

THIRD PARTY TRANSFER PROGRAM
TERMS OF THE MANAGEMENT AND PREDEVELOPMENT AGREEMENT

- **Assumption of Management Responsibility.** The Selected Qualified Developers will assume responsibility for the management of the Properties that have been assigned to them on the date the Properties are transferred to Neighborhood Restore. They will manage the properties throughout the period of interim ownership by Neighborhood Restore. Neighborhood Restore will transfer the Properties to the Selected Qualified Developers only concurrent with construction loan closings for the rehabilitation of the Properties. The Properties may include a mix of occupied and vacant residential buildings. Some may also have commercial tenants or include vacant lots.
- **Management duties.** The Selected Qualified Developers will operate, manage, lease, direct the operation of and perform all of the other services authorized under the MPA with Neighborhood Restore.

The Selected Qualified Developers will contract for electricity, gas, fuel, vermin extermination and other services and utilities. The Selected Qualified Developer will respond and attend to all complaints and requests by tenants and respond to emergency requests on a 24-hour basis. The Selected Qualified Developer will hire and manage any staff necessary to operate these properties and enforce leases. The Selected Qualified Developer will be responsible for addressing all building or sanitary violations issued during the term of management. Neighborhood Restore will not reimburse Selected Qualified Developers for fines or late fees resulting from their failure to respond to violations in a timely way. It shall be a precondition for Neighborhood Restore to transfer any property to a Selected Qualified Developer that any fine or judgment which results from any such failure to respond be paid.

- **Occupancy Survey.** Immediately upon commencement of Interim Management, the Selected Qualified Developers will canvass the properties to determine the identities of their current occupants, their ages, household composition, and current rent, using a "Tenant Survey" form acceptable to HPD and Neighborhood Restore, and will attempt to obtain copies of their current leases. The Selected Qualified Developers will also access tenant and rent history information on file with DHCR. The Selected Qualified Developers will submit an "Occupancy Report" summarizing its findings, in a format to be provided by Neighborhood Restore, within 30 days of the initial transfer.

Selected Qualified Developers will also be required to immediately inspect all apartments with pending lead paint violations to determine if any are occupied by children under the age of 7 and to address any such violation in accordance with Local Law 1 of 2004 and its regulations. Selected Qualified Developers will also be required to send out the tenant notices required by Local Law 1 inquiring whether any children under 7 reside in any apartment, as well as promptly inspect any such apartment. Any lead paint hazards found will have to be dealt with in accordance with Local Law 1 and its regulations.

- **Building Stabilization Plan.** The Selected Qualified Developers will promptly inspect the Properties to identify hazardous conditions, determine which general repairs need immediate attention and which can be deferred until the building is fully rehabilitated, and determine what actions are required to comply with lead paint regulations. Building stabilization work scope and methods shall be in compliance with Local Law 1 of 2004.

All occupied TPT buildings are to be XRF tested for lead prior to the submission of the scope of work to HPD. The Selected Qualified Developers will submit a "Building Stabilization Plan" detailing the intended course of action and projected costs for addressing such emergency repairs for Neighborhood Restore's approval within 30 days of the initial transfer.

The Selected Qualified Developers will also inspect any vacant lots or properties, determine whether they are properly sealed, and maintain those in a clean and sealed condition.

All Building Stabilization activities are to be completed within 90 days of the initial transfer.

- **Operating Budget.** The Selected Qualified Developers will submit a rent roll to NR with anticipated rental income. NR will use this income estimate to establish an operating budget for each Cluster. Selected Qualified Developers must adhere to spending limited within this budget. Selected Qualified Developers may formally request a modification of the budget in writing to NR before incurring any spending increase.
- **Operating Account.** The Selected Qualified Developer will establish bank accounts for the sole purpose of operating a Cluster and pay all expenditures authorized by the approved budget from the operating account.
- **Insurance/Indemnification.** Neighborhood Restore will obtain and keep property and liability insurance in effect during the Interim Management Period. The Selected Qualified Developers will indemnify and hold harmless Neighborhood Restore and its agents or officers from all liabilities, obligations claims, damages, and expenses arising from actions of the Selected Qualified Developers or its contractors.
- **Management Fee.** Neighborhood Restore will provide a nominal management fee to the Selected Qualified Developers for the maintenance of occupied buildings. There will be a minimal management fee for maintenance of the vacant buildings and lots to cover costs of maintaining vacant buildings and lots.
- **Monthly operating statements.** The Selected Qualified Developers will submit monthly operating statements detailing the income received and expenses incurred with respect to each of the Properties during such month. The Selected Qualified Developers will maintain complete, accurate records relating to the operation of the Properties. Neighborhood Restore will provide the manager with a fixed format for this report.
- **Rehabilitation and Financing Plan.** The Selected Qualified Developers will develop scopes of work and architectural plans, as appropriate, for the rehabilitation and/or development of the Properties. They will hire architects or engineers and obtain all necessary permits and approvals. The Selected Qualified Developers will also obtain the financing for the cost of rehabilitation and/or development in a timely manner.
- **Transfer of Properties to Selected Qualified Developers/Closing.** The transfer of the Properties from Neighborhood Restore to the Selected Qualified Developers is expected to occur no later than the one-year anniversary date of Neighborhood Restore's ownership of the Properties. The purchase price will be determined by HPD and Neighborhood Restore based on a financial feasibility analysis.
- **Termination.** Neighborhood Restore will have the right to terminate the Interim Management Agreement without cause with 15 days prior notice. Neighborhood Restore and the Selected Qualified Developers will waive all rights to trial by jury in any action or

