

RESOLUTION NO. 3375

A RESOLUTION OF THE MAYOR AND COUNCIL OF THE TOWN OF PAYSON, ARIZONA, AUTHORIZING THE LEASING OF CERTAIN REAL PROPERTY BY THE TOWN OF PAYSON, ARIZONA, TO THE PAYSON REGIONAL HOUSING DEVELOPMENT; AUTHORIZING AND DIRECTING THE MAYOR, TOWN MANAGER AND TOWN ATTORNEY TO PERFORM ALL ACTS NECESSARY TO EFFECTUATE THE LEASE.

WHEREAS, the Town of Payson, Arizona, owns certain real property located in Gila County, State of Arizona, as legally described in Exhibit A, attached hereto;

WHEREAS, the Town desires to enter into a Ground Lease with the Payson Regional Housing Development, an Arizona nonprofit corporation, for the leasing of a portion of the property 2.75 – 3 acres located adjacent to the Housing Development’s existing property commonly known as Green Valley Apartments, which is roughly depicted on Exhibit B, attached hereto.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE TOWN OF PAYSON, ARIZONA:

Section 1. The recitals above are hereby incorporated as if fully set forth herein.

Section 2. That the Mayor, Town Manager and Town Attorney are hereby authorized and directed to lease the real property described in **Exhibit B** to the Payson Regional Housing Development, an Arizona nonprofit corporation; and

Section 2. That the Mayor, Town Manager and Town Attorney are authorized to perform all acts necessary to effectuate the lease for the purposes described in this resolution on behalf of the Town.

PASSED AND ADOPTED BY THE MAYOR AND COUNCIL OF THE TOWN OF PAYSON, ARIZONA, this 13th day of March, 2024, by the following vote:

AYES _____ NOES _____ ABSTENTIONS _____ ABSENT _____

Chris Higgins, Mayor

ATTEST:

APPROVED AS TO FORM:

Tracie Bailey, Town Clerk

Jon Paladini, Pierce Coleman PLLC
Town Attorney

Exhibit A

Legal Description of Landlord's Property

NEW PARCEL A, ON RECORD OF SURVEY RECORDED APRIL 25, 2006 IN SURVEY MAP NOS. 3129A, 3129B, RECORDS OF GILA COUNTY, ARIZONA BEING A PORTION OF THE NORTH HALF OF THE NORTH HALF OF SECTION 9, TOWNSHIP 10 NORTH, RANGE 10 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, GILA COUNTY, ARIZONA.

EXCEPT THAT PORTION OF PARCEL A AS RECORDED ON RECORD OF SURVEY MAP NO. 2304B, DESCRIBED AS FOLLOWS:

COMMENCING AT THE SOUTHEAST CORNER OF THE NORTH HALF OF THE NORTHEAST QUARTER OF SECTION 9: THENCE SOUTH 89°41'00" WEST, 1675.00 FEET; THENCE NORTH 00°27'00" WEST, 170.00 FEET; THENCE SOUTH 89°46'53" WEST, 532.17 FEET TO THE POINT OF BEGINNING; THENCE NORTH 89°30'04" WEST, 16.00 FEET; THENCE NORTH 00°25'28" WEST, 277.75 FEET TO THE BEGINNING OF A 568.00 FOOT RADIUS NON-TANGENT CURVE, A RADIAL TO THE CENTER THEREOF BEARS SOUTH 49°07'21" EAST; THENCE NORTHWESTERLY ALONG SAID CURVE THROUGH A CENTRAL ANGLE OF 2°23'21", A DISTANCE OF 23.69 FEET; THENCE SOUTH 00°25'28" EAST, 295.47 FEET TO THE POINT OF BEGINNING.

AND EXCEPT;

