

# **TENANT OWNERSHIP CONVERSION PLAN AND AGREEMENT LOCKHART LANDING**

*Gaffney, Cherokee County, South Carolina*

## **PART I — EVENTUAL HOMEOWNERSHIP NARRATIVE**

### **EVENTUAL HOMEOWNERSHIP NARRATIVE**

The Owner is wishing to take a point under the 2026 Qualified Allocation Plan (“QAP”) for Eventual Homeownership. The Owner acknowledges that 15 years is a long time into the future and that currently there is not much guidance that South Carolina State Housing Finance and Development Authority (“SCSHF&DA”) has issued regarding homeownership conversion plans. As the Owner enters into a Conversion Agreement with SCSHF&DA the Applicant wishes to work with SCSHF&DA to satisfy the goals of SCSHF&DA to make sure that there is a satisfactory plan in place to ensure the opportunity for homeownership at an affordable price for the households of Lockhart Landing.

The applicant (“Owner”) wishes to convert Lockhart Landing into a homeownership property at the end of the 15 year compliance period (“Compliance Period”). The Owner has formulated a Conversion Plan for the timing and terms of sales of the units (“Units”) to residents and qualified low-income households at the end of the Compliance Period. The Owner wishes to encourage residents to earn equity in their home by being good, responsible tenants. This equity is applied through a discounted purchase price described in the Conversion Plan.

### **CONVERSION PLAN**

This Conversion Plan establishes a framework governing the conversion of the Lockhart Landing rental project to homeownership at the end of the Compliance Period, which may include a condominium structure. It addresses (i) the timeline and key milestones for conversion; (ii) the process for offering and exercising the Right of First Refusal (“RFR”) to qualified residents; (iii) the pricing methodology, including the discount schedule set forth in Exhibit A; (iv) the disposition of unsold units; and (v) the physical inspection and physical needs assessment requirements applicable to each Unit prior to sale. [

#### **Deadlines/Timelines**

##### **1. Affordability**

The Owner will not request a qualified contract at the end of the Compliance Period. The period is on a building-by-building basis and begins with the first year that the credits are claimed. The compliance period ends on December 31st of the 15th year of the period for each building.

The Owner will not offer a Right of First Refusal (“RFR”) to any resident after the Compliance Period has been fully completed on all units in the development.

The Owner will offer the RFR within 12 months of the end of their Compliance Period (the “Conversion Date”).

In order to assure that all parties are prepared to begin selling the homes the Owner may meet with staff at SCSHF&DA in the 14th year of the compliance period to discuss the requirements/guidelines along with any other topics deemed necessary at the time.

### **3. Pricing and Minimum Sales Price.**

The Owner will ensure that the purchase price of each home complies with the minimum purchase price required in Section 42(i)(7)(B) of the IRC (“Minimum Price”) and defined as an amount equal to the sum of the principal amount of outstanding indebtedness secured by the building and all federal, state and local taxes attributable to such sale. Notwithstanding anything below, if SCSHF&DA or the IRS requires setting the maximum sales price to be an amount such that the monthly housing payment of principal, interest, property taxes, and property and mortgage insurance (“PITI”) plus resident paid utilities does not exceed the maximum HTC rent based upon bedroom size to preserve affordability the Owner agrees to do so.

The “Discounted Price” for each House shall be the fair market value of such House (determined as provided in this commitment) discounted by the percentage discount set forth on the following table (also reproduced as Exhibit A to this Plan and Agreement):

| <b>Years of Residency</b> | <b>Percentage Discount</b> |
|---------------------------|----------------------------|
| 1                         | 2.5%                       |
| 2                         | 3.0%                       |
| 3                         | 3.5%                       |
| 4                         | 4.0%                       |
| 5                         | 5.0%                       |
| 6                         | 6.0%                       |
| 7                         | 7.0%                       |
| 8                         | 8.0%                       |
| 9                         | 9.0%                       |
| 10                        | 10.0%                      |
| 11                        | 10.5%                      |

| <b>Years of Residency</b> | <b>Percentage Discount</b> |
|---------------------------|----------------------------|
| 12                        | 11.0%                      |
| 13                        | 11.5%                      |
| 14                        | 12.0%                      |
| 15                        | 12.5%                      |
| 16                        | 13.0%                      |
| 17                        | 13.5%                      |
| 18                        | 14.0%                      |
| 19                        | 14.5%                      |
| 20                        | 15.0%                      |

For purposes of determining discounts based on the above table, the number of years of residency by RFR holder shall mean the number of full calendar years that the RFR holder was a Tenant in “good standing” (as defined below) as a Tenant under a lease of a House in the Project.