EXHIBIT B

proceeding instituted by Neighborhood Restore against the selected Qualified Developers.

The foregoing is merely a summary of the terms of the Interim Management Agreement and is not intended to create any binding obligation on Neighborhood Restore's part. No such binding obligation will arise unless and until a management agreement, which may have different terms than those outlined above, is signed by Neighborhood Restore and a Selected Qualified Developer

THIRD PARTY TRANSFER PROGRAM
POST-SELECTION SUBMISSION REQUIREMENTS

- I. **Management and Predevelopment Agreement:** Selected Qualified Developers will be required to carry out all the duties and provide all information in accordance with the terms of the MPA with Neighborhood Restore. (Please see Exhibit B.)
- II. **Rehabilitation Plan:** The Selected Qualified Developers must have their architect or rehabilitation specialist and/or engineer develop a rehabilitation plan for the Properties. Such rehabilitation plan will be subject to review and approval by HPD and, if applicable, any prospective construction and/or permanent lender(s) that may be involved with the project. At a minimum, the rehabilitation plan will provide for upgrading the Properties to current housing standards as required by HPD, including removal of all violations of the Housing Maintenance Code and Building Code and remediation of any environmental hazards. For the vacant lot properties, the Selected Qualified Developers must submit a development proposal.
- III. **Relocation Plan:** If rehabilitation of the Properties will necessitate any temporary or permanent relocation, the Selected Qualified Developers will be required to submit detailed relocation plans, in a format to be provided by HPD, including such information as the identities, incomes, household composition of the tenants, the reasons that relocation is required, the locations to which the tenants will be relocated, the staff who will carry out the plan, and an itemized budget detailing the sources and uses of funds required to accomplish the plan. With the possible exception of tenants in SRO buildings, relocated tenants must be offered their original apartments after rehabilitation is completed.
- IV. **Financing Plan:** The Selected Qualified Developers must secure financing for the rehabilitation and/or development of the Properties from a construction lender that meets the approval of HPD and provide equity as required by the construction lender. Properties will be conveyed from Neighborhood Restore to the Selected Qualified Developers only concurrent with a construction loan closing.

HPD may also make available below market rate financing for the Properties under its Participation Loan Program, Small Homes Private Loan Program, Supportive Housing Loan Program, and Article 8A Loan Program. Loans under these programs are not as of right, but, in HPD's sole discretion, may be provided where funding is available and where lending requirements are met. Although the PLP and Small Buildings Loan Program both have 10% minimum cash equity requirements for for-profit developers, they often require a 12%-14% equity contribution, depending on the extent of the scope of work. HPD may, in its sole discretion, modify the equity requirements for Selected Qualified Developers that are not-for-profit organizations. For TPT Round IV, the equity requirement for not-for-profits was 2% of total development cost for non-tenant petition buildings and \$1000 per dwelling unit for buildings proceeding along the route of cooperative conversion.

Properties are subject to City of New York real property taxes and charges. Real property tax exemptions with respect to Properties transferred under the Program may be available pursuant to Article XI of the Private Housing Finance Law during the period of ownership by a housing development fund company (subject to approval by the City Council), under the "J-51" Program (Administrative Code §11-243), or pursuant to Article 16 of the General Municipal Law (subject to City Council approval).

Properties subject to rent regulation will remain subject to the same laws following transfer of title. HPD may restructure the rents upon completion of rehabilitation in cases where it makes a loan pursuant to a statute that permits restructuring of rents. Pursuant to program and statutory requirements, most rental units will be registered with DHCR upon initial occupancy following completion of rehabilitation.

The utilization of certain types of funds may present additional affordability requirements of a portion of the units and, depending on the funding source, Qualified Developers may be required to comply with additional federal regulations. For example, to the extent that federal HOME funds are used for rehabilitation or operating expenses of any property transferred under the Program, income limits and maximum rents will be subject to Federal requirements for ten to fifteen years depending upon the dwelling unit rehabilitation cost.

- V. **Sponsors Only – Cooperative Conversion Plan:** NFP groups interested in assisting buildings to become limited equity cooperatives will be required to submit a detailed cooperative conversion plan, in a format to be provided by HPD, which will outline the roles and responsibility of the sponsor and tenants, and the timeline in which the sponsor will help the tenants meet the criteria necessary to remain a tenant petition building.