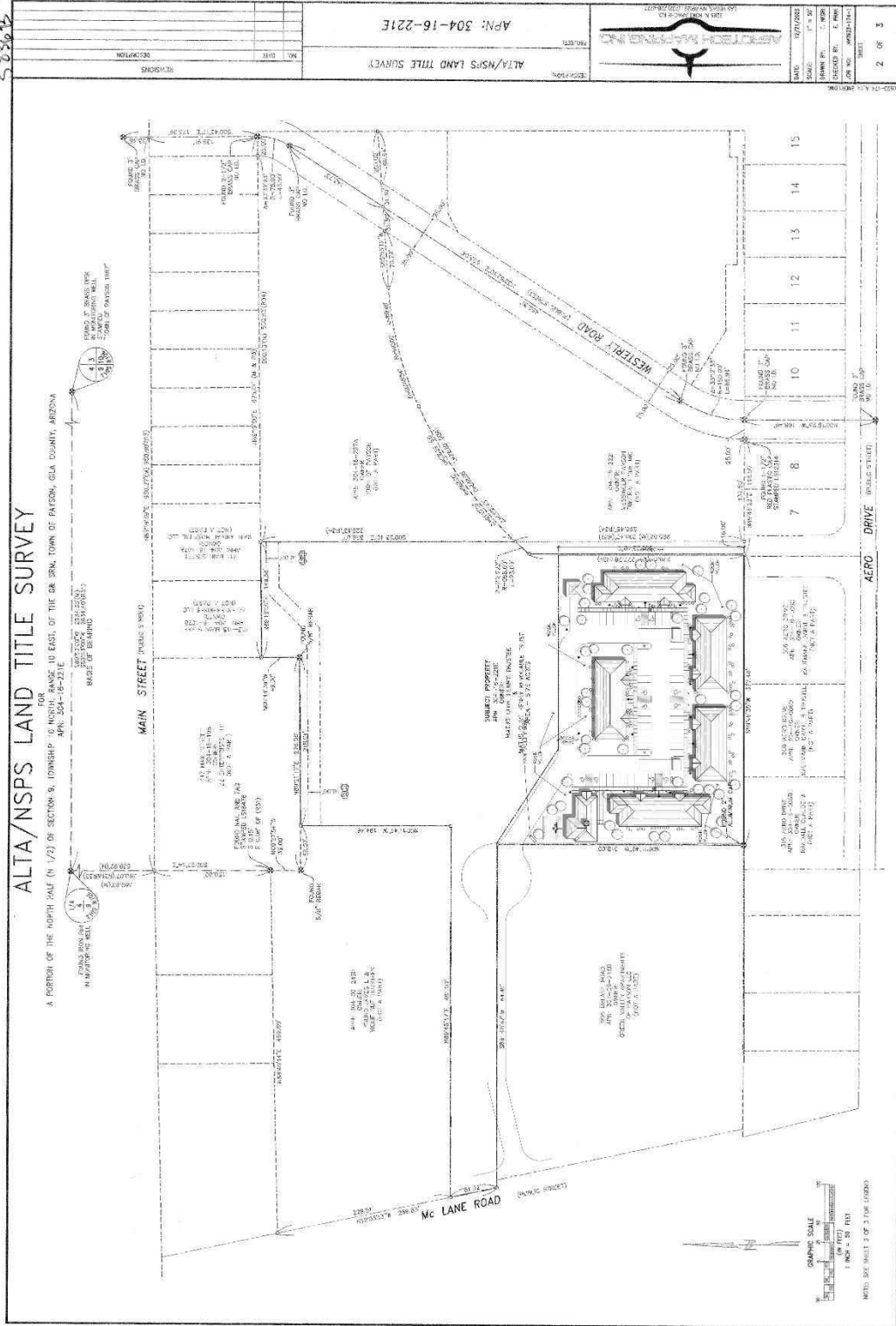
A PARCEL OF LAND LOCATED IN A PORTION OF THE NORTHEAST QUARTER AND THE NORTHWEST QUARTER AND THE NORTHWEST QUARTER OF THE NORTHEAST QUARTER OF SECTION 9, TOWNSHIP 10 NORTH, RANGE 10 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, GILA COUNTY ARIZONA MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTHWEST CORNER OF NEW PARCEL A AS SHOWN ON RECORD OF SURVEY MAP NO. 3129, GILA COUNTY RECORDS;

THENCE SOUTH 12°3'13" EAST ALONG THE WEST LINE OF SAID NEW PARCEL A, 228.52 FEET; THENCE NORTH 89° 48'47" EAST ALONG A LINE 60.00 FEET NORTH AND PARALLEL TO THE SOUTH LINE OF SAID NEW PARCEL A, 481.00 FEET; THENCE NORTH 00° 11'49" WEST 149.46 FEET TO A POINT ON THE SOUTH LINE OF TRACT A OF RIM VIEW ADDITION PLAT A, BLOCK 2 AS SHOWN ON MAP NO. 83, GILA COUNTY RECORDS; THENCE SOUTH 89°13" WEST ALONG THE SOUTH LINE OF SAID TRACT A, 58.06 FEET TO THE SOUTHWEST CORNER OF SAID TRACT A; THENCE NORTH 0° 27'54" WEST ALONG THE LINE OF SAID TRACT A, 39.00 FEET TO A POINT AT THE SOUTH 88° 40'14" WEST ALONG THE SOUTH LINE OF THAT PARCEL DESCRIBED IN FEE NO. 98-11766 AND IT EXTENSION THEREOF 469.80 FEET TO THE TRUE POINT OF BEGINNING.

Exhibit B

Depiction of Leased Premises



CERTIFICATION OF RECORDING
OFFICER

STATE OF ARIZONA)
County of Gila) ss.

I, the undersigned Tracie Bailey, being the duly appointed, qualified Town Clerk of the Town of Payson, Gila County, Arizona, certify that the foregoing Resolution No. _____ is a true, correct and accurate copy of Resolution No. _____ passed and adopted at a Voting Meeting of the Council of the Town of Payson, Gila County, Arizona, held on the ___ day of _____ 2024, at which a quorum was present and, by a majority vote, ___ voted in favor of said resolution.

Given under my hand and sealed this ___ day of _____, 2024.

Seal

Town Clerk

GROUND LEASE

THIS LEASE made and entered into this ___ day of March, 2024 (the “Effective Date”) by and between **Town of Payson, Arizona**, an Arizona municipal corporation, whose address is 303 N Beeline Highway, Payson AZ 85541(hereinafter called “Landlord”) and **Payson Regional Housing Development**, an Arizona non-profit corporation, whose address is PO Box 1771, Payson, AZ 85547 (hereinafter called “Tenant”).

WITNESSETH:

- A. Landlord owns that certain real property located in the County of Gila, State of Arizona, legally described on Exhibit A attached hereto (the “Landlord Property”).
- B. Landlord desires to lease a portion of the Landlord Property comprised of roughly 2.75-3 acres located adjacent to Tenant’s existing property commonly known as Green Valley Apartments, and roughly depicted on Exhibit B attached hereto.
- C. The proposed lease will support the Town’s and Landlord’s mutual goal to encourage the development of affordable housing and recreational facilities.

