

**U.S. Department of Housing and Urban Development
Office of Housing**

PROJECT-BASED SECTION 8

**HOUSING ASSISTANCE PAYMENTS
RENEWAL CONTRACT
FOR MARK-UP-TO-MARKET PROJECT**

OMB Control #2502-0587

"Public reporting burden for this collection of information is estimated to average 1 hour. This includes the time for collecting, reviewing, and reporting the data. The information is being collected for obtaining a signature on legally binding documents and will be used to enforce contractual obligations. Response to this request for information is required in order to receive the benefits to be derived. This agency may not collect this information, and you are not required to complete this form unless it has a currently valid OMB control number. No confidentiality is assured."

PREPARATION OF CONTRACT

Reference numbers in this form refer to notes at the end of the contract text. These endnotes are instructions for preparation of the Renewal Contract. The instructions are not part of the Renewal Contract.

**RENEWAL HAP CONTRACT
FOR SECTION 8 MARK-UP-TO-MARKET PROJECT¹**

1 CONTRACT INFORMATION²

PROJECT

Section 8 Project Number: SC16-M000-058

Section 8 Project Number of Expiring Contract: _____

FHA Project Number (if applicable): _____

Project Name: Highland Square Apartments

Project Description:³

A one hundred fifty-two (152) unit apartment complex known as Highland Square, located at 200 Pine Creek Cour. Extension, City of Greenville, County of Greenville, South Carolina.

☐ Check this box if the project is a Section 236 project or a Section 221(d)(3) below market interest rate (BMIR) project at the beginning of the Renewal Contract term.

PARTIES TO RENEWAL CONTRACT

Name of Contract Administrator⁴

South Carolina State Housing Finance and Development Authority

Name of Owner

HS Investors, LLC

2 TERM AND FUNDING OF RENEWAL CONTRACT

- a The Renewal Contract begins on 12/01/2016⁵ and shall run for a period of twenty (20)⁶ years.
- b Execution of the Renewal Contract by the Contract Administrator is an obligation by HUD of \$ 1,251,635⁷, an amount sufficient to provide housing assistance payments for approximately twelve (12)⁸ months of the first annual increment of the Renewal Contract term.
- c HUD will provide additional funding for the remainder of the first annual increment and for subsequent annual increments, including for any remainder of such subsequent annual increments, subject to the availability of sufficient appropriations. When such appropriations are available, HUD will obligate additional funding and provide the Owner written notification of (i) the amount of such additional funding, and (ii) the approximate period of time within the Renewal Contract term to which it will be applied.

3 RENEWAL CONTRACT

a Parties

- (1) This contract ("Renewal Contract") is a housing assistance payments contract ("HAP contract") between the contract administrator and the owner of the housing.
- (2) If HUD is the contract administrator, HUD may assign the Renewal Contract to a public housing agency ("PHA") for the purpose of PHA administration of the Renewal Contract, as contract administrator, in accordance with the Renewal Contract (during the term of the annual contributions contract ("ACC") between HUD and the PHA). Notwithstanding such assignment, HUD shall remain a party to the provisions of the Renewal Contract that specify HUD's role pursuant to the Renewal Contract, including such provisions of section 8 (applicable requirements), section 9 (statutory changes during term), section 10 (distributions) and section 11 (PHA default) of the Renewal Contract.

b Statutory authority

The Renewal Contract is entered pursuant to section 8 of the United States Housing Act of 1937 ("Section 8") (42 U.S.C. 1437f),

and section 524(a) of the Multifamily Assisted Housing Reform and Affordability Act of 1997 (MAHRA) ** (Title V of Public Law No.105-65, October 27, 1997, 111 Stat. 1384), as amended.

c Expiring Contract

Previously, the owner entered into a Housing Assistance Payments Contract ("Expiring Contract") with HUD or a PHA to make Section 8 housing assistance payments to the owner for eligible families living in the project. The term of the Expiring Contract has expired or will expire prior to the beginning of the term of the Renewal Contract.

d Purpose of Renewal Contract

The purpose of the Renewal Contract is to renew the Expiring Contract for an additional term. During the term of the Renewal Contract, the contract administrator will make housing assistance payments to the owner in accordance with the provisions of the Renewal Contract. Such payments shall only be made for contract units occupied by eligible families ("families") leasing decent, safe and sanitary units from the owner in accordance with HUD regulations and other requirements.

e Contract units

The Renewal Contract applies to the project contract units identified in Exhibit A by size and applicable contract rents.