The amount of discount provided may exceed the percentages listed above, if the Owner agrees.

A Tenant shall be considered in “good standing” only if such Tenant during the entire term of his or her lease shall have fully complied with all his or her obligations under such lease and shall have fully complied with all the rules and regulations applicable to the use of the House in connection with such lease. No Tenant shall have any right to exercise the RFR or have a claim based on the RFR, if such Tenant was not a tenant in good standing throughout the entire term of his or her lease of the Unit.

The fair market value of the House is to be determined by a current appraisal, which values the Unit as an owner-occupied residence and not a rental and which is prepared by a qualified appraiser who is actively engaged in doing appraisals. The sales price will then be determined by the current appraised value and the Tenant's allowable minimum discount listed above or greater discount based upon the years of residency.

## **Resident Education and Homebuyer Counseling**

1. A lease addendum along with this homeownership plan will be included with the regular lease agreement id required. The Conversion Date will be referenced in this addendum to the lease. The homeownership plan defines the term “Right of First Refusal”. Because homes will only be offered to residents in good standing, the homeownership plan also defines the term “good standing”. The pricing of the homes agreed to with SCSHF&DA will be explained in this homeownership plan. The addendum will also state that the homes cannot be sold at a price lower than the minimum sales price as set forth in Section 42(i)(7)(B) of the Code.

2. The Owner will provide information about homeownership training to the resident. The owner will begin providing referral information about homeownership training to residents before the Conversion Date. This information will be provided to the resident in an addendum to the lease for all properties leased \_\_\_\_ years prior to the Conversion Date. Examples of home ownership training include making sure the Purchaser completes a Homebuyer Counseling program through an approved SCSHF&DA counseling agency, if applicable.

2A. Homebuyer Counseling Programs. The homebuyer counseling programs made available or referred to residents may include the following components: (i) Pre-purchase homebuyer education; (ii) Financial literacy and credit counseling; (iii) Unit maintenance training; and (iv) Post-purchase counseling support.

3. Finally, the Owner will conduct a homeownership workshop (see the Conversion Agreement).

4. The owner will address how potential homeowners will be educated concerning home maintenance. For example, the Owner may have the property maintenance person work with residents while doing routine maintenance and minor repairs to homes; enlist the help of non-profit organizations which promote homeownership opportunities; and conduct maintenance training seminars.

5. So long as the Units are being offered to Low-Income Tenants for sale, the Owner will conduct a homeownership workshop during which aspects and benefits of homeownership will be discussed with any Low-Income Tenants that desire to participate. Written notice of each workshop will be delivered to each resident in the Project reasonably in advance of the workshop.

## **Financial Procedures**

(a) Pricing Methodology. The purchase price for each Unit offered under the RFR shall be calculated as the fair market value of the Unit (determined by a current standard residential appraisal valuing the Unit as a single-family, owner-occupied residence) less the residency discount set forth in Exhibit A, subject in all cases to the Minimum Price set forth in Section 42(i)(7)(B) of the Internal Revenue Code.

(b) Minimum Purchase Price. In no event shall the purchase price of a Unit be less than the sum of (i) the principal amount of outstanding indebtedness secured by the Unit (or, if release prices have been established, the applicable release price), and (ii) all federal, state, and local taxes attributable to the sale of such Unit, all as required by IRC Section 42(i)(7)(B).

(c) such other factors as lenders and investors may require. The Owner may provide qualifying residents with information regarding available financing options, including, without limitation, (i) SCSHF&DA down payment assistance and homeownership loan programs available at [www.schousing.com](http://www.schousing.com); (ii) FHA-insured mortgage products; (iii) housing loan programs; and (iv) conventional mortgage products available through participating lenders.

(d) Affordability Restrictions Carrying Forward Post-Conversion. Each deed conveying a Home to an initial purchaser pursuant to this Plan shall contain the resale restrictions described in Section 2(d) of the Tenant Home Ownership Conversion Agreement set forth in Part II hereof,

including a resale restriction during which any net sale proceeds in excess of the initial purchase price must be remitted to the Owner.