Now, therefore, the Parties hereto for the consideration hereinafter mentioned do covenant and agree as follows:

1. LEASED PREMISES

(a) Landlord hereby leases to Tenant all of its interest in that certain parcel of real property as roughly depicted on Exhibit B (the “Leased Premises”) subject to the following:

(i) The parties will work cooperatively to submit an application for certified survey map or lot split pursuant to and in accordance with the requirements of the Town of Payson and Gila County, as applicable, which will establish the Leased Premises (as approximately described and depicted on Exhibit B) as a separate and distinct parcel under such ordinance and all other applicable subdivision regulations. The final acreage and frontages of the leased premises are contingent upon receipt of land split approval. Tenant may terminate this Lease by providing written notice of such termination to Landlord if such subdivision, plat, lot split or other approval is not approved to Tenant’s satisfaction, and upon delivery of such notice, this Lease shall terminate and be of no further force and effect.

(b) Landlord hereby warrants to Tenant that it has good and marketable title to the Leased Premises, free and clear of any mortgages, pledges, liens, and other encumbrances, other than the matters of record. Landlord represents and warrants that it has good right, full power and lawful authority to enter into this Lease and has taken all necessary action to authorize the execution and performance of this Lease by Landlord. Landlord covenants that so long as Tenant fulfills the conditions and covenants required of it to be performed, Tenant will have peaceful and quiet possession and enjoyment of the Leased Premises. Landlord may not encumber or place any liens or mortgages upon Landlord’s fee interest in the Leased Premises.

2. TERM

(a) The term of this Lease is thirty (30) years beginning on the Effective Date subject to the termination provisions set forth in Section 2(b). Tenant shall have the option to extend the Lease term for three additional terms consisting of ten (10) years, on the same terms and conditions as set forth herein (except that there shall be no additional options beyond the one term granted herein). In order to exercise such option, Tenant shall notify Landlord in writing at least twelve (12), but not more than forty-eight (48), months prior to the expiration of the Lease term of its election to exercise the option.

(b) Not later than April 1, 2024, Tenant will submit an application for low-income housing tax credits to the Arizona Department of Housing. If Tenant does not receive an award of tax credits for development of an affordable multi-family housing development on the Leased Premises by September 30, 2024, this Lease shall automatically terminate and be of no further force or effect without any further action by Landlord or Tenant, provided, however, that Landlord and Tenant shall use reasonable efforts to execute a lease termination agreement solely for the purpose of documenting such termination.

3. USE OF PREMISES

Tenant shall use the Leased Premises solely to develop, construct and lease an approximately 40-unit affordable multifamily project, together with parking lots, sidewalks, landscaping and all other appurtenances required for the project (collectively, the "Improvements"). Tenant may sublease the Improvements to households that are qualified and certified pursuant to the regulations of the Low Income Housing Tax Credits Program (Internal Revenue Code Section 42), applicable regulations of the Arizona Department of Housing or similar federal or state regulations, as may be applicable. Tenant agrees that it will not use or cause to be used or permit any part of the Leased Premises to be used for any unlawful conduct or purpose or for and purpose not permitted in this Paragraph 3.

4. RENT

In consideration of the foregoing covenants, Tenant agrees to pay to Landlord at the address specified above annual rent in the amount of Two Thousand Dollars (\$2,000.00), increasing at 3% per year until the end of the fifteen-year LIHTC compliance period, but not thereafter. The first annual payment of rent shall be due and payable on the Effective Date. The second and all subsequent rental payments shall be due on the anniversary date of each succeeding year.

5. IMPROVEMENTS

Unless otherwise provided herein, all Improvements or construction on said Leased Premises shall be at the expense of Tenant. Tenant shall have all of the burdens and benefits of ownership of the improvements and will be treated as the owner of the improvements for federal income tax purposes. Tenant shall have the right to place on the Leased Premises at its own expense, such improvements as it may deem necessary and only as limited herein to carry on the purposes authorized by this Lease. Landlord shall have no obligation to make any repairs, replacements or renewals of any kind, nature or description whatsoever to the Improvements or

the Leased Premises. If the Leased Premises is not purchased prior to the expiration of the Lease by Tenant, all Improvements shall become the property of Landlord.

6. CONSTRUCTION, MAINTENANCE, REPAIR AND ALTERATION

(a) Tenant shall maintain the Leased Premises and all Improvements thereon in good order and repair and in a neat and attractive condition, at all times during the term of this Lease and at Tenant's sole cost and expense. Tenant shall construct, maintain, and repair as required by law all Improvements on the Leased Premises and any alterations, additions, or appurtenances thereto, and shall otherwise comply with all existing laws ordinances, and regulations of the Town of Payson, County of Gila and State of Arizona. Tenant shall indemnify and hold harmless Landlord against liability for all claims arising from Tenant's construction of the Improvements placed on the premises and from Tenant's failure to maintain said premises and the Improvements thereon as hereinabove provided, or from Tenant's non-observance of any law, ordinance or regulation applicable thereto. Nothing contained herein shall be construed to prevent Tenant from contesting any such changes or any existing requirements with respect to which Tenant has a good faith basis on which to object to any other requirements of applicable plans and ordinances of the Town, or any agreements referenced herein. Tenant may make, from time to time, in its discretion, repairs, changes or alterations to the Improvements, without obtaining Landlord's consent. Landlord agrees to execute any and all instruments necessary to obtain licenses and permits from the applicable governmental authorities in order to make such repairs, changes, or alterations.

(b) Landlord acknowledges that Tenant's personal property shall not be Landlord's property during the Lease Term, no matter how the same is affixed to the Leased Premises or used by Tenant, and, subject to Landlord's fee interest in the Leased Premises which in no event shall be subordinated, Landlord agrees to recognize the rights of any lender or owner for Tenant's personal property. Subject to Landlord's rights upon termination of this Lease, Landlord waives any claim arising by way of any Landlord's lien (whether created by statute or by contract) or otherwise with respect to Tenant's personal property and agrees to sign and deliver to any lender or secured creditor or lessor a waiver of any lien Landlord may have on Tenant's personal property if required by such lender, secured creditor or lessor.

