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E-Mail Delivered

February 24, 2008

Commissioner Mike Ritz
Shelby County Commission

Re: Service Contract

Dear Commissioner Ritz;

NATIONAL CHURCH RESIDENCES OF MEMPHIS, TN, a Tennessee Not for Profit Corporation, (Project) is seeking to secure an agreement with Shelby County in which it will make payments for services as provided under the exemptions from property taxes section 67-5-207 of the Tennessee Code Annotated (see Exhibit "A"). The Code section provides that housing developed and operated under Section 202 of the Housing Act of 1959 are exempt from property tax without payment of services if there are less than twelve (12) units in the Project. Section 67-5-207(a)(2) provides, if the Project contains more than 12 units the Project shall agree to make payments for services rendered by the Governmental Authority such as garbage pickup, police and fire protection. The rule applied in Shelby County on previous 202 Projects was that services were assessed at $5 per unit per month. NATIONAL CHURCH RESIDENCES OF MEMPHIS, TN is a 49 unit senior housing development which was developed and is operated under Section 202 of the National Housing Act of 1959. HUD limits eligibility to needs and the amount of tenant rent to the Fair Market Rent determined by HUD. Exhibit "B" discloses eligibility of the Project to meet the requirements of section 67-5-207 and HUD restrictions on occupancy.

Before HUD funded the present Project, the sponsors secured letters of government support for the Project and relied on the knowledge of previous service agreement assessments of $5 per unit per month.

The Mission Statement of the sponsor of the Project and a list of the officer and directors of the

EXHIBIT
B

non-profit owner of the Project who serve without compensation are attached as Exhibit "C".

The nonprofit owner of the Project is an exempt social welfare organization under provisions of the Internal Revenue Code (501(c)(3)) and does not have an income source other than the funds provided by HUD (See Exhibit "D"). The tenants (elderly and/or handicapped) receive housing assistance from HUD along with HUD providing the capital advance funds to develop the Project. The nonprofit ownership corporation is a single entity corporation that exists solely for providing the subject elderly and/or handicapped housing, and does not have income other than provided by HUD and the tenants. HUD limits the Project units to low income elderly and/handicapped guidelines.

Considering the Project is qualified under the section 67-5-207 as exempt and the exemption is recognized by the State Board of Equalization and,

Considering HUD relied on previous guidelines for services to be $5 per unit per month, and HUD structured the Project Grant and funding accordingly and,

Considering the County and City pledged its support for the Project and,

Considering the good of the community is served by the Project.

We respectfully request the County and City to enter into a service contract on the same basis and amount as previously entered into for the previous guidelines of $5 per unit per month.

Sincerely,

H. David Lowrance

Exhibit "A"

67-5-207. Low cost housing for elderly persons. —

(a) (1) Property of Tennessee nonprofit corporations that is used for permanent housing of low income persons with disabilities, or low income elderly or handicapped persons, is exempt in accordance with this section. The property must be financed by a grant under § 811 or § 211 of the National Affordable Housing Act (42 U.S.C. §§ 8013, 12741) or the McKinney-Vento Homeless Assistance Act (42 U.S.C. § 11301 et seq.), or be financed by a loan made, insured, or guaranteed by a branch, department or agency of the United States government under § 515(b) or § 521 of the Housing Act of 1949 (42 U.S.C. §§ 1485(b) or 1490a), § 202 of the Housing Act of 1959 (12 U.S.C. § 1701q), §§ 221, 231 or 236 of the National Housing Act (12 U.S.C. §§ 1715l, 1715v, or 1715z-1), or § 8 of the United States Housing Act of 1937, as amended by the Housing and Community Development Act of 1974 (42 U.S.C. § 1437f). Eligibility for the exemption under these programs continues so long as there is an unpaid balance on the loan, or in the case of a grant, so long as the project is restricted to use for elderly or handicapped persons or persons with disabilities as defined in the programs. The property must be used as below-cost housing for elderly or handicapped persons or persons with disabilities within the program definitions, who have incomes not in excess of limits established for the enumerated program by the department of housing and urban development (HUD). If a property was approved by HUD for participation in the program without specific low income guidelines, the property may nevertheless qualify for exemption on a pro rata basis, if at least fifty percent (50%) of the low income residents have incomes that would qualify under HUD guidelines for any of the enumerated programs. In such cases the property shall be exempt in the same percentage that low income residents represent of the total occupancy of the property at full capacity, determined as of January 1 each year, on the basis of information supplied to the assessor on or before April 20.

