

AFFORDABLE HOUSING COVENANT

(Supersedes the Recorded Affordable Housing Covenant of August 25, 2004)

This Affordable Housing Covenant ("Covenant") is entered into as of the _____ day of _____, 2004, by and between Community Housing Alternatives Nonprofit Housing Corporation, a Michigan nonprofit corporation ("CHA"), whose address is 107 Ferris St, Ypsilanti, Michigan, 48197 and the City of Ann Arbor, a Michigan municipal corporation, ("City"), whose address is 100 N 5th Avenue, Ann Arbor MI 48104.

This Covenant supersedes the recorded Affordable Housing Covenant of August 25, 2004, by and between Community Housing Alternatives and the City of Ann Arbor, recorded September 1, 2004, in Liber 4421, Page 631, Washtenaw County Records. At all times material to the Affordable Housing Covenant of August 25, 2004, obligations under the Covenant were to be performed by Community Housing Alternatives Nonprofit Housing Corporation, notwithstanding that Community Housing Alternatives Nonprofit Housing Corporation was referred to as Community Housing Alternatives.

This Covenant applies to the real property commonly known as Stone School Townhomes, a condominium, in the City of Ann Arbor, Washtenaw County, Michigan, commonly known as 2101 to 2169 Stone School Road, which is more fully described below and incorporated by this reference herein ("Property").

Commencing at the Southwest corner of Section 10, T3S, R6E, City of Ann Arbor, Washtenaw County, Michigan; thence N00 53'05"W along the West line of said Section 10 and the centerline of Stone School Road (variable width) 1419.95 feet for a PLACE OF BEGINNING; thence continuing N00 53'05"W 380.79 feet along said West line of said Section 10 and said centerline; thence N87 54'55"E 528.0 feet parallel with the South line of said Section 10; thence S00 53'05"E 380.79 feet parallel with the West line of said Section 10; thence S87 54'55"W 528.0 feet parallel with the South line of said Section 10, to the Place of Beginning, being a part of the Southwest ¼ of said Section 10, containing 4.61 acres of land, more or less, being subject to the rights of the public over the Westerly 33.0 feet thereof as occupied by said Stone School Road, also being subject to easements and restrictions of record if any;

Parcel ID: 81-12-010-360-303 –122, 81-12-010-360-008, 81-12-010-360-009, 81-12-010-360-010, 81-12-010-360-011

RECITALS

WHEREAS, CHA received Federal HOME funds in the amount of \$464,000 for the development costs and homeownership education as defined in the proforma dated May 23, 2003 for said property for the purpose of using it to lower the sales price of 11 units to

be affordable to households at 60% of the Area Median Income as defined by the U.S. Department of Housing and Urban Development within 6 months of the time the purchase agreement becomes binding;

WHEREAS, CHA received City Affordable Housing Trust funds in the amount of \$300,000 for the development costs and homeownership education for the purpose of using it to lower the sales price of up to 8 units at said property to be affordable to households at 60% of the Area Median Income as defined by the U.S. Department of Housing and Urban Development within 6 months of the time the purchase agreement becomes binding;

WHEREAS, the DEVELOPER, Marvin L. Vanek, d/b/a Vanek and Associates has entered into an Affordable Housing Covenant with the CITY regarding the property as described above to provide (11) eleven units of housing affordable to households at 80% of the area median income;

WHEREAS, the DEVELOPER has entered into a purchase agreement with CHA to purchase the units and resell the units to low-and moderate-income households;

WHEREAS, subsequent owners will benefit from the limitation on the resale price which this Covenant requires; and

WHEREAS, the intent of CHA is to preserve through this Covenant the affordability of the property for persons of low- and moderate-income, and to assign to the City the right to enforce compliance with this Covenant.

NOW THEREFORE, in consideration of the benefits received by the parties, the sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Definitions

The following terms shall have the following meanings herein:

- A. "Area Median Income" means the Area Median Income reported annually for single persons and households of various sizes by the United States Department of Housing and Urban Development for the metropolitan statistical area, which includes the City of Ann Arbor, Michigan.
- B. "City" shall mean the City of Ann Arbor or its designee. The City has retained the right to conduct the activities described under this Covenant through a contract with another entity.
- C. "Domestic partner" means a person who has been duly registered with the Ann Arbor City Clerk or other designated City official as a domestic partner of the Owner pursuant to the provisions of the City's domestic partner ordinance.
- D. "Household" means the buyer and the buyer's spouse or domestic partner and the minor children under the age of eighteen under the custody of the buyer or buyers if the unit is sold jointly to more than one buyer in the same transaction.
- E. "Income" means the definition of income under 24 CFR 92.203 (b)(3). The Income will be determined by the adjusted gross income as defined on the Internal Revenue Service (IRS) Form 1040 series for individual Federal annual income tax purposes. The adjusted gross

income as reported on the IRS 1040 form will be further adjusted by the mandatory deductions in 24 CFR 5.611. In the event that the IRS 1040 form is eliminated or the definition of income under CFR 92.203 is substantially modified, then income shall mean the anticipated total income for the next twelve month period received from all sources by each member of the household, excluding, however, temporary or non-recurring income (including gifts), and income from the employment of children under age 18, shall not be included as "income" for purposes of this covenant. It is the responsibility of CHA and the subsequent Owners to insure that the most current Income Guidelines are being used for income eligibility.

- F. "Institutional Lender" means any bank, savings and loan association, or any other financing agency that is licensed to engage in the business of providing purchase money mortgage financing for residential real property.
- G. "Mortgage" means a financing document which is recorded senior to any other deeds of trust or liens against the Property and secures a loan made by an Institutional Lender and is used to purchase the Property.
- H. "Owner" means the first private buyer and any subsequent buyer, devisee, transferee, grantee, owner or holder of title of the Property or any portion of the Property.
- I. "Transfer" means any sale, assignment or transfer, voluntary, involuntary or by operation of law (whether by deed, contract of sale, gift, devise, bequest, trustee's sale, deed in lieu of foreclosure, or otherwise) of any interest in the Property, including but not limited to a fee simple interest, a joint tenancy interest, a tenancy in common, a life estate, a leasehold interest (except for a lease allowed by Paragraph 8 hereof), or any interest evidenced by a land contract by which possession of the Property is transferred and Owner retains title.
- J. "Original Base Sale Price" means the price at which the current Owner purchased the Property as determined by the formula in Appendix A, B or C (not including commissions, loan origination fees, appraisals fees, title insurance premiums and other similar transaction costs). Each unit will be assigned an original base sale price by CHA that targets a specific household income. Exhibit A includes the formula for households at 80% AMI, Exhibit B includes the formula for households at 100% AMI (with the sales price based on 85% AMI), and Exhibit C includes the formula for households at 60% AMI.
- K. "Purchase Anniversary" means the calendar date on which the Property was transferred to an Owner.
- L. "Running Sale Price" is a dollar amount used in the calculation of the maximum sale price in any future sale of the Property as determined by the formula in Exhibit A, B or C, and is more fully defined in paragraph 7 below.