(e) Treatment of Excess Reserves. Any excess reserves remaining after required repairs and replacements shall be allocated on a pro rata per-Unit basis and used in accordance with Section 9 of the Sale Process below to benefit the development and new homeowners.

## **Sale Process**

1. The owner will distribute to all residents, before the offering of the RFR, information detailing the dates, timeline and information that is contained within this homeownership plan.
2. Each tenant will be given up to 6 months after the Conversion Date to decide whether or not to accept the RFR offer from the owner. Any resident who is in “good standing” at the time of the offering of the RFR shall have the right to exercise the RFR. The resident will exercise their RFR by tendering an offer to buy the property. Within this offer, there shall be a date set for closing.
3. The buyer must agree to occupy the home as their principal residence.
4. If the current resident refuses to buy the property or is unable to buy the property, they will not be asked at any time to vacate the property except for reasons specified in their lease.
5. A resident in good standing will not be relocated or evicted to expedite the sale of a unit. When renting a unit, a potential resident will not be discriminated against because they do not wish to purchase the unit they are renting.
6. If a household has an increase in income since moving into the property, this will not disqualify them from buying the property. They will not be considered over income. If a household qualifies to move into the unit as a resident, they are income qualified as a potential buyer.
7. After this 6 month period mentioned in #2 above, the owner has several options in reference to any unsold units:
  - a. The owner can choose to sell the remaining units of the project to a non-profit partner or another entity that will continue to operate the units as affordable housing in accordance with the Land Use Restriction Agreement (LURA). The sale must include 100% of the remaining rental units, not a portion thereof.
  - b. The owner can choose to maintain the remaining units of the project as rental units, adhering to all SCSHF&DA Extended Use Period guidelines. The remaining units after this initial 6 month selling period may at any time be offered for sale to the current or subsequent qualified residents.
  - c. The owner can offer vacant units for sale to a buyer whose household income does not exceed 80% of the area median income, if permissible. A potential purchaser who qualifies under this income restriction is not required to lease the unit before they purchase it.
8. Each house that is to be sold to a resident under the RFR must pass a Uniform Physical Condition Standards (UPCS) inspection, if required by applicable rules and regulations. If

required, it may also undergo a physical needs assessment performed by an SCSHF&DA approved inspector following SCSHF&DA prescribed standards. Any deficiencies described in the physical needs assessment may be addressed by the owner before the Conversion Date. The UPCS inspection and/or physical needs assessment may not be used in place of subsequent inspections.

9. The Owner will work with SCSHF&DA and intends that any excess reserves after repairs and replacements, as determined on a pro rata portion for the unit(s) at the time of sale, will benefit the development and the new homeowner. Several suggestions include:

- a. Put the unused pro rata portion of the reserves into an account to be used by the homeowner's association;
- b. Use the unused pro rata portion of the reserves for additional down payment assistance to the homeowner;
- c. Discount the sales price by an amount equal to the unused pro rata portion of the reserve amount; or
- d. Establish a reserve account for the new homeowner from the pro rata portion of the reserve amount.

# **PART II — TENANT HOME OWNERSHIP CONVERSION AGREEMENT**

## **TENANT HOME OWNERSHIP CONVERSION AGREEMENT LOCKHART LANDING LIMITED PARTNERSHIP**

This Tenant Ownership Conversion Agreement with South Carolina State Housing Finance and Development Authority (this “Addendum” or “Agreement”) dated as of \_\_\_\_\_, 2026 is executed by and between LOCKHART LANDING LIMITED PARTNERSHIP, a South Carolina limited partnership (“Owner”) and South Carolina State Housing Finance and Development Authority (“SCSHF&DA”).

### **Background**

Owner is the current owner of those certain 56 units being developed in Gaffney, Cherokee County, South Carolina (each unit being a “Unit” or “Home” and collectively constituting the “Project”, commonly known as “Lockhart Landing”).

The Project is a low-income housing development and has received an allocation of federal low-income housing tax credits, subject to the terms and conditions of that certain Declaration of Land Use Restrictive Covenants for Low-Income Housing Tax Credits (the “LURC”) executed by Owner, and SCSHF&DA and recorded at Book TBD, Page TBD in the Office of the Register of Deeds of Cherokee County, South Carolina on TBD. The Owner and SCSHF&DA now desire to enter into this Agreement in order to incorporate a Tenant Home Ownership Conversion Program with respect to the Homes and desire to record this Addendum in said real estate records.