4 EXPIRING CONTRACT – PROVISIONS RENEWED

- a** Except as specifically modified by the Renewal Contract, all provisions of the Expiring Contract are renewed (to the extent such provisions are consistent with statutory requirements in effect at the beginning of the Renewal Contract term).
- b** Any provisions of the Expiring Contract concerning any of the following subjects are not renewed, and shall not be applicable during the renewal term:
 - (1) The amount of the monthly contract rents;
 - (2) Contract rent adjustments;

(3) Project account (sometimes called "HAP reserve" or "project reserve") as previously established and maintained by HUD pursuant to former Section 8(c)(6) of the United States Housing Act of 1937 (currently Section 8(c)(5) of the Act, 42 U.S.C. 1437f(c)(5)). Section 8(c)(5) does not apply to the Renewal Contract, or to payment of housing assistance payments during the Renewal Contract term.

c The Renewal Contract includes those provisions of the Expiring Contract that are renewed in accordance with this section.

5 CONTRACT RENT

a Initial contract rents

At the beginning of the Renewal Contract term, and until contract rents for units in the project are adjusted in accordance with section 5b, the contract rent for each bedroom size (number of bedrooms) shall be the initial contract rent amount listed in Exhibit A, which is attached to and made a part of the Renewal Contract. The initial contract rent amounts listed in Exhibit A have been increased to market levels under the HUD Mark-Up-to-Market Option.

b Contract rent adjustments

(1) OCAF adjustment

Except for adjustment of the contract rents to comparable market rents at the expiration of each 5-year period (as provided in paragraph 5b(2) of this section) ("fifth year adjustment"), during the term of the Renewal Contract the contract administrator shall annually, on the anniversary of the Renewal Contract, adjust the amounts of the monthly contract rents in accordance with HUD requirements, using an operating cost adjustment factor (OCAF) established by HUD. Such adjustments by use of the OCAF shall not result in a negative adjustment (decrease) of the contract rents. The OCAF shall not be used for a fifth year adjustment.

(2) Fifth year adjustment (comparability adjustment at expiration of each 5-year period, *if applicable*)

(a) This section 5(b)(2) is only applicable if the term of the Renewal Contract is longer than five (5) years (from the first day of the term specified in section 2a).

-
- (b) At the expiration of each 5-year period of the Renewal Contract term, the contract administrator shall compare existing contract rents with comparable market rents for the market area. At such anniversary of the Renewal Contract, the contract administrator shall make any adjustments in the monthly contract rents, as reasonably determined by the contract administrator in accordance with HUD requirements, necessary to set the contract rents for all unit sizes at comparable market rents. Such adjustments may result in a negative adjustment (decrease) or positive adjustment (increase) of the contract rents for one or more unit sizes.
 - (c) To assist in the redetermination of contract rents, the contract administrator may require that the owner submit to the contract administrator a rent comparability study prepared (at the owner's expense) in accordance with HUD requirements.

(3) Procedure for rent adjustments during renewal term

To adjust contract rents during the term of the Renewal Contract (in accordance with paragraph 5b(1) or paragraph 5b(2)), the contract administrator shall give the owner notice of the revised Exhibit A. The revised Exhibit A shall specify the adjusted contract rent amount for each bedroom size as determined by the contract administrator in accordance with paragraph 5b(1) or paragraph 5b(2). The notice shall specify when the adjustment of contract rent is effective. The notice by the contract administrator of the revised Exhibit A constitutes an amendment of the Renewal Contract.

(4) No other adjustments

Except for contract rent adjustments in accordance with paragraph 5b, there shall not be any other adjustments of the contract rents during the term of the Renewal Contract. Special adjustments shall not be granted.

6 OWNER WARRANTIES

- a The owner warrants that it has the legal right to execute the Renewal Contract and to lease dwelling units covered by the contract.