2. Requirement of Title

Compliance with the provisions of this Covenant shall be deemed to be a requirement of title. Each deed transferring title to a Unit shall include a reference to this Covenant as follows: "This transfer shall be subject to the covenants, terms and provisions of a certain Affordable Housing Covenant that impacts the resale of the Unit in perpetuity." Furthermore, the deed shall specifically refer to the Liber and Page number of this Covenant as recorded in Washtenaw County Records.

3. Compliance with Laws

CHA agrees to comply with all appropriate federal, state and local laws applicable to services required by this contract, including:

Program requirements under HOME Investment Partnerships Program 24 CFR Part 92 and the regulations issued thereunder, now or hereafter, including but not limited to 24 CFR, and the regulations, policies, guidelines, and requirements of Office of Management and Budget (OMB) (24 CFR Part 84 et seq.) as they relate to the application, acceptance and use of federal funds for this program as well as the Uniform Relocation Act, Section 104(d) and 24 CFR 92.353. Incorporated by reference are Title VI of the Civil Rights Act of 1964, Executive Order 11246, Section 3, Federal Labor Standards set forth in 24 CFR 570-605 and 24 CFR 92.354, equal opportunity and fair housing requirements set forth in 24 CFR 92.350, and the Americans with Disabilities Act.

The City agrees to assist CHA to comply with the requirements of the U.S. Department of Housing and Urban Development (HUD) and if the need arises, the CITY will provide technical assistance to maintain affordability for the project.

4. Designation of Units

CHA agrees to designate 55 units within Stone School Townhomes as being subject to the terms and conditions of this Covenant. Each unit in Stone School Townhomes that is subject to this Covenant shall be hereinafter referred to as "Unit". CHA will assign each unit to a formula using Exhibit A, Exhibit B, or Exhibit C that will be a covenant on the unit.

5. Term

This Covenant shall run with the property. It shall bind the property perpetually, and the benefit hereof shall inure perpetually to, the Owner, his or her heirs, legal representatives, executors, successors in interest and assignees, and to the City, its successors, designees, or assignees except as otherwise provided in paragraph 14,15, and 18 below.

6. Use of Property as Owner's Primary Residence

The Owner shall use the Property as his or her primary residence. At or before the time when title is transferred to the Property, each new Owner shall certify to the City in writing his or her intent to occupy the Property as his or her primary residence. Upon written request of the City, the Owner shall provide the City with such information as the City may reasonably request to satisfy itself that the Property is being used as the Owner's primary residence.

7. Resale Price Limitation

The OWNER and all subsequent Owners hereby covenant that the price in any future sale of the Property by CHA or any subsequent Owner shall be calculated as follows:

- A. The Original Base Sale Price for each Unit shall be based upon the household size, income level and number of bedrooms as described in Exhibit A, Exhibit B, or Exhibit C attached hereto and incorporated herein by reference. The Original Base Sale Price can be adjusted to a total original sale price that includes purchaser's subsidy, closing cost, pre-paid, escrow, and tax proration expenses. Future Original Base Sale Prices shall be based on the same formula in Exhibit A, Exhibit B, or Exhibit C using the United States Department of Housing

and Urban Development's most recently published income levels by household size. The future Base Sale Price can be adjusted to a future total sale price that include purchaser's closing cost, pre-paid, escrow, and tax proration expenses.

- B. On or before May 1 of each year, the City shall provide a statement to the Owner with a statement indicating the Running Sale Price of the property. If the Owner disputes this statement, the dispute shall be resolved under the procedures set forth in Paragraph 12.
- C. The actual sale price of any future sale of the Property by the Owner or any subsequent Owner shall not exceed the Running Sale Price minus the amount of any Excessive Damage Assessment as provided for in Paragraph 11 below.
- D. If Owner or any subsequent Owner sells the Property prior to the first purchase anniversary, the Running Sale Price for the purposes of paragraph 7(C) above shall be the original sales price (not including commissions, loan origination fees, appraisals fees, title insurance premiums and other similar transaction costs).
- E. With respect to a Unit designated in Exhibit B, offered for sale by CHA, if a binding purchase agreement from an Eligible Buyer or the City or the City's designee is not obtained during a maximum period of thirty (30) days after the Unit receives a Certificate of Occupancy, the Developer may offer the unit for sale to a buyer who does not meet the criteria of an Eligible Buyer, the price of the Unit shall then be determined by the Developer, and this Covenant shall automatically terminate and be of no further force or effect as to that specific Unit. The Developer may, but is under no obligation, to extend the 30-day period.
- F. For all buyers that an Owner offers to the City, or its designee, to certify as an Eligible Buyer, the City, or its designee, shall make such determination in no more than 14 calendar days from the receipt of the required information needed to verify income eligibility. Failure to timely respond to a request to certify a buyer as eligible shall constitute a certification by the City of that buyer as an Eligible Buyer. The City shall maintain a procedure for "pre-qualifying" Eligible Buyers by making available, upon request, to both owners and prospective buyers the requirements to qualify as an Eligible Buyer.
- G. Despite the income requirements set forth in this paragraph 7, compliance therewith shall be determined within 6 months of the date a purchase agreement for the Unit becomes binding and a non-compliance therewith at some point in time afterwards shall not be a basis for the City to exercise a right to purchase the Unit or to otherwise require the owner of a Unit to sell his/her Unit.

8. The City's Right of First Refusal

- A. The Owner shall not sell or otherwise transfer the property until 60 days after serving written notice upon the City of the Owner's intent to sell or otherwise transfer the Property.
- B. Within 60 days of receiving the notice provided for in Paragraph 8(A) above, the City or its designee may elect to purchase the Property from the Owner by serving the Owner with a written notice of its intent to do so. If the City elects to purchase the Property as provided herein, Owner hereby covenants to sell the Property to the City at the price set forth in Paragraph 7 above. The City shall resell the property subject to the resale price limitations of Paragraph 7 and to an Eligible Buyer as defined in Paragraph 9.