Now, therefore, in consideration of the mutual promises and covenants hereinafter set forth, and other good and valuable consideration, the receipt of which are hereby acknowledged, Owner and SCSHF&DA hereby agree that Owner shall be permitted to sell individual Homes in the Project to Low-Income Tenants but only in accordance with the terms and conditions of this Addendum (collectively, the “Tenant Home Ownership Program”):

**1. Conditions to Implementation of Tenant Home Ownership Program.** Owner may not begin selling Homes under the Tenant Home Ownership Conversion Program unless and until all of the following items have been completed (collectively, the “Program Conditions”), as evidenced by written certification executed by Owner to SCSHF&DA, accompanied by fully executed and recorded (if applicable) photocopies of the items referenced in Sections 1(a), 1(b), 1(c) and 1(c) below:

(a) This Addendum has been fully executed and recorded in the office of the Register of Deeds in the County in which the Project is located (Cherokee County, South Carolina).

(b) Owner has recorded a plat in said recording office that establishes each lot on which a Home is located as a separate unit that can be lawfully conveyed as a separate piece of property, including without limitation compliance with applicable subdivision/condo law of the City of Gaffney and Cherokee County, South Carolina.

(c) Such items as may be required by applicable law.

**2. Qualifying Tenants and Purchase Price.** Prior to the end of the Initial Compliance Period (or such later date on which all Program Conditions have been satisfied) and continuing thereafter until the earlier of (i) the date on which all Homes in the Project has been sold to Low-Income Tenants in accordance with this Addendum, or (ii) the termination of the Extended Use Period, individual Homes may be sold to Low-Income Tenants as follows:

(a) Any person who (i) is identified as a Low-Income Tenant under a current lease for a Home, (ii) has rented such Home for a period of not less than six consecutive months at any time following the date that is six months prior to the end of the Initial Compliance Period, and (iii) has completed a homeownership counseling workshop described in Section 3 below, shall be entitled to purchase the Home such Low-Income Tenant is then occupying for a purchase price equal to the higher of the price in Exhibit A or (y) the price determined under Section 2(c) below.

(b) Fair market value for each Home will be determined in accordance with real estate industry standards, including without limitation comparing market-comparable homes that recently sold in the area, including Homes in the Project, and obtaining a current, standard residential appraisal for the Home.

(c) Notwithstanding anything in this Addendum to the contrary with respect to the purchase price of a Home, the minimum purchase price for each Home shall be not less than an amount equal to the sum of (i) the principal amount of indebtedness secured by the Home (determined according to the release prices established by Owner and mortgage holder as described in Section 1(e) above), and (ii) all Federal, State and local taxes attributable to the sale of such Home.

(d) Upon each sale of a Home in accordance with this Addendum, (i) upon SCSHF&DA's written approval of the items delivered by the Owner pursuant to Section 5 below with respect to Home that is sold pursuant to this Addendum, each Home that is sold and the land on which it is located shall be released from compliance with the terms and conditions of the LURC, and (ii) Owner shall no longer be required to monitor or enforce the Home's compliance with the LURC; provided, however, that such release shall be effective only if the deed conveying the Home to such Low-Income Tenant contains a title restriction that (A) the initial purchaser will not sell or attempt to sell the Home for a period of 5 years following the date of the deed, and (B) in the event that the initial purchaser does sell the Home within such 5 year period, the initial purchaser must pay to Owner at the closing an amount equal to the amount by which the initial purchaser's net sales price for the Home (gross sale price less the initial purchaser's closing costs and payoff of existing mortgage on the Home) exceeds the price paid by such initial purchaser to Owner in accordance with this Addendum. This deed restriction shall apply only to the first sale of each Home by the initial purchaser if it occurs within the referenced five-year period.