-
- b The owner warrants that the rental units to be leased by the owner under the Renewal Contract are in decent, safe and sanitary condition, as defined by HUD, and shall be maintained in such condition during the term of the Renewal Contract.

7 OWNER NOTICE

- a Before termination of the Renewal Contract, the owner shall provide written notice to the contract administrator and each assisted family in accordance with the law and HUD requirements.
- b If the owner fails to provide such notice in accordance with the law and HUD requirements, the owner may not increase the tenant rent payment for any assisted family until such time as the owner has provided such notice for the required period.

8 APPLICABLE REQUIREMENTS

The Renewal Contract shall be construed and administered in accordance with all statutory requirements, and with all HUD regulations and other requirements, including amendments or changes in HUD regulations and other requirements during the term of the Renewal Contract. However, any changes in HUD regulations and requirements which are inconsistent with the provisions of the Renewal Contract, including the provisions of section 5 (contract rent) and section 10 (distributions), shall not be applicable.

9 STATUTORY CHANGES DURING TERM

If any statutory change during the term of the Renewal Contract is inconsistent with section 5 or section 10 of the Renewal Contract, and if HUD determines, and so notifies the contract administrator and the owner, that the contract administrator is unable to carry out the provisions of section 5 or section 10 because of such statutory change, then the contract administrator or the owner may terminate the Renewal Contract upon notice to the other party.

10 DISTRIBUTIONS

During the term of the Renewal Contract, neither HUD nor the PHA may impose any additional limitations on distributions of project funds other than any distribution limitations specified in Exhibit B, which is attached to and made a part of this Renewal Contract.

11 PHA DEFAULT

- a This section of the Renewal Contract applies if the contract administrator is a PHA acting as contract administrator pursuant to an annual contributions contract ("ACC") between the PHA and HUD. This includes a case where HUD has assigned the Renewal Contract to a PHA contract administrator, for the purpose of PHA administration of the Renewal Contract.
- b If HUD determines that the PHA has committed a material and substantial breach of the PHA's obligation, as contract administrator, to make housing assistance payments to the owner in accordance with the provisions of the Renewal Contract, and that the owner is not in default of its obligations under the Renewal Contract, HUD will take actions HUD determines necessary for the continuation of housing assistance payments to the owner in accordance with the Renewal Contract.

12 SECTIONS 236 AND 221(D)(3) BMIR PROJECTS -- PREPAYMENT

- a This section of the Renewal Contract shall be applicable if the project is a Section 236 project or a 221(d)(3) BMIR project (See the check-box at section 1 of the Renewal Contract).

-
- b During the term of the Renewal Contract, the owner shall not prepay any FHA-insured mortgage on the project, except where HUD, in its sole discretion, approves the prepayment as a component of a transaction whereby the project is preserved as affordable housing.

13 EXCLUSION OF THIRD-PARTY RIGHTS

- a The contract administrator does not assume any responsibility for injury to, or any liability to, any person injured as a result of the owner's action or failure to act in connection with the contract administrator's implementation of the Renewal Contract, or as a result of any other action or failure to act by the owner.
- b The owner is not the agent of the contract administrator or HUD, and the Renewal Contract does not create or affect any relationship between the contract administrator or HUD and any lender to the owner or any suppliers, employees, contractors or subcontractors used by the owner in connection with implementation of the Renewal Contract.
- c If the contract administrator is a PHA acting as contract administrator pursuant to an annual contributions contract ("ACC") between the PHA and HUD, the contract administrator is not the agent of HUD, and the Renewal Contract does not create any relationship between HUD and any suppliers, employees, contractors or subcontractors used by the contract administrator to carry out functions or responsibilities in connection with contract administration under the ACC.

14 WRITTEN NOTICES

Any notice by the contract administrator or the owner to the other party pursuant to the Renewal Contract must be in writing.