(c) Landlord and Tenant each covenant with the other not to permit any judgment, attachment and/or lien to be filed against the Leased Premises except for and only to the extent of any liens expressly permitted pursuant to this Lease. Should any judgment, attachment and/or lien of any nature be filed against the Leased Premises in violation of this Lease, the party causing the lien or from whose action or inaction the lien arises shall within thirty (30) days after filing cause such judgment, attachment and or lien to be removed. Notwithstanding anything contained herein to the contrary, the party causing such lien shall have the right to contest the validity or amount of any lien.

7. UTILITIES; TAXES.

(a) Tenant shall be responsible for bringing utilities to the Leased Premises. Following completion of construction of the Improvement of the Leased Premises, Tenant shall pay the cost of gas, electricity, water and sewage and the cost of all other utility services to the Leased

Premises. Tenant may cause its tenants, subtenants, or occupants to promptly and directly pay when due, all or any utilities consumed on the Leased Premises. Regardless of any arrangement between Tenant and its sublessees, tenants, subtenants, or occupants, between Landlord and Tenant, the Tenant shall be primarily liable and responsible for the payment when due of all charges for all utilities consumed on the Premises.

(b) If the Leased Premises is not exempt from real property taxes and assessments, Tenant will reimburse Landlord within sixty (60) days of receipt of an invoice therefore, all taxes attributable to the Leased Premises.

8. ASSIGNABILITY.

Provided Tenant notifies Landlord in writing and delivers the assumption agreement as set forth herein, Tenant shall have the free right to sublet, assign or otherwise transfer its interest in this Lease or its leasehold estate in the Leased Premises to any person or to delegate any duties or obligations of Tenant hereunder without Landlord's approval, written or otherwise, it being understood that, except for subleases for individual apartments, the obligations of Tenant hereunder may be satisfied by the performance of any sublessee, assignee or delegate of Tenant. Except for any individual apartment leases, Tenant shall notify Landlord in writing of such sublet or assignment, including the name and address of the sublessee or assignee, and shall furnish Landlord a copy of the sublease or assignment. Except for any individual apartment leases, no sublet, assignment or other transfer of Tenant's interest in this Lease or its leasehold interest in the Leased Premises shall be effective unless Tenant delivers to Landlord an agreement, executed by such assignee or transferee, which provides that such assignee or transferee agrees to be bound by the terms of this Lease and agrees to attorn to Landlord.

9. TRANSFER OF LANDLORD'S TITLE

If Landlord shall sell or otherwise transfer title to the leased premises, such state or transfer will be done subject to the provisions of this Lease. Landlord shall be released of any ongoing obligations hereunder from and after the date of such transfer and only upon the assumption of all such obligations and duties by the transferee of Landlord. Notwithstanding anything contained herein to the contrary, in no event shall Landlord have the right to transfer, in any manner whatsoever, or to sell its interest hereunder, unless such transferee, assignee or grantee shall recognize, in a writing reasonably acceptable to Tenant, and agree to be bound by this Lease.

10. STATUS OF SUBLEASES

Termination of this Lease, by cancellation or otherwise, shall not serve to cancel approved subleases or subtenancies, but shall operate as an assignment to Landlord of any and all such subleases or subtenancies.

11. LEASEHOLD FINANCING

(a) **Mortgage by Tenant.** Tenant may, from time to time, hypothecate, mortgage, pledge, or alienate Tenant's fee interest in the Improvements and/or Tenant's leasehold estate and rights hereunder only in accordance with the requirements of this Lease. Such lien shall be

referred to herein as a “**Leasehold Mortgage**” and the holder or holders of any such lien shall be referred to herein as a “**Leasehold Mortgagee**.” The Leasehold Mortgagee’s interest in the Leased Premises and this Lease shall not encumber Landlord’s fee interest of the Leased Premises or interest as Landlord under this Lease. A Leasehold Mortgage shall encumber no interest in the Leased Premises other than Tenant’s interest in the Lease and Tenant’s fee interest in the Improvements located on the Leased Premises, including any personal property of Tenant, and any subleases of portions of the Leased Premises. A Leasehold Mortgagee or its assigns may enforce such lien and acquire title to the Improvements, the leasehold estate, and all of Tenant’s rights under the Lease in any lawful way and, pending foreclosure of such lien, the Leasehold Mortgagee may take possession of and operate the Leased Premises, performing all obligations performable by Tenant, and upon foreclosure of such lien by power of sale, judicial foreclosure, or acquisition of the leasehold estate by deed in lieu of foreclosure, the Leasehold Mortgagee may, upon notice to Landlord, sell and assign the leasehold estate hereby created. Notwithstanding anything herein contained to the contrary, the Leasehold Mortgagee or any person or entity acquiring such leasehold estate shall be liable to perform the obligations imposed on Tenant by this Lease only during the period such person has ownership of said leasehold estate or possession of the Leased Premises. Landlord acknowledges and agrees that the mortgage loans for the construction and permanent financing of the Improvements shall be permitted Leasehold Mortgages hereunder, and the lenders of such loans shall be permitted Leasehold Mortgagees. Landlord consent shall not be required for the refinancing of such permitted loans. When giving notice to Tenant with respect to any default hereunder, Landlord shall also serve a copy of such notice upon any Leasehold Mortgagee who shall have given Landlord a written notice specifying its name and address. No such notice shall be effective against any Leasehold Mortgagee unless and until served on any Leasehold Mortgagee as herein provided. In the event Tenant defaults in the performance of any of the terms, covenants, agreements, and conditions of this Lease to be performed on its part, any Leasehold Mortgagee shall have the right, within the grace period available to Tenant for curing such default plus an additional sixty (60) days, to cure or make good, such default or to cause the same to be cured or made good, whether the same consists of the failure to pay rent or the failure to perform any other obligation, and Landlord shall accept such performances on the part of any Leasehold Mortgagee as though the same had been done or performed by Tenant.