- C. If the City does not elect to purchase the property as provided herein, the Owner must sell the Property to an Eligible Buyer approved by the City as set forth in Paragraph 9 at or below the price set forth in Paragraph 7 above. The City shall provide the Owner with a list of organizations to assist with marketing of the Unit to an Eligible Buyer within 14 days after receiving the notice provided for in Paragraph 7(i) above. The new Owner shall be subject to the City's right of first refusal.
- D. The following transfers are exceptions to the above requirements, provided that the new Owner, other than an estate, shall use the Property as his or her principal residence:
- (i). A transfer resulting from the death of an Owner where the transfer is to the spouse or domestic partner who is also an Owner.
 - (ii). A transfer to the Owner's estate following his or her death for the purpose of administering the estate and distributing the assets thereof during a period of time not to exceed 24 months from the date of death of the Owner.
 - (iii). A transfer resulting from the death of an Owner when the transfer is to one or more children of the deceased Owner.
 - (iv). A transfer by an Owner where the spouse or domestic partner of the Owner becomes the co-owner of the Property.
 - (v). A transfer resulting from a decree of dissolution of the marriage or legal separation or from a property settlement agreement incidental to such a decree by which a spouse who is an Owner becomes the sole Owner of the Property.
 - (vi). A transfer directly resulting from a termination of a registered domestic partnership by which a domestic partner who is an Owner becomes the sole Owner of the Property.
- E. In the event that a property is transferred to a new Owner as provided for in Paragraph 8(D), the new Owner shall be subject to the terms of this Covenant when the new Owner sells the property.

9. Eligible Buyers

The City, or its designee, shall maintain a list of organizations that assist Eligible Buyers to become homeowners. With the exceptions listed in Paragraph 8(D) above, title to the Property may only be transferred to a person who has been certified by the City, or its designee, as an Eligible Buyer meeting the income guidelines and who also has been qualified by an Institutional Lender for a mortgage to be used to buy the Property and who agrees to execute and be bound by this Covenant. In order to qualify, a buyer's income may not be more than the percent of Area Median Income, adjusted for family size, as assigned in Exhibit A, Exhibit B or Exhibit C at the time of the purchase. The income of the buyer must be verified no later than six (6) months prior to the closing for the property. If a prospective buyer is not income-eligible at the time of application, they must be denied and cannot be allowed to make changes to their work status or household income in order to qualify for a unit. An involuntary change in income would not disqualify the prospective buyer from

becoming income eligible.

If the Property is sold jointly to more than one buyer in the same transaction, or if the Property is sold to a buyer who is married or who has a domestic partner, or if the Property is sold to one or more buyers who have the custody of children under the age of eighteen, then (a) the buyer or buyers plus any minor children shall be considered to be a household for the purposes of this Covenant; (b) the income of all persons in the household (which will include each buyer of the Property, the spouse or domestic partner of the buyer, and each buyer's children who are age eighteen or older and who plan to reside in the premises) shall be used in determining the buyer's income; and (c) the Area Median Income shall be adjusted to reflect the household's size.

In addition to the income requirements, Eligible Buyers must have received homeowner's education if prescribed by the City or the City's designee, and must have reviewed the provisions of this Covenant and expressed their willingness to accept them.

10. Eligible Capital Improvements

Nothing in this Covenant shall prohibit an Owner from making an improvement to the Property.

11. Excessive Damage Assessment

Before the re-sale price limit is determined, the City shall have the right to inspect the Property to determine whether the Owner has complied fully with the maintenance obligations set forth in Paragraph 16 hereof. If, after such an inspection, the City determines in its judgment that the Owner has not fully complied with this obligation, the City shall determine in its judgment the cost to complete such repairs, replacement, and other work necessary to restore the Property to a good, safe and habitable condition in all respects, and to bring it into full compliance with all applicable laws, ordinances, rules and regulations of any governmental authority with jurisdiction over matters concerning the condition of the Property. This amount shall be called the Excessive Damage Assessment, and it shall be included in the calculation of the resale price limit as set forth in Paragraph 7.

12. Resolution of Disputes

If the Owner reasonably disputes the City's determination of the running sales price, or the amount of an Excessive Damage Assessment, the Owner may request that the City's decision be reviewed by appealing to the City Administrator or his/her designee. The decision of the City Administrator or his/her designee shall be final and binding upon the parties.

13. Complete Consideration Stated on Deed

The consideration for any transfer shall be the sum upon which the State Transfer Tax is levied. There may be no consideration from owner-seller to owner-buyer beyond what is stated on the deed.

14. Partial Subordination of Covenant – Termination of Covenant Upon Foreclosure Sale

The provisions of this Covenant shall be subordinate only to the lien of a first mortgage to secure a loan to purchase the Property made by an Institutional Lender. The first

Mortgage shall be deemed a Specified Mortgage and the holder of such mortgage shall be known as the Specified Mortgagee. The City shall have the right to review and approve any mortgage affecting the Property. This Covenant shall not impair the rights of such Institutional Lender, or such lender's assignee or successor in interest, to exercise its remedies under the first mortgage in the event of default by Owner; these remedies include the right to foreclose or exercise a power of sale or to accept a deed or assignment in lieu of foreclosure. For any individual unit, with respect to the first mortgage, upon the occurrence of a foreclosure sale, or acceptance of a deed in lieu of foreclosure, this Covenant shall be forever terminated. The mortgagee in such case, or any buyer at the foreclosure sale, will obtain title to the Real Estate free and clear of such Right of First Refusal and Right to Acquire Owner's Interest, and such rights will not reattach to the Property upon any subsequent sale of the Property.

15. Mortgage Default or Foreclosure

Subject to the following, upon the occurrence of an event of default under the Specified Mortgage (as determined by the Specified Mortgagee—an "Event of Default"), and without the consent of the City, the Specified Mortgagee shall be permitted to accelerate its note, foreclose on the Specified Mortgage, take an assignment in lieu of foreclosure, or exercise its other remedies for default. Further:

- A. Upon the occurrence of an Event of Default under the Specified Mortgage, the Owner shall immediately notify the City of such Event of Default and shall submit to City copies of all notices the Owner received from the Specified Mortgagee relating thereto. Further, the City may notify the Specified Mortgagee's mortgage loan servicer of the lien of the City, and ask such mortgage loan servicer to notify the City of an Event of Default. In such case, the Specified Mortgagee will be agreeable to having its loan servicer provide such notice and work with the City to cure the default.
- B. The Owner and the City agree that, as between them, the City shall have the right, but not the obligation, to cure an Event of Default in the Owner's name and on the Owner's behalf. The Owner shall be responsible to the City for any payments made, and expenses incurred, by the City in curing such default.

16. Maintenance of Property

The Owner shall maintain the Property in good, safe and habitable condition in all respects, except for normal wear and tear, and in full compliance with all applicable laws, ordinances, rules and regulations of any governmental authority with jurisdiction over matters concerning the condition of the Property. The Owner shall suffer no mechanics liens to be recorded against the Property. The Owner shall remain current in all obligations under any mortgage or lien on the Property. The Owner shall promptly notify the City of any alleged default on any mortgage or lien.

Prior to transferring the property, the City has the right to inspect a unit for any defects or health hazards and may require the seller to cure the defects before the unit is transferred as specified in paragraph 11 above.