SIGNATURES

Contract administrator (HUD or PHA)

Name of Contract Administrator

South Carolina State Housing Finance and Development Authority

By: 

Signature of authorized representative

Carl E. Bowen, Director of Rental Assistance and Compliance

Name and official title

Date

12/9/2016

U.S. Department of Housing and Urban Development

By: 

Signature of authorized representative

Name and official title

Date

Owner

Name of Owner
HS Investors, LLC

By: 

Signature of authorized representative

Gregory F. Perlman, its Manager

Name and title

Date 12/07/16

9

IDENTIFICATION OF UNITS ("CONTRACT UNITS")

FHA Project Number (if applicable):

Effective Date of the Rent Increase (if applicable): 12/01/2016

NOTE:

This Exhibit will be amended by contract administrator notice to the owner to specify

EXHIBIT B

DISTRIBUTION LIMITATIONS

FOR PROJECT NOT SUBJECT TO DISTRIBUTION LIMITATIONS:

If the project is not subject to any limitations on distribution of project funds, either pursuant to an FHA Regulatory Agreement or pursuant to the Expiring Contract, neither HUD nor the PHA may impose any additional limitations on distribution of project funds during the term of the Renewal Contract.

FOR PROJECT SUBJECT TO DISTRIBUTION LIMITATIONS:

If the project is subject to any limitations on distribution of project funds pursuant to an FHA Regulatory Agreement or pursuant to the Expiring Contract, such limitations on distribution shall continue to be applicable during the term of the Renewal Contract, provided that the owner may take an increased distribution in accordance with the Section 8 Renewal Policy Guidance for Renewal of Project-Based Section 8 Contracts, (the "Guidebook").

However, owners of Section 8 properties must maintain the property in good condition, as demonstrated by a REAC score of 60 or higher, in order to take increased distributions.

The owner shall comply with the distribution limitations. The maximum distribution to the owner shall be equal to the total of:

- 1** The limited distribution permitted pursuant to the FHA Regulatory agreement or the Expiring Contract, **plus**
- 2** Any increased distribution as approved by HUD in accordance with the Guidebook.

INSTRUCTIONS FOR PREPARATION OF RENEWAL CONTRACT

The following instructions are not part of the Renewal Contract.

Endnote numbers are keyed to references in the text of the Renewal Contract.

¹ This form of Renewal Contract is only to be used to renew an expiring Section 8 project-based HAP contract for a Section 8 project whose rents are increased to market under the HUD Mark-Up-to-Market Option. The Renewal Contract shall be entered in accordance with Section 524 of MAHRA and HUD requirements. Section 2 of the Renewal Contract specifies the contract term.

² To prepare the Renewal Contract for execution by the parties, fill out all contract information in section 1 and section 2.

³ Enter a description of the housing that will be covered by the Renewal Contract. The description must clearly identify the housing by providing the address or other description of project location, and any other information necessary to clearly designate the covered housing.

If necessary, attach an exhibit with a site plan or other descriptive information. Enter a reference to the attached exhibit.

⁴ Enter the name of the contract administrator that executes the Renewal Contract. If HUD is the contract administrator, enter "United States of America – Department of Housing and Urban Development (HUD)". If the contract administrator is a public housing agency (PHA), enter the full name of the PHA.

⁵ The Renewal Contract must be entered before expiration of the Expiring Contract. Enter the date of the first day after expiration of the term of the Expiring Contract.

⁶ Enter a whole number of five or more years.

⁷ Enter the amount of funding obligated.

⁸ Enter a whole number of months.

Attachment 1

PRESERVATION EXHIBIT

Subject to all applicable laws and regulations in effect upon expiration, the Renewal Contract shall automatically renew for a term of fourteen (14)¹ year(s) beginning on December 1, 2036.² This requirement shall be binding on the Owner and the Contract Administrator, as identified in section 1 of the Renewal Contract, and on all their successors and assigns.

INSTRUCTIONS FOR PREPARATION OF PRESERVATION EXHIBIT

The following instructions are not part of the Preservation Exhibit. Endnote numbers correspond to numbers appearing in the text of the Preservation Exhibit.

¹ Enter a whole number of one year or more.

² Enter the date of the first day after expiration of the Renewal Contract.