(2) In lieu of any taxes for which a property is granted exemption under this section, the owners of projects that exceed twelve (12) units shall agree to make payments to any county, municipality, metropolitan government, or district for improvements, facilities or services rendered by the county, municipality, metropolitan government or district. In no event shall such payments exceed the estimated cost to provide improvements, facilities, or services so furnished, and in no event shall such payments be required from public housing authorities operating under title 13, chapter 20. Such payment shall not be required from any project occupied prior to January 1, 1990, unless such project was the subject of a pending claim for tax exempt status before the state board of equalization on January 1, 1990. In the latter case, annual payments begun prior to April 30, 1990, shall continue to be made until the project and the recipients of the payments agree to discontinue or revise the payments. Nothing in this section shall be construed to negate any valid agreements concerning payments in lieu of taxes entered into prior to April 30, 1990.

(b) To qualify for such exemption, any such not-for-profit corporation must first be exempt from federal income taxation by virtue of qualifying as an exempt charitable organization or as an exempt social welfare organization under the provisions of the Internal Revenue Code, compiled in U.S.C., title 26, and any amendments thereto. In addition, the not-for-profit corporation shall have charter provisions providing in substance that:

(1) The directors and officers shall serve without compensation;

EXHIBIT
C

(2) The corporation is irrevocably dedicated to and operated exclusively for not-for-profit purposes;

(3) No part of the income or assets of the corporation shall be distributed to nor inure to the benefit of any individual;

(4) In the event of dissolution of the corporation or other liquidation of its assets, the corporation's property shall not be conveyed to any individual for less than the fair-market value of such property; and

(5) All assets remaining after payment of the corporation's debts shall be conveyed or distributed only to an organization or organizations created and operated for not-for-profit purposes similar to those of the corporation.

(c) All claims for exemption under this section are subject to the provisions of § 67-5-212(b).

(d) Subject to the general requirements of this section for exemption of federally assisted housing, there shall also be exempted under this section, the property of not-for-profit organizations funded under the HOME Investment Partnerships Program (42 U.S.C. § 12701 et seq.) or funded as a special needs project under the HOUSE program established by Acts 1988, ch. 900, and used as permanent housing for low income and very low income persons with "permanent conditions" within the meaning of the HOUSE program.

(e) Nothing in this section shall be construed to preclude the application of § 67-5-212 to transitional or temporary housing that qualifies as a charitable use of property under that section. [Acts 1973, ch. 226, § 5; 1975, ch. 168, § 1; 1975, ch. 323, § 1; 1983, ch. 122, §§ 1-3; T.C.A., § 67-509; Acts 1988, ch. 1002, §§ 1, 2; 1990, ch. 1009, §§ 1, 2; 1991, ch. 399, § 1; 1992, ch. 652, §§ 1, 2; 1993, ch. 454, §§ 1-3; 1994, ch. 617, § 1; 1994, ch. 645, § 1; 1997, ch. 347, § 1; 2002, ch. 704, §§ 1-4.]

Exhibit "B"

Section 202 Supportive Housing for the Elderly Program

Summary:
HUD provides capital advances to finance the construction, rehabilitation or acquisition with or without rehabilitation of structures that will serve as supportive housing for very low-income elderly persons, including the frail elderly, and provides rent subsidies for the projects to help make them affordable.

Purpose:
The Section 202 program helps expand the supply of affordable housing with supportive services for the elderly. It provides very low-income elderly with options that allow them to live independently but in an environment that provides support activities such as cleaning, cooking, transportation, etc. The program is similar to Supportive Housing for Persons with Disabilities (Section 811).

Type of Assistance:
HUD provides interest-free capital advances to private, nonprofit sponsors to finance the development of supportive housing for the elderly. The capital advance does not have to be repaid as long as the project serves very low-income elderly persons for 40 years.

Want More Informatio

Program instructions are in HU Handbooks, Notices and Forms which can be found on **HUDclips**

Prospective applicants should contact the local **Multifamily Hub or Program Center** property.

The Multifamily Housing Clearinghouse (MFHC) 800-685-8470 also provides information and publications o Service Coordination.

EMAIL US the Section 202 Program.