17. Assignment.

- A. The Owner shall not have the right to transfer or assign the Property or the Owner's rights or responsibilities under this Covenant except with the express written consent of the City and subject to the terms of this Covenant.
- B. The City shall have the right to assign or transfer in part or in whole its rights and responsibilities under this Covenant by contract or by ordinance. The City shall notify the Owner of any such assignment or transfer, but assignment or transfer may occur without prior notice to or approval of the Owner.

18. Community Housing Alternatives Nonprofit Housing Corporation

The covenants and promises contained in this section (Section 18 - A through P) are only applicable to Community Housing Alternatives Nonprofit Housing Corporation ("CHA"), and shall terminate one year from the project completion date. The project is completed when all 55 Units have a Certificate of Occupancy from the City of Ann Arbor and at least 45 Acknowledgements of Affordable Housing Covenants have been recorded and submitted to the City.

- A. SCOPE: CHA agrees to use the HOME funds for development costs and homeownership education as defined in the proforma dated May 23, 2003 of said property for the purpose of using it to lower the sales price of 11 units to be affordable to households at 60% of the Area Median Income. CHA will use the HOME funds to subsidize the difference in sales price between the sales price in Exhibit B to the sales price in Exhibit C. The City shall reimburse CHA for actual construction costs associated with the HOME-assisted units to lower the sales price for the homebuyer at an amount not to exceed: \$31,100 for a 2 bedroom unit, \$34,950 for a 3 bedroom unit, and \$38,850 for a 4 bedroom unit. CHA will be reimbursed for related soft costs at an amount not to exceed \$4,000 per HOME-assisted unit. The City shall reimburse CHA for the cost of providing homeownership education to homebuyers of the HOME-assisted units at an amount not to exceed \$2,500 per unit.

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| SCHEDULE: Develop Affirmative Marketing Plan by: | September 2003 |
| Market Units and Develop Intake Procedure by: | October 2003 |
| Homeowner Education Completed by: | December 2004 |
| Execute Purchase Agreements all units by: | December 2004 |

- B. FUNDS: The City agrees to pay to CHA the sum of \$464,000 of Federal HOME Funds according to the following terms: the amount of \$464,000 shall be a grant that subsidizes the HOME-assisted units, with no repayment unless CHA fails to comply with the terms of this Covenant.
- D. DISBURSEMENT: CHA agrees that the funds will be used subject to compliance with established City disbursement schedules and procedures. CHA agrees that all HOME funds will be disbursed within 15 days of receipt. In no event will a disbursement or further disbursements be made after a notice by the City of a violation of this Covenant, which violation has not been corrected to the satisfaction of the City. CHA shall use any project proceeds for housing activities that benefit low-income households.
- E. REPORTS, MONITORING AND EVALUATION. CHA agrees to cooperate fully with the Community Development Services Unit of the CITY, and HUD officials to evaluate and

monitor the requirements and performance of programs financed with funds identified in this Covenant. CHA agrees to provide these same parties information and reports, oral or written, as may reasonably be required or requested during the term of this Covenant on matters relating to program activities, performance, contract compliance and evaluations of programs receiving CITY funds. CHA agrees to attend meetings with representatives of the CITY to discuss any problems or questions related to this Covenant.

- F. SECURITY: CHA shall not incur any debt secured by this property without written approval of the City, and any other lenders.
- G. POLITICAL ACTIVITIES: None of the funds, materials, property, or services provided directly or indirectly under this Covenant shall be used for any partisan political activities or to further the election or defeat of any candidate for public office.
- H. CONFLICT OF INTEREST. CHA shall comply with 24 CFR 92.356: No employee, agent, consultant, officer or elected or appointed official of the City or CHA, who exercises or have exercised any functions or responsibilities with respect to activities assisted with HOME funds or who are in a position to participate in a decision making process or gain inside information with regard to these activities, may obtain a financial interest or benefit from a HOME-assisted activity, or have an interest in any contract, subcontract or agreement with respect thereto, or the proceeds thereunder, either for themselves or those with whom they have family or business ties, during their tenure or for one year thereafter.

No owner, developer or sponsor of a project assisted with HOME funds as defined in 24 CFR 92.356 (f) (1) may occupy a HOME-assisted affordable housing unit in a project. This provision does not apply to an individual who receives HOME funds to acquire or rehabilitate his or her principal residence or to an employee or agent of the owner or developer of a rental housing project who occupies a housing unit as the project manager or maintenance worker.

CHA may request an exception to the above conflicts of interest in writing to the City. The City and HUD will determine whether to grant a request for an exception.

No person providing consultant services in an employer-employee type relationship shall receive more than a reasonable rate of compensation for personal services paid with HOME funds in accordance with 24 CFR 92.358.

- I. INSURANCE COVERAGE: CHA shall secure and maintain such insurance policies, including those set forth below, as will protect itself, its subcontractors and, unless otherwise specified, the City from all claims for bodily injuries, death or property damage which may arise under this Contract; whether the acts were made by CHA or by any subcontractor or anyone employed by them directly or indirectly. The following insurance policies are required:
 - i. Statutory Worker's Compensation in accordance with the provisions of the Michigan Worker's Compensation Act;
 - ii Public Liability Insurance in an amount not less than \$1,000,000 for injuries, including accidental death to any one person;
 - ii. Property and Casualty insurance

Insurance certificates shall be filed with the City giving satisfactory evidence of insurance as

stipulated above before the work under this Contract is begun. The certificates shall be maintained during the life of the Contract and shall also name the City as an insured party. All insurance certificates shall contain the following language: "The company agrees that it will give the City of Ann Arbor ten (10) days prior written notice of its intent to cancel or materially change the described policy" This language however, if accompanied by a disclaimer or any other language which negates company responsibility for failing to provide said notice will not be acceptable. The insurer must be satisfactory to the City Attorney.

- J. INDEMNIFICATION. CHA shall indemnify, defend and hold the CITY, its officers and employees, harmless in the event of liability claims arising out of CHA activities undertaken in connection with this Covenant; and to any materials, equipment, or other property that may be used or employed in connection herewith, or for any injury or damages to any person whether an employee of CHA or otherwise.

CHA agrees to indemnify, defend, and hold harmless the City, their officers, agents, and employees from any and all claims and losses occurring or resulting, to any and all Owners, contractors, subcontractors, material providers, laborers, and any connection with negligent performance under this Covenant, and from any and all claims and losses occurring or resulting to any person, firm, or CHA who may be injured or damaged by CHA contractor's or subcontractor's negligence in the performance of the Covenant; and against any liability, including costs and expenses, for violation of proprietary rights, copyrights, or rights of privacy.