PROJECT-BASED SECTION 8 HOUSING ASSISTANCE PAYMENTS Addendum to RENEWAL CONTRACT under Option One or Option Two for Capital Repairs and/or Acquisition—Post- Rehabilitation Rents at Closing	U.S. Department of Housing and Urban Development Office of Housing Federal Housing Commissioner	OMB Approval No. 2502-0587
--	--	-----------------------------------

Public Reporting Burden

Public reporting burden for this collection of information is estimated to average .5 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. This information is required to obtain benefits. HUD may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number.

Title V of the Departments of Veterans Affairs and Housing and Urban Development and Independent Agencies Appropriations Act of 1988 (P.L. 100-65, 111 Stat. 1384) authorizes the FHA Multifamily Housing Mortgage and Housing Assistance Restructuring Program. HUD implemented a statutory permanent program directed at FHA-insured multifamily projects that have project-based Section 8 contracts with above-market rents. The information collection is used to determine criteria eligibility of FHA-insured multifamily properties for participation in the Mark to Market program and the terms on which participation should occur. The purpose of the program is to preserve low-income rental housing affordability while reducing the long-term costs of Federal rental assistance. While no assurances of confidentiality are pledged to respondents, HUD generally discloses this data only in response to a Freedom of Information request.

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT OFFICE OF HOUSING

PROJECT-BASED SECTION 8 HOUSING ASSISTANCE PAYMENTS

Addendum to RENEWAL CONTRACT for Capital Repairs and/or Acquisition—Post Rehabilitation Rents at Closing

The Renewal Contract as amended by this Addendum includes the following Exhibits that are checked:

- ☒ **Exhibit A1:** Identification of Units (Contract Units) by Size and Applicable Contract Rents Before Capital Repairs and/or Acquisition ("Pre-Rehabilitation Rents");
- ☒ **Exhibit A2:** Identification of Units (Contract Units) by Size and Applicable Contract Rents After Capital Repairs and/or Acquisition ("Post-Rehabilitation Rents");
- ☐ **Exhibit C:** Reserved
- ☐ **Additional Exhibits:** (Specify any additional Exhibits if applicable)

1. **Refinancing.** The Owner certifies that (a) the Project is being refinanced (i) ~~with low-income housing tax credits~~, (ii) pursuant to a program that requires that full debt service commence at closing; and (b) the program referenced in the preceding clause is listed in Chapter 15 of the Section 8 Renewal Guide as having been approved by HUD as a program that is eligible for Capital Repairs with Post-Rehabilitation Rents at Closing.

2. **Post-Rehabilitation Rents at Closing.** Except as otherwise provided in this Addendum, the Contract Rents shall be the Post-Rehabilitation Rents as provided in Exhibit A2. The Post-Rehabilitation Rents are based on the capital repairs to the Project's dwelling units, which the Owner agrees to make in accordance with the Owner's proposal, specifically that portion captioned Scope of Work (the "Scope of Work"). Such repairs shall be referred to in this Addendum as the "Capital Repairs." The Post-Rehabilitation Rents shall be effective on the date on which the Renewal Contract begins, as provided in section 2a of the Renewal Contract (referred to in this Addendum as "the effective date of the Renewal Contract").

3. **Pre-Rehabilitation Rents.** The Pre-Rehabilitation rents shall be as provided in Exhibit A1. The Owner agrees that the Pre-Rehabilitation Rents shall be the Contract Rents, as provided in this Addendum, in the event that the Capital Repairs are not commenced or completed within the time frames set forth in sections 5 and 6, respectively, of this Addendum.

4. **Compliance with Applicable State and Federal Requirements.** The Owner hereby certifies that the Capital Repairs are permissible under the applicable State or local zoning and housing codes, ordinances or regulations as modified by any waivers obtained from the appropriate officials. The Owner further agrees to repair and substantially rehabilitate the Project to meet all applicable local standards, including as applicable the following:

- a. State and local building codes, ordinances and regulations;
- b. Standards set forth in the Project Capital Needs Assessment;
- c. Economic Opportunities at 24 CFR Part 135
- d. Handicapped Accessibility Guidelines at 24 CFR Part 41;
- e. Section 504 of the Rehabilitation Act of 1973;
- f. Lead-Based Paint Requirements at 24 CFR Part 35;
- g. Equal Employment Opportunity Regulations (for contracts in excess of \$10,000) at 41 CFR Chapter 60;
- h. Any conditions imposed by HUD on rehabilitation pursuant to regulations at 24 CFR Part 50 and 51; and
- i. The relocation plan or statement prepared pursuant to any HUD requirements or the Uniform Acquisition Policies Act of 1970.