Involvement of Faith Based Organizations in HUD Programs.

EXHIBIT D

Project rental assistance funds are provided to cover the difference between the HUD-approved operating cost for the project and the tenants' contribution towards rent. Project rental assistance contracts are approved initially for 5 years and are renewable based on the availability of funds.

The available program funds for a fiscal year are allocated to HUD's local offices according to factors established by the Department.

Eligible Grantees:
Private nonprofit organizations can apply to develop a Section 202 project if they can, among other requirements, submit a resolution that they will provide a minimum capital investment equal to 0.5 percent of the HUD-approved capital advance, up to a maximum of $25,000 for national sponsors or $10,000 for other sponsors. Public entities are not eligible for funding under this program.

Eligible Customers:
Occupancy in Section 202 housing is open to any very low-income household comprised of at least one person who is at least 62 years old at the time of initial occupancy.

Application:
Applicants must submit an application for a capital advance, including a Request for Fund Reservation (HUD Form 92015-CA) and other information in response to the Notice of Funding Availability (NOFA) published in the Federal Register each fiscal year. Applications must be submitted to the local HUD field office with jurisdiction over the area where the proposed project will be located. Those selected for funding must meet basic program requirements, including private nonprofit status, financial commitment and acceptable control of an approvable site. Awards are usually announced in September.

Technical Guidance:
The program is authorized under the Housing Act of 1959; Section 210 of the Housing and Community Development Act of 1974 P. L. 86-372 (12 U.S.C. 1701q, 73 Stat. 654, 667); the National Affordable Housing Act, P. L. 101-625 (42 U.S.C. 12701); the Housing and Community Development Act of 1992 (P.L. 102-550); the Rescissions Act (P.L. 104-19); and the American Homeownership and Economic Opportunity Act of 2000 (P.L. 106-569). Program regulations are in 24 CFR Part 891.To learn more about the Section

202 program, see Supportive Housing for the Elderly (HUD Handbook 4571.3) and Supportive Housing for the Elderly--Conditional Commitment--Final (HUD Handbook 4571.5) which are available on the Internet at http://www.hudclips.org or from the HUD Multifamily Clearinghouse at 1-800-685-8470. Also see notice H96-102 REV 00-23 (HUD).

Content updated March 16, 2005

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FOIA Privacy Web Policies and Important Links Home

U.S. Department of Housing and Urban Development
451 7th Street S.W., Washington, DC 20410
Telephone: (202) 708-1112 TTY: (202) 708-1455
Find the address of a HUD office near you

Exhibit "B"

Tom Leatherwood

Shelby County Register

As evidenced by the instrument number shown below, this document has been recorded as a permanent record in the archives of the Office of the Shelby County Register.

04162662

09/28/2004 - 11:53 AM

8 PGS : R - MORTGAGE

CHRIS 262078-4162662

VALUE	0.00
MORTGAGE TAX	0.00
TRANSFER TAX	0.00
RECORDING FEE	40.00
DP FEE	2.00
REGISTER'S FEE	0.00
WALK THRU FEE	0.00
TOTAL AMOUNT	42.00

TOM LEATHERWOOD

REGISTER OF DEEDS SHELBY COUNTY TENNESSEE

EXHIBIT
E

0

Return to: Armstrong Allen, PLLC
6060 Poplar Avenue Suite 140
Memphis, TN 38119

THE MAXIMUM PRINCIPAL INDEBTEDNESS FOR ALL PURPOSES IS -0-
TAX EXEMPT GOVERNMENTAL AGENCY

DEED OF TRUST

(Under Section 202 of the National Housing Act or Under Section 811 of the National Housing Act)

THIS INDENTURE, Made and entered into this 24th day of September 2004, by and between National Church Residences of Memphis, TN, a corporation organized and existing under the laws of Tennessee, having its principal office and post-office address at 2335 North Bank Drive, Columbus, OH 43220, hereinafter called the party of the first part, and Thomas Kelly Derryberry, Trustee of Williamson County, TN hereinafter called party of the second part, and the United States of America acting by and through the Secretary of Housing and Urban Development, hereinafter called the party of the third part

WITNESSETH, That the party of the first part, in consideration of the debt and trust hereinafter mentioned and created, and the sum of One Dollar ($1) to it in hand paid, the receipt of which is hereby acknowledged, does by these presents, bargain, sell, transfer, convey and confirm unto the party of the second part, his successors in trust, and assigns forever the following-described land situated in the City of Memphis, County of Shelby, and State of Tennessee, to-wit:

All of that certain land, with the easements and other appurtenances thereto, as set forth on Exhibit "A" attached hereto and made a part hereof.

