Poe Adams & Bernstein LLP 401 South Tryon Street, Suite 3000 Charlotte, NC 28202 Attention: Anthony Fox, Esq.

Any party, by a Notice so given, may change its address for any subsequent Notice. Any Notice shall be deemed given when delivered or sent by courier; or if sent by overnight mail, the next business day; or if sent by mail two (2) business days after, deposit in the United Stated mail.

(l) No Third Party Beneficiaries. Nothing contained herein or in any other agreement or instrument executed in conjunction therewith, shall be deemed or construed to create any relationship of third party beneficiary, principal and agent, limited or general partnerships, joint venture or any association or relationship between the parties, except as provided in the SOG Agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed this Agreement on this first written above.

COUNTY OF DURHAM, NORTH CAROLINA
(SEAL)

By: ______________________
Name: Wendell M. Davis
Title: County Manager

LAUREL STREET RESIDENTIAL, LLC,
a North Carolina limited liability company (SEAL)

By: ______________________
Name: Dionne Nelson
Title: President and CEO

STATE OF NORTH CAROLINA

COUNTY OF DURHAM

This 4th day of April, 2020, personally came before me Wendell M. Davis who, being by me duly sworn, says that he/she is the County Manager of the County of Durham, North Carolina, that the foregoing instrument was signed by him/her, on behalf of such entity, by its authority duly given.

Notary Public

My commission expires:

July 20, 2022

[NOTARIAL SEAL]

STATE OF NORTH CAROLINA

COUNTY OF MECKLENBURG

This 22nd day of January, 2020, personally came before me Dionne Nelson who, being by me duly sworn, says that he/she is the President and CEO of Laurel Street Residential, LLC, a North Carolina limited liability company, that the foregoing instrument was signed by him/her, on behalf of such entity, by its authority duly given.

Sue S Moody

Notary Public

My commission expires:

3/26/2022

[NOTARIAL SEAL]

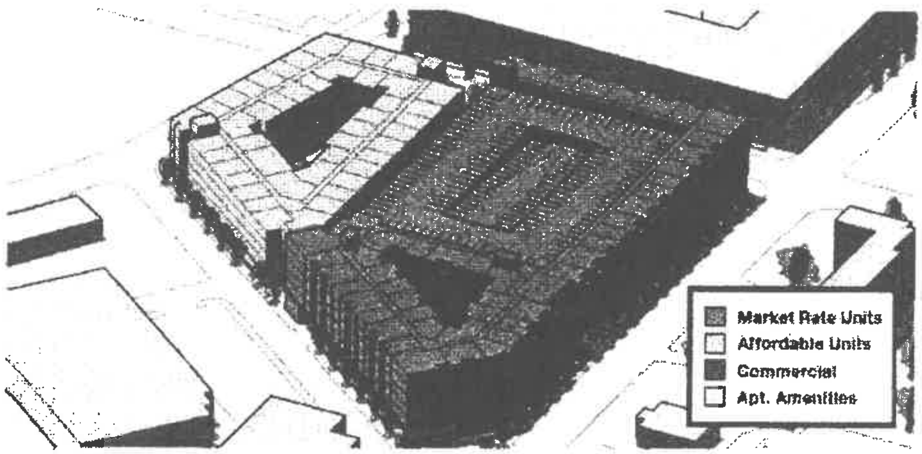
SUE S MOODY NOTARY PUBLIC CABARRUS COUNTY, NC

Exhibit A

[LEGAL DESCRIPTION TO BE INSERTED]

Appendix A

Appendix A to Memorandum of Understanding for 500 East Main Street – Affordable Housing Project



Proposed "Housing Structure" is particularly identified as "Affordable Units".