- K. FINANCES, AUDITS, AND INSPECTIONS. CHA shall supply documentation of all HOME expenditures relating to development costs and homeownership education to the City, and HUD, upon request. Documentation shall include payments for purchases, vouchers and other official documentation that show in proper detail the nature and propriety of such expenditures. All documents must be clearly identifiable and readily accessible. CHA agrees to securely maintain these records for a period of three (3) years after the City's final disbursement to CHA pursuant to this Covenant. CHA shall inform the City and permit examination by the City, and HUD prior to destruction of any of these records. The City or HUD may cause an audit of the records of CHA at a reasonable time after reasonable notice. CHA shall comply with OMB circular A-133 relating to audit requirements.

- L. AFFIRMATIVE MARKETING/EQUAL OPPORTUNITY: CHA agrees to comply with the nondiscrimination provisions of Chapter 112 of the Ann Arbor City Code and to take affirmative action to assure that applicants are employed and that employees are treated during employment in a manner which provides equal employment opportunity and tends to eliminate any inequality based upon race, national origin or sex. CHA agrees to comply with the provisions of Section 9:161 of Chapter 112 of the Ann Arbor City Code, Exhibit D. CHA agrees to comply with living wage provisions of Chapter 23 of the Ann Arbor City Code, if applicable, and, if a "covered employer" as defined therein to pay those employees providing Services to the City under this Covenant a "living wage," as defined in Chapter 23 of the Ann Arbor City Code; and, if requested by the City, provide documentation to verify compliance. CHA agrees to comply with the provisions of Section 1:815 of Chapter 23 of the Ann Arbor City Code, Exhibit E, if applicable.

CHA shall establish an affirmative marketing strategy in accordance with 24 CFR 92.351 for the units including procedures for advertising vacancies, pre-qualifying applicants, and

record keeping in accordance with 24 CFR 92.504. CHA will submit to the Community Development Services Unit for review and agree to follow, a marketing plan for advertising, screening and pre-qualifying applications. The Affirmative Marketing Regulations require that each applicant subject to these regulations carry out an affirmative program to attract prospective buyers or tenants of all minority and non-minority groups in the housing market area regardless of race, color, religion, sex, national origin, disability, or familial status. The affirmative marketing program also should ensure that any group(s) of persons normally not likely to apply for the housing without special outreach efforts, know about the housing, feel welcome to apply, and have the opportunity to buy.

CHA agrees that in accordance with 24 CFR 92.351 it will take affirmative steps to assure that minority firms and women's business enterprises are used when possible.

- M. COMMUNITY HOUSING DEVELOPMENT ORGANIZATION: CHA agrees to maintain its status as a Community Housing Development Organization (CHDO) in accordance with the definition of a CHDO in 24 CFR 92.2 during the construction phase of this agreement until all 55 units are sold and an Acknowledgement of Affordable Housing Covenant is recorded for all 55 units. CHA warrants that it has supplied the City with current copies of its Charter, Articles of Incorporation, by laws and/or other documents designating the method of electing or appointing the members of its Board of Directors. CHA shall also keep on file with the City's Community Development Services Unit a current list of its Board members, its officers, and their addresses. Any changes in membership shall be promptly reported to the City's Community Development Services Unit. No part of its net earnings will inure to the benefit or any member, founder, contributor, or individual. CHA shall maintain a Board of Directors, which includes at least one-third residents of low-income neighborhoods, other low-income community residents or elected representatives of low-income neighborhood organizations. CHA shall provide a formal process for low-income program beneficiaries to advise the organization in its decisions regarding the design, siting, development, and management of the affordable housing project.
- N. LABOR: CHA agrees to comply with all Federal laws and regulations as set forth in 24 CFR 92.354 as it pertains to labor. CHA certifies that each contract for the construction of housing that includes more than eleven (11) units assisted with HOME funds must contain a provision requiring the payment of not less than the wages prevailing in the locality, as predetermined by the Secretary of Labor pursuant to the Davis-Bacon Act [40 USC 276(a)(1)-276(a)(5)], to all laborers and mechanics employed in the development of any part of the housing. Such contracts must also be subject to the overtime provisions, as applicable, of the Contract Work Hours and Safety Standards Act (40 USC 327-332). It is Community Housing Alternative's responsibility to comply with all requirements of these Acts unless CHA has obtained a prior written determination from the United States Department of Housing and Urban Development (HUD) that one or more of these Acts are inapplicable to CHA.
- O. REPAYMENT AND PROGRAM INCOME: All applicable repayments, program income, interest, and other returns on the investment of HOME funds in this project, as defined in 24 CFR 92.2, will be returned to the City within thirty (30) days of receipt by CHA.
- P. PROPERTY STANDARDS: CHA will insure that the project complies with 24 CFR 92.251 regarding property standards and 24 CFR 92.355 regarding lead-based paint. The units

must meet the City Housing Code and Section 8 Housing Quality Standards at initial occupancy.

19. Miscellaneous

- A. In the event that the Covenant is removed the City's rights under this Covenant shall become a lien upon the property. The value of the lien shall be determined by taking the appraised value of the Property as of the date the Covenant expires and subtracting the Resale Price pursuant to Paragraph 7 of this Covenant. The remainder is the value of the City's lien as of the date the Covenant expires. This lien shall be due and payable upon the transfer of the Property. The lien shall accrue interest at 7% annually from the date it attaches until the date it is paid.
- B. The Property is held and hereafter shall be held, conveyed, hypothecated, encumbered, leased, rented, and occupied subject to these terms, conditions, restrictions and limitations of this Covenant. All of the herein-stated terms, conditions, restrictions and limitations of this Covenant are intended to run with the property.
- C. Any buyer or transferee of the Property or of any portion of or interest in the Property, by acceptance of a deed therefore, or by the signing of a contract or agreement to purchase the same, shall, by acceptance of such deed or by the signing of such contract or agreement be deemed to have consented to and accepted the terms, conditions, restrictions and limitations set forth in this Covenant. The Owner-buyer or transferee shall execute such an acknowledgement and/or consent in writing before any sale or transfer is valid. The acknowledgement and/or consent shall be recorded and a copy of the recorded acknowledgement and/or consent shall be provided to the City.
- D. The Developer, CHA, and each subsequent Owner hereby grants and assigns the City the right to review and enforce compliance with this Covenant. CHA hereby names the City as its designee for the purpose of enforcement of the terms of this Covenant. Compliance may be enforced by the City by any lawful means, including without limitation: requiring that the Owner sell to the City under its right of first refusal (a) seeking specific performance of the Owner's obligations under this Covenant; (b) voiding or rescinding a sale in contravention of this Covenant; (c) terminating the Owner's interest in the Property; and (d) and seeking money damages, including damages to reimburse the City for its enforcement costs including attorney fees; damages requiring the Owner to repay with interest any assistance received in connection with the home purchase; and damages relating to an Owner's unlawful sale or rental of the Property. However, the City's enforcement rights shall not include the acceleration of the first mortgage or increasing the interest rate of the first mortgage.
- E. This Covenant shall be interpreted under the laws of Michigan and venue for any suit regarding this Covenant shall be in Washtenaw County, Michigan. Service may be made or notice given to the Owner by posting such service or notice in a conspicuous place on the Property.
- F. Notices to the City shall be given in writing and delivered in person or mailed, by certified or registered mail, return receipt requested, to the City at the address set forth below, or such other address designated by the City by like notice:

Community Development Services Unit
City of Ann Arbor
100 N. Fifth Ave.
P.O. Box 8647
Ann Arbor, MI 48107-8647

- G. Nothing in this Covenant represents or guarantees that the Property will be resold at an amount equal to the resale price limit. Depending upon conditions affecting the income calculations completed by U.S. Department of Housing and Urban Development, the Property may be resold for less than the resale price limit.
- H. If any provision of this Covenant shall be held by a court of proper jurisdiction to be invalid, illegal or unenforceable, the remaining provisions shall survive and their validity, legality or enforceability shall not in any way be affected or impaired thereby.
- I. The captions of the paragraphs in this covenant are for convenience only and shall not be used to interpret the meaning of any provision hereof.
- J. The conditions of this Covenant shall be interpreted so as to avoid speculation on the Property and to insure to the greatest extent possible that its purchase price and mortgage payments remain affordable in perpetuity to persons and families of low income.
- K. Relief from any of the terms and conditions of the Covenant may be granted upon a written request to the City and approval of the City Council. Approval shall be in the City's sole discretion.

IN WITNESS WHEREOF, the parties hereto have executed this Covenant as of the date first stated above.

Community Housing Alternatives Nonprofit Housing Corporation, A Michigan nonprofit corporation

By: _____
Alexsandra Anteau, President

By: _____
Rhonda J. McGill, Executive Director

STATE OF MICHIGAN, COUNTY OF WASHTENAW

The foregoing instrument was acknowledged before me this _____ day of 2004, by Alexsandra Anteau and Rhonda McGill, President and Executive Director respectively, of Community Housing Alternatives Nonprofit Housing Corporation, a Michigan nonprofit corporation, on behalf of said corporation.

, Notary Public
Washtenaw County, Michigan
Acting in the County of Washtenaw
My commission expires:

CITY OF ANN ARBOR, a Michigan municipal corporation

By: _____
John Hieftje, Mayor

By: _____
, Co-Interim City Clerk

STATE OF MICHIGAN, COUNTY OF WASHTENAW

The foregoing instrument was acknowledged before me this _____ day of _____, 2003, by John Hieftje and _____, Mayor and Co-Interim City Clerk, respectively, of the City of Ann Arbor, a Michigan municipal corporation, on behalf of said corporation.

, Notary Public
Washtenaw County, Michigan
Acting in the County of Washtenaw
My commission expires:

Approved as to Substance:

Approved as to Form:

Roger W. Fraser
City Administrator

Stephen K. Postema
City Attorney

Wendy Rampson
Interim Community Development Administrator

Drafted by and after recording return to:
Kevin S. McDonald, Assistant City Attorney (P-61761)
Office of the City Attorney
City of Ann Arbor
100 North Fifth Avenue
PO Box 8647
Ann Arbor, MI 48107-8647

Exhibit A 80% AMI Units

HUD Income Limit, Sale and Resale Price for Units sold at 80% Area Median Income (AMI)

All terms, covenants and restrictions contained in this Affordable Housing Covenant referencing Exhibit A apply to the unit numbers listed below on Stone School Road:

2, 3, 13, 18, 19, 22, 24, 26, 34, 41, 43, and 53 as evidenced by this Covenant, or this Covenant and a signed Acknowledgement of Affordable Housing Covenant referencing Exhibit A by the owner of the Unit, in Stone School Townhomes, a condominium, according to the Master Deed thereof, as recorded in Liber 4283, Page 743, Washtenaw County Records, designated as Washtenaw County Condominium Subdivision Plan No. 424, together with the rights in General Common Elements and Limited Common Elements, as set forth in the Master Deed and as described in Act 59 of the Public Acts of 1978, as amended.

Income Limits

The United States Department of Housing and Urban Development issued the following Income Limits by family size at 80% AMI for the City of Ann Arbor for the year 2004:

| | | | | |
|-------------|----------|----------|----------|----------|
| Family Size | 1 | 2 | 3 | 4 |
| | \$40,250 | \$46,000 | \$51,750 | \$57,500 |
| | 5 | 6 | 7 | 8 |
| | \$62,100 | \$66,700 | \$71,300 | \$75,900 |

These Income Limits represent 80% of the Area Median Income by family size. The Household income of the buyer or buyers based on actual family size cannot exceed these limits.

Sale and Resale Formula

2 BDR 2 person household at 80% AMI's Income x 2.0 = **\$92,000**

3 BDR 3 person household at 80% AMI's Income x 2.0 = **\$103,500**

4 BDR 4 person household at 80% AMI's Income x 2.0 = **\$115,000**

The maximum Original Base Sale Price is determined by the bedroom size of the unit. The maximum Running Sale Price (Resale Price) will increase or decrease each year based on HUD's published Income Limits. The 80% of Area Median Income in the above formula shall determine the maximum Original Base and Running Sale Price by bedroom size. This formula shall not be interpreted to restrict the number of people in the household that are eligible to purchase the Unit.

Example Formula for the Original Base Sale Price of a 2-bedroom unit in 2004:
Income for a 2 person family at 80% AMI is \$46,000 (\$46,000 x 2 = \$92,000)
The Sales Price in 2004 is \$92,000

Example Formula for resale (Running Sale Price) of a 2-bedroom unit in 2005:
Income for a 2 person family at 80% AMI is \$48,000 (\$4,000 x 2 = \$96,000)
The maximum Resale Price in 2005 is \$96,000*

* based on an estimate for 2005 HUD income limits

Exhibit B 85% AMI Units

HUD Income Limit, Sale and Resale Price for units sold at 85% Area Median Income (AMI)

All terms, covenants and restrictions contained in this Affordable Housing Covenant, referencing Exhibit B apply only to unit numbers listed below on Stone School Road:

4, 6, 7, 8, 14, 15, 16, 17, 20, 21, 25, 28, 30, 36, 37, 40, 44, 45, 46, 47, 48, 49, and 54 as evidenced by this Covenant, or this Covenant and a signed Acknowledgement of Affordable Housing Covenant referencing Exhibit B by the owner of the Unit, in Stone School Townhomes, a condominium, according to the Master Deed thereof, as recorded in Liber 4283, Page 743, Washtenaw County Records, designated as Washtenaw County Condominium Subdivision Plan No. 424, together with the rights in General Common Elements and Limited Common Elements, as set forth in the Master Deed and as described in Act 59 of the Public Acts of 1978, as amended.