(ii) In the event that this Lease is terminated by Landlord on account of any default, Landlord shall give prompt notice thereof to each Leasehold Mortgagee who has given notice to be notified. Landlord, within thirty (30) days after receiving a written request therefor, which shall be given within sixty (60) days after such termination, will execute and deliver a new lease (“New Lease”) of the Leased Premises to the Leasehold Mortgagee or its nominee or to the purchaser, assignee, or transferee, as the case may be, for the remainder of the term of this Lease, containing the same covenants, agreements, terms, provisions, and limitations as are contained herein.

(iii) As long as there is a Leasehold Mortgagee, neither the bankruptcy nor the insolvency of Tenant shall operate or permit Landlord to terminate this Lease as long as all rent specified above and all other charges of whatsoever nature payable by Tenant continue to be paid in accordance with the term of this Lease. In the event of a filing of a petition in

bankruptcy by the Tenant, and the Tenant rejects this Lease under Article 365 of the Bankruptcy Code (or any replacement thereof), the Landlord shall, upon the request of a Leasehold Mortgagee which has been approved by Landlord, affirm this Lease, and the Landlord will enter into a new lease on the same terms and conditions with the Leasehold Mortgagee immediately upon Tenant's rejection of this Lease. In the event of a filing of a petition in bankruptcy by the Landlord, and the Landlord rejects this Lease and the Tenant does not affirm it, a Leasehold Mortgagee will have the authority to affirm this Lease on behalf of the Tenant and to keep the Lease in full force and effect.

(iv) During the period that a Leasehold Mortgagee shall be in possession of the Leased Premises, the Leasehold Mortgagee shall pay or cause to be paid all other charges of whatsoever nature payable by Tenant hereunder. Following the acquisition of Tenant's leasehold estate by the Leasehold Mortgagee or its designee, Landlord's right to effect a termination of this Lease based upon the default in question shall be deemed waived. Any such purchaser, or successor of purchaser, shall not be liable to perform the obligations imposed on Tenant by this Lease incurred or accruing after such purchaser or successor no longer has ownership of the leasehold estate or possession of the Leased Premises. For the avoidance of doubt, following a foreclosure or a deed-in-lieu of foreclosure both this Lease and Tenant's rights of first refusal related to the fee interest in the land will be assigned to the Leasehold Mortgagee or to the purchaser at a foreclosure sale (other than the Leasehold Mortgagee) without further consent of Landlord.

(v) Upon the reasonable request of any Leasehold Mortgagee, Landlord and Tenant shall cooperate in including in this Lease by suitable amendment from time to time any provision for the purpose of (1) implementing the protective provisions contained in this Lease for the benefit of such Leasehold Mortgagee in allowing such Leasehold Mortgagee reasonable means to protect or preserve the lien of its proposed Leasehold Mortgage on the occurrence of a default under the terms of the Lease, or (2) complying with any applicable requirements of Internal Revenue Code Sec. 42, or other applicable provisions, in the event the Leasehold Mortgagee is an investor in Tenant. Landlord and Tenant shall execute, deliver, and acknowledge any amendment reasonably necessary to affect any such requirement; provided, however, that any such amendment shall not in any way affect the term or rental under this Lease nor otherwise in any material respect adversely affect any economic benefits of Landlord under this Lease.

12. DEFAULT

(a) In the event of any breach of this Agreement by Tenant. Landlord shall notify Tenant in writing of any default pursuant to this Lease. Tenant shall have sixty (60) days from the date of receipt of written notification to correct or otherwise cure any default before Landlord may take action to terminate this Lease, provided that in the case of any non-monetary default, if such default is incapable of being cured within sixty (60) days, the cure period shall be extended provided Tenant or a Leasehold Mortgagee has commenced to cure such default within said sixty (60) day period and thereafter diligently prosecutes the same to completion. In the event that Tenant does not correct or otherwise cure the default within sixty (60) days, subject to the rights of any Leasehold Mortgagee to tender cure including such additional periods of time as may be permitted under this Lease, Landlord shall have the immediate right

of re-entry and take possession thereof. Tenant's personal property may be removed and stored in a public warehouse or elsewhere at the cost and for the account of Tenant. Landlord may elect to terminate this Lease Agreement for such breach. Should Landlord at any time terminate this Lease Agreement for any breach, in addition in any other remedy it may have, Landlord may recover from Tenant all damages incurred by reason of the breach, including the cost of recovering the Leased Premises. In the event of a re-entry or termination under this Paragraph 12, Landlord shall assume all obligations of Tenant, including all covenants and approved encumbrances or mortgages referenced in Paragraph 11 above. Breaches of the Lease that occur due to events beyond the control of either party, including acts of God, shall not be cause to terminate this Lease.