**3. Counseling.** Annually for each of the last five (5) years starting at the end of the Initial Compliance Period and continuing thereafter so long as the Homes are being offered to Low-Income Tenants for sale, the Owner will conduct a homeownership workshop during which aspects and benefits of homeownership will be discussed with any Low-Income Tenants that desire to participate. Written notice of each workshop will be delivered to each Low-Income Tenant in the Project reasonably in advance of the workshop. Low-Income Tenants that intend to exercise a purchase option and acquire a Home will be required to attend a workshop. In addition, Low-Income Tenants must meet with a certified credit counselor to assist them in achieving the necessary credit standing and financial stability required for home loan qualification and may participate in on-site maintenance workshops emphasizing homeownership maintenance responsibilities.

**4. Neighborhood Association.** The Owner will organize a neighborhood association within the Project prior to the end of five years after the Initial Compliance Period for the benefit of Low-Income Tenants and future homeowners. The association will allow the Low-Income Tenants and homeowners the opportunity to participate in neighborhood watch programs, community beautification projects, and neighborhood unification projects.

**5. Owner Reporting Requirements.** Upon each initial sale of a Home in the Project, Owner will deliver the following information to SCSHF&DA within fifteen (15) business days following each such sale:

(a) Owner's written certification under penalty of perjury (i) identifying the lot that was sold, (ii) stating the building identification number (for tax credit purposes) of each building that was sold, (iii) identifying the Low-Income Tenant who is the purchaser, (iv) stating the Low-Income Tenant's purchase price and (v) confirming that both the Owner and the Low-Income Tenant have complied with all requirements of this Addendum for such sale.

(b) A photocopy of the fully executed deed conveying title to the initial purchaser, which deed must contain the language required by Section 2(d) above.

(c) A photocopy of a fully executed release evidencing that the lot on which the Home is located has been released from any mortgage lien then encumbering the Project.

**6. Owner Agreements and Representations.**

(a) The LURC remains in full force and effect, except as expressly amended by this Addendum, and Owner covenants to enforce the terms and conditions of the LURC and this Addendum at Owner's sole cost and expense, including without limitation, taking legal action in appropriate cases.

(b) Owner may not sell any Home to a buyer other than Low-Income Tenants that resided in such Home for a period of not less than six months prior to the date of purchase of such Home.

(c) Owner will not list or offer for sale any Home that is occupied by a Low-Income Tenant except (i) for sale to that Low-Income Tenant, or (ii) upon receipt of notice that such Low-Income Tenant does not intend to renew the lease or intends otherwise to terminate the lease in accordance with the terms thereof. Owner will not evict or attempt to evict any Low-Income Tenant in order to sell the Home occupied by such Low-Income Tenant or in order to lease such Home to another Low-Income Tenant who wishes to buy it.

(d) Low-Income Tenants in the Project are third party beneficiaries of Owner's obligations under this Addendum and shall have the right to enforce the terms and conditions of this Addendum against Owner by means of any available legal remedy, including without limitation actions for specific performance in appropriate cases.

**7. Governing Law.** This Addendum shall be governed by and construed in accordance with the laws of the State of South Carolina, without regard to its conflict of laws principles.

## EXHIBIT A — DISCOUNT SCHEDULE

The following Discount Schedule sets forth the percentage discount from fair market value applicable to a Home being purchased by an RFR holder under the Conversion Plan and this Addendum, based upon the number of full calendar years such RFR holder was a Tenant in good standing:

| Years of Residency | Percentage Discount |
|--------------------|---------------------|
| 1                  | 2.5%                |
| 2                  | 3.0%                |
| 3                  | 3.5%                |
| 4                  | 4.0%                |
| 5                  | 5.0%                |
| 6                  | 6.0%                |
| 7                  | 7.0%                |
| 8                  | 8.0%                |
| 9                  | 9.0%                |
| 10                 | 10.0%               |
| 11                 | 10.5%               |
| 12                 | 11.0%               |
| 13                 | 11.5%               |
| 14                 | 12.0%               |
| 15                 | 12.5%               |
| 16                 | 13.0%               |
| 17                 | 13.5%               |
| 18                 | 14.0%               |
| 19                 | 14.5%               |
| 20                 | 15.0%               |

## SIGNATURE BLOCKS

IN WITNESS WHEREOF, the parties have executed this Addendum as of the date first written above.

**LOCKHART LANDING LIMITED PARTNERSHIP**

By: Lockhart Landing GP LLC

Its General Partner

By:  \_\_\_\_\_

Name: Charles Heritage

Title: Manager

**SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT  
AUTHORITY**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_