Income Limits

The United States Department of Housing and Urban Development issued the following Income Limits by family size for the City of Ann Arbor for the year 2004:

| Family Size | 1 | 2 | 3 | 4 |
|-------------|----------|----------|----------|-----------|
| 100% AMI | \$54,400 | \$62,200 | \$69,900 | \$77,700 |
| 85% AMI | \$46,240 | \$52,870 | \$59,415 | \$66,045 |
| | 5 | 6 | 7 | 8 |
| 100% AMI | \$83,900 | \$90,100 | \$96,300 | \$102,600 |
| 85% AMI | \$71,315 | \$76,585 | \$81,855 | \$87,210 |

Although the sale and resale formula is based on 85% AMI, the eligible household income of the buyer(s) cannot exceed 100% AMI.

Sale and Resale Formula

| | |
|-------|---|
| 2 BDR | 2 person household at 85% AMI's Income x 2.0 = \$105,740 |
| 3 BDR | 3 person household at 85% AMI's Income x 2.0 = \$118,830 |
| 4 BDR | 4 person household at 85% AMI's Income x 2.0 = \$132,090 |

The maximum Original Base Sale Price is determined by the bedroom size of the unit. The maximum Running Sale Price (Resale Price) will increase or decrease each year based on HUD's published Area Median Income Limits. The 85% AMI in the above formula shall determine the maximum Original Base Sale and Running sale price by bedroom size. This formula shall not be interpreted to restrict the number of people in the household that are eligible to purchase the unit.

Example Formula for the Original Base Sale Price of a 2 bedroom unit in 2004:

The income for a 2 person family at 85% AMI is \$52,870 ($52,870 \times 2 = \$105,740$)

The Sales Price in 2004 is \$105,740

Example Formula for resale (Running Sale Price) of a 2 bedroom unit in 2005*:
The income for a 2 person family at 85% AMI is \$54,870 ($54,870 \times 2 = \$109,740$)
The maximum resale price in 2005 is \$109,740
* based on an estimate for 2005 HUD income limits

Exhibit C 60% AMI Units

HUD Income Limit, Sale and Resale Price for 60% of Area Median Income (AMI)

All terms, covenants and restrictions contained in this Affordable Housing Covenant referencing Exhibit C apply only to the unit numbers listed below on Stone School Road:

1, 5, 9, 10, 11, 12, 23, 27, 29, 31, 32, 33, 35, 38, 39, 42, 50, 51, 52, and 55 as evidenced by this Covenant, or this Covenant and a signed Acknowledgement of Affordable Housing Covenant referencing Exhibit C by the owner of the Unit, in Stone School Townhomes, a condominium, according to the Master Deed thereof, as recorded in Liber 4283, Page 743, Washtenaw County Records, designated as Washtenaw County Condominium Subdivision Plan No. 424, together with the rights in General Common Elements and Limited Common Elements, as set forth in the Master Deed and as described in Act 59 of the Public Acts of 1978, as amended

The following Units are HOME-assisted Units: 1, 5, 11, 12, 23, 27, 38, 39, 50, 52, and 55.

Income Limits

The United States Department of Housing and Urban Development issued the following income limits at 60% AMI by family size for the City of Ann Arbor for the year 2004:

| | | | | |
|-------------|----------|----------|----------|----------|
| Family Size | 1 | 2 | 3 | 4 |
| | \$32,640 | \$37,320 | \$41,940 | \$46,620 |
| | 5 | 6 | 7 | 8 |
| | \$50,340 | \$54,060 | \$57,780 | \$61,560 |

These income limits represent 60% of Area Median Income by family size. The Household income of the buyer or buyers based on actual family size cannot exceed these limits.

Sale and Resale Formula

- 2 BDR 2 person household at 60% AMI's Income x 2.0 = **\$74,640**
- 3 BDR 3 person household at 60% AMI's Income x 2.0 = **\$83,880**
- 4 BDR 4 person household at 60% AMI's Income x 2.0 = **\$93,240**

The maximum Original Base Sale Price is determined by the bedroom size of the unit. The maximum Running Sale Price (Resale Price) will increase or decrease each year based on HUD's published Area Median Income Limits. The 60% AMI in the above formula shall determine the maximum original and running sales price by bedroom size. This formula shall not be interpreted to restrict the number of people in the household that are eligible to purchase the unit.

Example Formula for the Original Base Sale Price of a 2 bedroom unit in 2004:
The income for a 2 person family at 60% AMI is \$37,320 (\$37,320 x 2 = \$74,640)
The Sales Price in 2004 is \$74,640

Example Formula for resale (Running Sale Price) of a 2 bedroom unit in 2005*:

The income for a 2 person family at 60% AMI is \$39,320 ($\$39,320 \times 2 = \$78,640$)
The maximum resale price in 2005 is \$78,640
*based on an estimate for 2005 HUD income limits

Exhibit D

CITY CODE CHAPTER 112 EQUAL OPPORTUNITY

Section 9:161 NONDISCRIMINATION BY CITY CONTRACTORS

- (1) All contractors proposing to do business with the City of Ann Arbor shall satisfy the nondiscrimination administrative policy adopted by the City Administrator in accordance with the guidelines of this section. All contractors shall receive approval from the Director prior to entering into a contract with the City, unless specifically exempted by administrative policy. All City contractors shall take affirmative action to insure that applicants are employed and that employees are treated during employment in a manner which provides equal employment opportunity and tends to eliminate inequality based upon race, national origin or sex.
- (2) Each prospective contractor shall submit to the City data showing current total employment by occupational category, sex and minority group. If, after verifying this data, the Director concludes that it indicates total minority and female employment commensurate with their availability within the contractor's labor recruitment area, i.e., the area from which the contractor can reasonably be expected to recruit, said contractor shall be accepted by the Director as having fulfilled affirmative action requirements for a period of one year at which time the Director shall conduct another review. Other contractors shall develop an affirmative action program in conjunction with the Director. Said program shall include specific goals and timetables for the hiring and promotion of minorities and females. Said goals shall reflect the availability of minorities and females within the contractor's labor recruitment area. In the case of construction contractors, the Director shall use for employment verification the labor recruitment area of the Ann Arbor-Ypsilanti standard metropolitan statistical area. Construction contractors determined to be in compliance shall be accepted by the Director as having fulfilled affirmative action requirements for a period of six (6) months at which time the Director shall conduct another review.
- (3) In hiring for construction projects, contractors shall make good faith efforts to employ local persons, so as to enhance the local economy.
- (4) All contracts shall include provisions through which the contractor agrees, in addition to any other applicable Federal or State labor laws:
 - (a) To set goals, in conference with the Human Resources Director, for each job category or division of the work force used in the completion of the City work;
 - (b) To provide periodic reports concerning the progress the contractor has made in meeting the affirmative action goals it has agreed to;
 - (c) To permit the Director access to all books, records and accounts pertaining to its employment practices for the purpose of determining compliance with the affirmative action requirements.