5. Date for Commencement of Capital Repairs. The Date for Commencement of the Capital Repairs shall not be more than 30 calendar days from the effective date of the Renewal Contract, provided, however, that upon request of the Owner, HUD may, in its sole discretion, extend the Date for Commencement of Capital Repairs to the extent reasonably necessary due to *force majeure* events, including fire, flood, earthquake, hurricane, or other natural disaster. If the Capital Repairs are commenced more than 30 calendar days from the effective date of the Renewal Contract, the Contract Administrator will offset future section 8 housing assistance payments by the difference between the Exhibit A2 rents and the Exhibit A1 rents for the entirety of the "commencement penalty period," as defined below. The reduction in rents effectuated by the offset(s) shall be retroactive to the effective date of the Renewal Contract and shall continue until the first day of the calendar month following the month in which the Capital Repairs are commenced (the "commencement penalty period").

6. Date for Completion of Capital Repairs. The Date for Completion of the Capital Repairs shall not be more than 365 calendar days from the Date for Commencement of Capital Repairs, provided, however, that upon request of the Owner, HUD may, in its sole discretion, extend the Date for Completion of Capital Repairs to the

extent reasonably necessary due to *force majeure* events, including fire, flood, earthquake, hurricane, or other natural disaster. Upon Completion of the Capital Repairs, the Owner shall submit evidence to HUD of such completion, as defined in section 9 of this Addendum as "Completion Evidence". If the Owner submits such Completion Evidence more than 365 days from the Date for Commencement of Capital Repairs (or after such other date, as established by HUD, pursuant to this section), the Contract Administrator will offset future section 8 housing assistance payments by the difference between the Exhibit A2 rents and the Exhibit A1 rents for the entirety of the "completion penalty period," as defined below. The reduction in rents effectuated by the offset(s) shall be retroactive to the effective date of the Renewal Contract and shall continue until the first day of the calendar month following the month in which HUD accepts the Capital Repairs as provided in section 9.b. of this Addendum (the "completion penalty period").

7. Flood Insurance. Provided that the Project is located in an area that has been identified by the Federal Emergency Management Agency as an area having special flood hazards, and provided further that if the sale of flood insurance has been made available under the National Flood Insurance Program, the Owner agrees that the Project will be covered, during the life of the Project, by flood insurance in an amount at least equal to its development or Project cost (less estimated land cost) or to the limit of coverage made available with respect to the particular type of property under the National Flood Insurance Act of 1968, whichever is less. In the event that the foregoing two conditions are satisfied, the Owner further agrees that it will advise any prospective purchaser or transferee of the property in writing of the continuing statutory requirement to maintain such flood insurance during the life of the property.

8. Review and Inspection. The Owner or an architect employed or engaged by the Owner must inspect the Capital Repairs for acceptable completion. The inspection must be sufficient to enable the inspector to report that he/she has inspected the observable elements and features of the Capital Repairs (for both assisted and unassisted units) in accordance with professional standards of care and judgment and that, on the basis of the inspection, the Capital Repairs have been completed in accordance with the

Scope of the Work and this Addendum, and that there were no observable conditions inconsistent with the Completion Evidence, as defined in section 9 of this Addendum. The results of the inspection must be evidenced by a written report (the "Report"). HUD may, within 30 calendar days of receiving the Report, perform an inspection of its own prior to accepting the Capital Repairs to determine whether there are any defects or deficiencies in the Capital Repairs subject to the Report that preclude or materially affect occupancy.