(b) Any investor in Tenant or Leasehold Mortgagee may, but is not obligated to, cure any default of Tenant within any cure period provided to Tenant, or any longer cure period provided to any Leasehold Mortgagee, pursuant to the foregoing Paragraph 11, as applicable. Notwithstanding the foregoing, in the event that the bankruptcy of Tenant, or other legal proceeding, prevents the investor or Leasehold Mortgagee from pursuing the cure of a default, such cure period will be tolled, and will be further extended for so long is reasonably necessary for the investor to remove and replace one or more of the general partners or managing member of Tenant (if the investor chooses to do the same in order to effectuate the cure). Any cure tendered by an investor or Leasehold Mortgage should be accepted as if tendered by Tenant.

13. TENANT'S RIGHT OF FIRST REFUSAL.

(a) During the term of this Lease, and provided there is then no uncured default, Landlord hereby grants to Tenant a right of first refusal (the "Right of First Refusal") to purchase all or any portion of the Leased Premises, subject to and in accordance with the following provisions:

(i) Prior to Landlord entering into any binding agreement with a bona fide third party purchaser for sale of all or any portion of such property, Landlord shall deliver to Tenant a written notice, including a proposed purchase and sale agreement or letter of intent which Landlord is willing to accept from such third party, subject to this Right of First Refusal ("ROFR Offer Notice"). The ROFR Offer Notice shall set forth the date for closing on the proposed sale, which shall be no earlier than sixty (60) days from the delivery of the ROFR Offer Notice.

(ii) Tenant shall have thirty (30) days from receipt of the ROFR Offer Notice to either accept or reject the ROFR Offer Notice. If Tenant rejects the ROFR Offer Notice or if Landlord has not received written acceptance or rejection of the ROFR Offer Notice by 5:00 p.m. on the thirtieth (30th) day from Tenant's receipt thereof, then Landlord may enter into and close the proposed purchase and sale in accordance with the ROFR Offer Notice; provided, however, that if Landlord and such third party fail for any reason to close such purchase within 90 days following the original closing date set forth in the ROFR Offer Notice, this Right of First Refusal shall be deemed reinstated.

(iii) If the ROFR Offer Notice is accepted by Tenant in accordance with this paragraph, Landlord and Tenant, or Tenant's designee, shall close the purchase and sale on the same terms and conditions as set forth in the ROFR Offer Notice, unless otherwise agreed

between them. Tenant's rights under this Lease shall not be merged with the fee ownership of the Premises upon such a purchase or taking of title by Tenant unless Tenant records a termination of this Lease.

(b) This Right of First Refusal may be transferred to any assignee or other transferee of Tenant's interest in the Lease, or may be assigned to any managing member or special limited member of Tenant.

14. TENANT'S OPTION TO PURCHASE

(a) Landlord hereby grants to Tenant an option (the "Option") to purchase the Leased Premises during the term of this Lease, as may be extended (the "Option Term"). The purchase price of the Leased Premises pursuant to the Option shall be an amount equal to \$550,000 multiplied by a fraction the numerator of which is the acreage of the Leased Premises and the denominator of which is 5.83. (the "Purchase Price"). The Option may be exercised during the Option Term by Tenant giving written notice of its intent to exercise the Option to Landlord (the "Option Exercise Notice"). Tenant shall close on the acquisition of the Leased Premises (the "Closing") within sixty (60) days of the issuance of the Option Exercise Notice. At Closing, Landlord shall convey title to the Leased Premises to Tenant by special warranty deed, and will provide such other forms as are required or customary in the state where the Leased Premises is located. Tenant shall pay all costs related to the Closing.

(b) In consideration of the Option, Tenant has paid to Landlord a non-refundable option fee equal to One Hundred Dollars and no/100 (\$100.00) (the "Option Fee"), receipt of which is acknowledged by Landlord.

(c) This Option may be transferred to any assignee or other transferee of Tenant's interest in the Lease, or may be assigned to any managing member or special limited member of Tenant.

15. NOTICES

All notices and demands shall be sent to the parties hereto at the addresses herein melted or to such addresses as the parties may hereafter designate in writing. Notices and demands shall be in writing by personal delivery, reputable overnight courier service which keeps receipts of deliveries (i.e., Federal Express), or United States certified mail (return receipt requested with postage fully prepaid), or express mail service addressed to the other party as follows:

If to Landlord:

Town of Payson
Attn: Town Manager
303 N. Beeline Hwy
Payson, Arizona 85541
Email: townmanager@paysonaz.gov

If to Tenant:

PRHD
PO Box 1771
Payson AZ 85547

or at such other address as may be specified from time to time in writing by either Party. All such notices hereunder shall be deemed to have been given on the date personally delivered, the date of the email confirmation receipt, or the date marked on the return receipt, unless delivery is refused or cannot be made, in which case the date of postmark shall be deemed the date notice has been given. Copies of all notices sent to Tenant shall be sent concurrently to any investor or Leasehold Mortgagee of which Landlord has received notice.

16. INSPECTION

Landlord and its authorized representatives shall have the right at any reasonable time during the term of this Lease with at least 48 hours' notice to Tenant (unless in the case of emergency, imminent damage to the Improvements or threat to the health, welfare or safety of the subtenants of the Improvements, in which case no notice will be required) to enter upon the Leased Premises, or any part thereof, to inspect the same and all buildings and other improvements erected and placed thereon.

17. INDEMNIFICATION

To the fullest extent permitted by law, Tenant shall indemnify and hold harmless Landlord and all its agents, representatives, and employees from and against all claims, damages, losses and expenses including but not limited to attorney's fees, arising out of or resulting from the activities of Tenant in connection with Tenant's use of the Leased Premises. Such obligation shall not be construed to abrogate any obligation of indemnity which would otherwise exist as to any party to this Agreement. It is not intended by this paragraph to relieve a negligent party from liability for its conduct nor to defeat the contractual benefits to Landlord and/or Tenant of any insurance contract.