TOGETHER with the privileges and appurtenances to the same belonging, and all of the rents, issues, and profits, including all rights to receive payments and payments made pursuant to a Project Rental Assistance Contract, which may arise or be had therefrom; and

TOGETHER will all buildings and improvements of every kind and description now or hereafter erected or placed thereon, and all fixtures, including but not limited to all gas and electric fixtures, engines and machinery, radiators, heaters, furnaces, heating, air-conditioning and laundry equipment, steam and hot water boilers, stoves, ranges, elevators and motors, bathtubs, sinks, water closets, basins, pipes, faucets and other plumbing and heating fixtures, mantels, refrigerating plants and refrigerators, whether mechanical or otherwise, cooking apparatus and appurtenances, furniture, shades, awnings, screens, blinds and other furnishings; and

TOGETHER with all building materials and equipment now or hereafter delivered to said premises and intended to be installed therein; and all articles of personal property owned by the party of the first part and now or hereafter attached to or used in and about the building or buildings now erected or hereafter to be erected on the lands herein described which are necessary to the complete and comfortable use and occupancy of such building or buildings for the purposes for which they were or are to be erected, including all goods and chattels and personal property as are every used or furnished in operating a building or the activities conducted therein, similar to the one herein described and referred to, and all renewals or replacements thereof or articles in substitution therefor, whether or not the same are, or shall be attached to said building or buildings in any manner. It is hereby agreed that to the extent permitted by law all of the foregoing property and fixtures are to be deemed and held to be a part of and affixed to the realty.

Prepared from Form
HUD-94179(b) Corporate
as modified by Form
HUD-90165-CA(11/29/91).

TO HAVE AND TO HOLD the same to the party of the second part, his successors in trust, and assigns, forever.

AND the party of the first part covenants with the party of the second part, his successors in trust, and assigns, that it is lawfully seized in fee of said premises, that the same are free and clear of all taxes, liens, and encumbrances whatsoever; that it had good right, full power and lawful authority to convey the same, and that it will warrant and forever defend the title thereto against the lawful claims of any and all persons whomsoever.

THIS conveyance is made in trust to secure payment of a just indebtedness of party of the first part to party of the third part in the principal (capital advance amount) sum of THREE MILLION TWO HUNDRED FOUR THOUSAND SEVEN HUNDRED AND NO/100--------- Dollars, evidenced by its note of even date herewith, said principal being payable as provided in said note with a final maturity of October 1, 2045, which note is identified as being secured hereby by a certificate thereon. Said note and all of its terms are incorporated herein by reference and this conveyance shall secure any and all extensions thereof, however evidenced.

THE party of the first part, in order more fully to protect the debt secured by this Deed of Trust, does hereby covenant and agree as follows:

1. That it will pay the Note at the times and in the manner provided therein;

2. That it will not permit or suffer the use of any of the property for any purpose other than the use for which the same was intended at the time this Deed of Trust was executed;

3. That the Regulatory Agreement, executed by the party of the first part and the Secretary of Housing and Urban Development, which is being recorded simultaneously herewith, is incorporated in and made a part of this Deed of Trust. Upon default under the Regulatory Agreement, the party of the third part, at its option, may declare the whole of the indebtedness secured hereby to be due and payable;

4. That all rents, profits and income from the property covered by this Deed of Trust are hereby assigned to the party of the third part for the purpose of discharging the debt hereby secured. Permission is hereby given to party of the first part for so long as no default exists hereunder, to collect such rents, profits and income for use in accordance with the provisions of the Regulatory Agreement;

5. That upon default hereunder party of the third part shall be entitled to the appointment of a receiver by any court having jurisdiction, without notice, to take possession and protect the property described herein and operate same and collect the rents, profits and income therefrom;

6. That at the option of the party of the first part the principal balance secured hereby may be reamortized on terms acceptable to the party of the third part if a partial prepayment results from an award in condemnation in accordance with provisions of Paragraph 8 herein, or from an insurance payment made in accordance with provisions of Paragraph 7 herein, where there is a resulting loss of project income;