9. Capital Repair Completion and Acceptance by HUD. The Owner will notify HUD of completion of the Capital Repairs by submitting to HUD (i) a certificate of occupancy and other local approvals necessary for occupancy (the "CO"); and (ii) a certification by the Owner or Owner's architect that there are no defects or deficiencies in the Capital Repairs except for (a) ordinary punch list items, and/or (b) items of delayed completion that are minor in nature or that are incomplete because of weather conditions and that do not preclude or materially affect occupancy (the "Certification"). The CO and the Certification shall be referred to collectively as the "Completion Evidence." The Owner agrees that its submission of the Completion Evidence is a certification as to compliance with the applicable State and Federal requirements stated in section 4 of this Addendum.

- a. If, after review of the Completion Evidence and any inspection of the Capital Repairs pursuant to section 8 of this Addendum, HUD determines that the Capital Repairs have been completed according to this Addendum, HUD shall accept the Capital Repairs.
- b. If HUD accepts the Capital Repairs, the Owner will be notified in writing of this decision. If there are punch list items that do not preclude or materially affect occupancy, and if all other requirements of this Addendum have been met, the Capital Repairs shall still be accepted.
 - i. If HUD has not notified the Owner in writing of any corrective actions that must be taken as a condition of acceptance of the Capital Repairs, pursuant to section 9.c.i of this Addendum, or

that the Capital Repairs cannot be accepted, pursuant to section 9.c.ii of this Addendum, within 45 business days of receipt of the Completion Evidence, the Capital Repairs shall be deemed to be accepted under this section for purposes of section 6 of this Addendum only. The foregoing in no way affects HUD's ability to make a determination that Contract Rents must be adjusted as a condition of acceptance of the Capital Repairs pursuant to section 9.c.ii. of this Addendum.

- c. If defects or deficiencies exist, other than punch list items, HUD will determine whether and, if so, the extent to which the defects or deficiencies are correctable and the corrective actions necessary to permit acceptance of the Capital Repairs. In addition, HUD will determine whether and, if so, the extent to which the Contract Rents should be reduced as a condition of acceptance.
 - i. If HUD determines that corrective actions are necessary to permit acceptance of the Capital Repairs, HUD will notify the Owner of such determination and the corrective actions necessary for acceptance of the Capital Repairs in writing. If the Owner fails to correct such defects or deficiencies, HUD shall not accept the Capital Repairs.
 - ii. If HUD determines that the Contract Rents must be adjusted as a condition of acceptance of the Capital Repairs, HUD shall require the Contract Administrator to reevaluate and revise the comparable market rents based on the actual work completed. If the Contract Rents as provided in Exhibit A2 exceed the reevaluated comparable market rents, the Contract Administrator will offset future section 8 housing assistance payments by the difference between the Exhibit A2 rents and the reevaluated

comparable market rents. In the case of a rent reduction, future Section 8 payments will be reduced to offset the difference between the rents provided in Exhibit A2 and the Contract Rents as reevaluated under this paragraph from the effective date of the Renewal Contract. HUD will provide written notification to the Owner of this determination, the reason for the determination, and the resulting rents.

- iii. If HUD determines that the Capital Repairs cannot be accepted, the owner will be notified of this decision in writing.

10. Projects Subject to an FHA-Insured or HUD-Held Loan. In the case of a project subject to an FHA-Insured or HUD-held loan, the provisions of the applicable mortgage insurance program in place at the time that the Capital Repairs commence shall also apply. In the event of a conflict between this Addendum and the applicable mortgage insurance program provisions, the mortgage insurance provisions shall govern.

11. Cost Certification for Owners Renewing under Option Two. In the case of a Renewal Contract issued under Option Two of the Section 8 Renewal Guide, the Owner will, upon completion of the Capital Repairs, submit to HUD a simplified form of cost certification establishing that the costs support the increase in Contract Rents as provided by Exhibit A2. This requirement shall apply regardless of whether the Project is HUD-insured. Except as provided below, the form to be used for the cost certification is Form HUD-92330 ("Mortgagor's Certificate of Actual Cost"). If a cost plus construction contract was used or if an identity of interest exists between the Owner and the general contractor, the form to be used is Form HUD-92330-A ("Contractor's Certificate of Actual Cost"). An accountant's opinion is not needed. If HUD accepts the Capital Repairs, HUD will determine in accordance with applicable requirements whether, and the extent to which, the certified costs support an increase in Contract Rents. If HUD determines that the certified costs do not support an increase in Contract Rents, the Owner must submit a

new budget reflecting the approved costs, as determined by HUD, and HUD shall direct the Contract Administrator to reduce the Contract Rents accordingly. In the case of a Contract Rent reduction under this section, the Contract Administrator will also reduce future section 8 housing assistance payments to offset the difference between the rents provided in Exhibit A2 and the Contract Rent amount determined by HUD pursuant to this section from the effective date of the Renewal Contract.