- (5) The Director shall monitor the compliance of each contractor with the nondiscrimination provisions of each contract. The Director shall develop procedures and regulations consistent with the administrative policy adopted by the City Administrator for notice and enforcement of non-compliance. Such procedures and regulations shall include a provision for the posting of contractors not in compliance.
- (6) All City contracts shall provide further that breach of the obligation not to discriminate shall be a material breach of the contract for which the City shall be entitled, at its option, to do any or all of the following:

- (a) To cancel, terminate, or suspend the contract in whole or part and/or refuse to make any required periodic payments under the contract;
- (b) Declare the contractor ineligible for the award of any future contracts with the City for a specified length of time;
- (c) To recover liquidated damages of a specified sum, said sum to be that percentage of the labor expenditure for the time period involved which would have accrued to minority group members had the affirmative action not been breached;
- (d) Impose for each day of non-compliance, liquidated damages of a specified sum, based upon the following schedule:

| Contract Amount | Assessed Damages Per Day of Non-Compliance |
|-----------------------|---|
| \$ 10,000 - 24,999 | \$ 25.00 |
| 25,000 - 99,999 | 50.00 |
| 100,000 - 199,999 | 100.00 |
| 200,000 - 499,999 | 150.00 |
| 500,000 - 1,499,999 | 200.00 |
| 1,500,000 - 2,999,999 | 250.00 |
| 3,000,000 - 4,999,999 | 300.00 |
| 5,000,000 - and above | 500.00 |

- (e) In addition the contractor shall be liable for any costs or expenses incurred by the City of Ann Arbor in obtaining from other sources the work and services to be rendered or performed or the goods or properties to be furnished or delivered to the City under this contract.

Exhibit E
Living Wage Ordinance Excerpts

The Contractor, its agents or sub-contractors, shall comply with all requirements of Chapter 23 of Title I of the Code of the City of Ann Arbor and in particular the following excerpts therefrom:

1:813. Definitions.

For purposes of this Chapter, the following definitions shall apply:

- (1) "Contractor/vendor" is a person or entity that has a contract with the City primarily for the furnishing of services where the total amount of the contract or contracts with the City exceeds \$10,000 for any 12-month period. "Contractor/vendor" does not include a person or entity that has a contract with the City primarily for the purchase of goods or property, or for the lease of goods or property to or from the City.
- (2) "Covered Employee" means a person employed by a covered employer to perform services which are covered or funded by the contract with or grant from the City; provided, however, that persons who are employed pursuant to federal, state or local laws relating to prevailing wages shall be exempt from this Chapter.
- (3) "Covered Employer" means a contractor/vendor or grantee that has not been granted an exemption from this Chapter pursuant to Section 1:817.
- (4) "Employee" means an individual who provides personal services performed for wages under any contract calling for the performance of personal services, whether written or oral, express or implied. The term "employee" does not include any individual who volunteers to perform services for an employer if
 - (a) The individual receives no compensation or is paid expenses, reasonable benefits, or a nominal fee to perform the services for which the individual volunteered; and
 - (b) Such services are not the same type of services which the individual is employed to perform for such employer.
- (5) "Employee Health Benefits" or "Health Benefits" means providing health care benefits for employees (or employees and their dependents) at employer cost or making an employer contribution toward the purchase of such health care benefits for employees (or employees and their dependents), provided that the employer cost or contribution equals no less than \$1 an hour for the average work week of such employee, and provided further that any employee payment or contribution toward health care shall not exceed 50 cents an hour for the average work week for such employee.
- (6) "Grant" means any form of financial assistance to a "Grantee" as set forth and defined in Section 1:813(7). "Grant" does not include financial assistance used for the purchase or lease of property or other non-personnel costs.
- (7) "Grantee" is a person or entity that is a recipient of any financial assistance from the City in the form of any federal, state or local grant program administered by the City, revenue bond financing, tax increment financing, tax abatement, tax credit, direct grant, or any other form of financial assistance that exceeds \$10,000 for any 12-month period, including any contractors, subcontractors, or leaseholders of the grantee whose contract, subcontract or lease with the grantee exceeds \$10,000 for any 12-month period.
- (8) "Living Wage" means a wage equal to the levels established in Section 1:815.
- (9) "Person" means any individual, copartnership, corporation, association, club, joint adventure, estate, trust, and any other group or combination acting as a unit, and

- the individuals constituting such group or unit.
- (10) "\$10,000 for any 12 month period" is computed by taking the total amount of the contract, grant or loan and dividing it by the number of months the contract, grant or loan covers.

1:814. Applicability.

- (1) This Chapter shall apply to any person that is a contractor/vendor or grantee as defined in Section 1:813 that employs or contracts with five (5) or more individuals; provided, however, that this Chapter shall not apply to a non-profit contractor/vendor or non-profit grantee unless it employs or contracts with ten (10) or more individuals.
- (2) This Chapter shall apply to any grant, contract, or subcontract or other form of financial assistance awarded to or entered into with a contractor/vendor or grantee after the effective date of this Chapter and to the extension or renewal after the effective date of this Chapter of any grant, contract, or subcontract or other form of financial assistance with a contractor/vendor or grantee.

1:815. Living Wages Required.

- (1) Every contractor/vendor or grantee, as defined in Section 1:813, shall pay its covered employees a living wage as established in this Section.
 - (a) For a covered employer that provides employee health care to its employees, the living wage shall be \$9.09 an hour, or the adjusted amount hereafter established under Section 1:815(3).
 - (b) For a covered employer that does not provide health care to its employees, the living wage shall be \$10.66 a hour, or the adjusted amount hereafter established under Section 1:815(3).
- (2) In order to qualify to pay the living wage rate for covered employers providing employee health care under subsection 1:815(1)(a), a covered employer shall furnish proof of said health care coverage and payment therefor to the City Administrator or his/her designee.
- (3) The amount of the living wage established in this Section shall be adjusted upward no later than April 30, 2004, and every year thereafter by a percentage equal to the percentage increase, if any, in the federal poverty guidelines as published by the United States Department of Health and Human Services for the years 2003 and 2004. Subsequent annual adjustments shall be based upon the percentage increase, if any, in the United States Department of Health and Human Services poverty guidelines when comparing the prior calendar year's poverty guidelines to the present calendar year's guidelines. The applicable percentage amount will be converted to an amount in cents by multiplying the existing wage under Section 1.815(1)(b) by said percentage, rounding upward to the next cent, and adding this amount of cents to the existing living wage levels established under Sections 1:815(1)(a) and 1:815(1)(b). Prior to April 1 of each calendar year, the City will notify any covered employer of this adjustment by posting a written notice in a prominent place in City Hall, and, in the case of a covered employer that has provided an address of record to the City, by a written letter to each such covered employer.