18. EMINENT DOMAIN

(a) If the whole of the Leased Premises shall be taken under power of eminent domain by any public authority, or conveyed by Landlord to said authority in lieu of such taking (collectively, "Condemnation"), then this Lease shall cease and terminate as of the date of such taking. If any Condemnation shall result in a taking of any portion of the Improvements, or any portion of the Leased Premises, which taking in Tenant's reasonable discretion materially affects the conduct of Tenant's business, then Tenant may, at its election, terminate this Lease by giving Landlord notice of the exercise of Tenant's election within ninety (90) days after Tenant shall receive notice of such taking. In the event of termination by Tenant under the provisions of this Paragraph, this Lease shall cease and terminate as of the date of such taking. In the event of a Condemnation with respect to which Tenant shall not have the right to elect to terminate this Lease or, having such right, shall not elect to terminate this Lease, this Lease and the term shall continue in full force and effect for that portion of the Leased Premises which shall not have been expropriated or taken, in which event Tenant shall restore the Leased

Premises as nearly as practicable to complete units of like quality and character as existed just prior to such Condemnation.

(b) Nothing herein contained shall be construed as preventing tenant from being entitled to any separate award made to tenant for the taking of the improvements or tenant's personal property, or from claiming all or any portion of its award directly against the condemning authority.

19. ESTOPPEL CERTIFICATE.

Landlord and Tenant shall, from time-to-time within ten (10) days after prior written notice from the other, execute, acknowledge and deliver to the requesting party a statement in writing in such form as may be reasonably required (a) certifying that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this Lease, as so modified, is in full force and effect) and the date to which the rent and other charges are paid in advance, if any; (b) acknowledging that there are not, to the party's knowledge, any uncured defaults hereunder (or specifying such defaults if they are claimed); and (c) containing such other matters as are set forth in such form. Any such statement may be conclusively relied upon by any prospective purchaser or encumbrancer of the Leased Premises.

20. ENTIRE AGREEMENT

This instrument contains the entire Agreement between the parties. There are no promises, terms, conditions, or obligations other than those contained herein, and no statement, promises, or inducements made by either party or agent of either party that is not contained in this written agreement shall be valid or binding, and this Agreement shall supersede all previous communications, representations, or agreements, either verbal or written, between the parties hereto. This agreement may not be enlarged, modified, or altered except in writing signed by the parties. If any provision of this Lease or the application thereof to any person or circumstance shall to any extent be held invalid, the remainder of this Lease or the application of such provision to persons or circumstances other than those as to which it is held invalid shall not be affected thereby, and each provision of this Lease shall be valid and enforceable to the fullest extent permitted by law.

21. MISCELLANEOUS

(a) At the termination of this Lease, Tenant will peaceably and without legal process deliver the possession of the Leased Premises to Landlord.

(b) It is understood and agreed that the covenants and agreements hereinbefore mentioned shall extend to and be binding upon the parties subscribing hereto, and their heirs, assigns, successors, executors and administrators.

(c) In interpreting this Lease in its entirety, any additions written or typed thereon shall be given equal weight, and there shall be no inference, by operation of law or otherwise, that any provision of this Lease shall be construed against either Party hereto. This Lease shall be

construed without regard to any presumption or other rule requiring construction against the Parties causing this Lease to be drafted.

(d) The paragraph captions contained in this Lease are for convenience only and do not in any way limit or amplify any term or provision hereof. The use of the terms “hereof,” “hereunder,” and “herein” shall refer to this Lease as a whole, inclusive of the exhibits, except when noted otherwise. The terms “include,” “includes,” and “including” incorporate the meaning “without limitation.” The use of the masculine or neuter genders herein shall include the masculine, feminine, and neuter genders and the singular form shall include the plural when the context so requires.

(e) Landlord and Tenant shall each cooperate with the other and execute such documents (including without limitation such estoppels, non-disturbance agreements and other documents as may be reasonably requested by a Leasehold Mortgagee or any investor in connection with financing the project or syndication of tax credits) as the other party may reasonably require or request so as to enable it to conduct its operations, so long as the requested conduct or execution of documents does not derogate or alter the powers, rights, duties, and responsibilities of the respective parties.

(f) This Lease may be executed in any number of counterparts, each of which shall be an original, but all of such counterparts shall together constitute but one and the same instrument. Delivery of an executed counterpart of this Lease by facsimile or by other electronic means or signing by means of DocuSign shall be equally as effective as personal delivery of a manually executed counterpart of this Lease. A counterpart electronically delivered displaying a facsimile, DocuSign, or digital image of the signature of the party shall have the same force and effect as an original “ink signed” counterpart, which has been personally delivered to the recipient.

(g) It is the intention of the parties hereto that all questions with respect to the construction, enforcement, and interpretation of this Land Lease and the rights and liabilities of the parties hereto shall be determined in accordance with the laws of the State of Arizona without regard to principles of conflicts of laws.

(h) Landlord and Tenant shall execute a short form of this Lease in the form to be agreed to by the parties, which will be recorded in the real estate records of the Gila County, Arizona.

(i) Any legal actions instituted pursuant to this Agreement must be filed in the County of Gila, State of Arizona. The laws of the State of Arizona will govern the interpretation and enforcement of this Agreement.

(j) Pursuant to A.R.S. § 38-511 this Agreement may be canceled within three years after its execution, if any person significantly involved in initiating, negotiating, securing, drafting, or creating the contract on behalf of the state, its political subdivisions or any of the departments or agencies of either is, at any time while the contract or any extension of the contract is in effect, an employee or agent of any other party to the contract in any capacity or a consultant to any other party of the contract with respect to the subject matter of the contract.