[The remainder of this page has been left blank intentionally.]

SIGNATURES

Contract Administrator

Name of Contract Administrator (Print)

South Carolina State Housing Finance and Development Authority

By: 
Signature of authorized representative

Carl E. Bowen, Director of Rental Assistance and Compliance

Name and official title (Print)

Date

12/9/2016

U.S. Department of Housing and Urban Development

By: 
Signature of authorized representative

Name and official title (Print)

Date 12/12/2016

Owner

Name of Owner (Print)

HS Investors, LLC

By: 
Signature of authorized representative

Gregory F. Perlman, its Manager

Name and official title (Print)

Date 12/07/16

EXHIBIT A1

**IDENTIFICATION OF UNITS ("CONTRACT UNITS")
BY SIZE AND APPLICABLE CONTRACT RENTS BEFORE CAPITAL
REPAIRS AND/OR ACQUISITION ("PRE-REHABILITATION RENTS")**

**Section 8 Contract
Number: SC 16-M0000058
FHA Project Number (if
applicable):**

Number of Contract Units	Number of Bedrooms	Contract Rent	Utility Allowance	Gross Rent
40	1BR	\$740	\$86	\$826
80	2BR	\$850	\$122	\$972
32	3BR	\$1020	\$142	\$1162

NOTE: This Exhibit will be amended by Contract Administrator notice to the Owner to specify adjusted contract rent amounts as determined by the Contract Administrator in accordance with the provision of the Renewal Contract governing the adjustment of Contract Rents.

Comments:

EXHIBIT A2

**IDENTIFICATION OF UNITS ("CONTRACT UNITS")
BY SIZE AND APPLICABLE CONTRACT RENTS AFTER CAPITAL
REPAIRS AND/OR ACQUISITION ("POST-REHABILITATION RENTS")**

**Section 8 Contract Number:
SC 16 - M0000058
FHA Project Number (if
applicable):**

Number of Contract Units	Number of Bedrooms	Contract Rent	Utility Allowance	Gross Rent
40	1BR	\$805	\$86	\$891
80	2BR	\$935	\$122	\$1057
32	3BR	\$1090	\$142	\$1232

NOTE: This Exhibit will be amended by Contract Administrator notice to the Owner to specify adjusted contract rent amounts as determined by the Contract Administrator in accordance with the provision of the Renewal Contract governing the adjustment of Contract Rents.

Comments:

NOTIFICATION OF SECTION 8 CONTRACT RENTS AND FUNDING

FOR (Check one) ☐ Initial Renewal ☒ Subsequent Renewal ☐ Amend Rent/BA Only

Section 8 Contract No.: SC16-M000-058 Expires on: 11/30/2016

Owner Name: HS Investors, LLC

Project Name: Highland Square II Apartments

Project Location: 200 Pine Creek Court Ext., Greenville, SC 29605-3434

FHA Project No.: N/A

IDENTIFICATION OF UNITS ("CONTRACT UNITS") BY SIZE AND APPLICABLE CONTRACT RENTS

Rents Effective on: 12/1/2016

No. of Units	No. of Bedrooms	Contract Rents	Utility Allowance	Gross Rents
40	1 BR	\$805	\$86	\$891
80	2 BR	\$935	\$122	\$1,057
32	3 BR	\$1,090	\$142	\$1,232

BUDGET AUTHORITY INCREASE: \$1,251,635

Contract/Renewal Effective Date: 12/1/2016 Expiration Date: 11/30/2036

For HUD Use Only:

Notice to Owner executed by:
S. C. State Housing Finance and Development Authority/Contract Administrator

By: 

Carl E. Bowen

Director of Rental Assistance and Compliance

Date: 9-Dec-2016