(k) WAIVER OF ATTORNEYS' FEES. THE PARTIES HERETO EXPRESSLY COVENANT AND AGREE THAT IN THE EVENT OF LITIGATION ARISING FROM THIS AGREEMENT, NEITHER PARTY SHALL BE ENTITLED TO AN AWARD OF ATTORNEYS' FEES, EITHER PURSUANT TO THE CONTRACT, PURSUANT TO A.R.S. §12-341.01(A) AND (B), OR PURSUANT TO ANY OTHER STATE OR FEDERAL STATUTE, COURT RULE, OR COMMON LAW.

(l) Pursuant to and in compliance with A.R.S. § 35-394, Tenant hereby agrees and certifies that it does not currently, and agrees for the duration of this Lease that Tenant will not, use: (1) the forced labor of ethnic Uyghurs in the People's Republic of China; (2) any goods or services produced by the forced labor of ethnic Uyghurs in the People's Republic of China; or (3) any contractors, subcontractors or suppliers that use the forced labor or any goods or services produced by the forced labor of ethnic Uyghurs in the People's Republic of China. tenant also hereby agrees to indemnify and hold harmless the Town, its officials, employees, and agents from any claims or causes of action relating to the Town's action based upon reliance upon this representation, including the payment of all costs and attorney fees incurred by the Town in defending such as action.

(m) To the extent A.R.S. § 35-393 through § 35-393.03 are applicable, the Parties hereby certify that they are not currently engaged in and agree for the duration of this Lease to not engage in, a boycott of goods or services from Israel, as that term is defined in A.R.S. § 35-393.

Signature Page to Land Lease

In witness whereof, the parties have executed this Lease as of the date first written above.

Landlord:

Town of Payson, Arizona,

an Arizona municipal corporation

By: _____

Print: _____

Title: _____

Tenant:

Payson Regional Housing Development,

An Arizona non-profit corporation

By: _____

Print: Jacob O Swartwood _____

Title: President _____

Exhibit A

Legal Description of Landlord's Property

NEW PARCEL A, ON RECORD OF SURVEY RECORDED APRIL 25, 2006 IN SURVEY MAP NOS. 3129A, 3129B, RECORDS OF GILA COUNTY, ARIZONA BEING A PORTION OF THE NORTH HALF OF THE NORTH HALF OF SECTION 9, TOWNSHIP 10 NORTH, RANGE 10 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, GILA COUNTY, ARIZONA.

EXCEPT THAT PORTION OF PARCEL A AS RECORDED ON RECORD OF SURVEY MAP NO. 2304B, DESCRIBED AS FOLLOWS:

COMMENCING AT THE SOUTHEAST CORNER OF THE NORTH HALF OF THE NORTHEAST QUARTER OF SECTION 9: THENCE SOUTH 89°41'00" WEST, 1675.00 FEET; THENCE NORTH 00°27'00" WEST, 170.00 FEET; THENCE SOUTH 89°46'53" WEST, 532.17 FEET TO THE POINT OF BEGINNING; THENCE NORTH 89°30'04" WEST, 16.00 FEET; THENCE NORTH 00°25'28" WEST, 277.75 FEET TO THE BEGINNING OF A 568.00 FOOT RADIUS NON-TANGENT CURVE, A RADIAL TO THE CENTER THEREOF BEARS SOUTH 49°07'21" EAST; THENCE NORTHWESTERLY ALONG SAID CURVE THROUGH A CENTRAL ANGLE OF 2°23'21", A DISTANCE OF 23.69 FEET; THENCE SOUTH 00°25'28" EAST, 295.47 FEET TO THE POINT OF BEGINNING.

AND EXCEPT;

A PARCEL OF LAND LOCATED IN A PORTION OF THE NORTHEAST QUARTER AND THE NORTHWEST QUARTER AND THE NORTHWEST QUARTER OF THE NORTHEAST QUARTER OF SECTION 9, TOWNSHIP 10 NORTH, RANGE 10 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, GILA COUNTY ARIZONA MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTHWEST CORNER OF NEW PARCEL A AS SHOWN ON RECORD OF SURVEY MAP NO. 3129, GILA COUNTY RECORDS;

THENCE SOUTH 12°3'13" EAST ALONG THE WEST LINE OF SAID NEW PARCEL A, 228.52 FEET; THENCE NORTH 89° 48'47" EAST ALONG A LINE 60.00 FEET NORTH AND PARALLEL TO THE SOUTH LINE OF SAID NEW PARCEL A, 481.00 FEET; THENCE NORTH 00° 11'49" WEST 149.46 FEET TO A POINT ON THE SOUTH LINE OF TRACT A OF RIM VIEW ADDITION PLAT A, BLOCK 2 AS SHOWN ON MAP NO. 83, GILA COUNTY RECORDS; THENCE SOUTH 89°13" WEST ALONG THE SOUTH LINE OF SAID TRACT A, 58.06 FEET TO THE SOUTHWEST CORNER OF SAID TRACT A; THENCE NORTH 0° 27'54" WEST ALONG THE LINE OF SAID TRACT A, 39.00 FEET TO A POINT AT THE SOUTH 88° 40'14" WEST ALONG THE SOUTH LINE OF THAT PARCEL DESCRIBED IN FEE NO. 98-11766 AND IT EXTENSION THEREOF 469.80 FEET TO THE TRUE POINT OF BEGINNING.

Exhibit B
Depiction of Leased Premises

