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FINANCIAL AGREEMENT

By and Between

THE CITY OF ATLANTIC CITY

and

ATLANTIC LOFTS URBAN RENEWAL ENTITY LLC

Dated as of _____, 2025

FINANCIAL AGREEMENT

THIS FINANCIAL AGREEMENT (hereinafter this “**Agreement**” or “**Financial Agreement**”) is made this ____ day of _____, 2025 (the “**Effective Date**”) by and between **ATLANTIC LOFTS URBAN RENEWAL ENTITY LLC** (as further defined herein, the “**Entity**”), a Pennsylvania limited liability company and an urban renewal entity qualified to do business under the provisions of the Long Term Tax Exemption Law, *N.J.S.A. 40A:20-1 et seq.*, as amended and supplemented (the “**Exemption Law**”), with offices at 1500 Market St., Suite 3310E, Philadelphia, PA 19102, and the **CITY OF ATLANTIC CITY**, a public body corporate and politic of the State of New Jersey having its offices at 1301 Bacharach Boulevard, Atlantic City, New Jersey 08401 (the “**City**”; together with the Entity, the “**Parties**”; each, a “**Party**”).

W I T N E S S E T H :

WHEREAS, based upon the recommendation of the Planning Board of the City of Atlantic City, the City Council of the City of Atlantic City adopted Resolution 889 in 1994, designating the entire City as an area in need of rehabilitation as defined in the Local Redevelopment and Housing Law, *N.J.S.A. 40A:12A-1 et seq.* (LRHL), which designation became effective upon the transmission of the resolution to the New Jersey Department of Community Affairs by the City Clerk; and

WHEREAS, the City Council of Atlantic City, declared the entirety of the City of Atlantic City as an “Area in Need of Rehabilitation”, and pursuant to N.J.S.A. 52:27BBBB-19 whereby the Legislature declared the entirety of the City of Atlantic City as a “blighted area and an area in need of redevelopment;” and

WHEREAS, the City adopted via ordinance No. 46 of 2024, “Redevelopment Plan 1 South New York Avenue Atlantic City, N.J. Block 146, Lot 1” (the “**Redevelopment Plan**”); and

WHEREAS, the Entity is the owner of 1 South New York Avenue in the City of Atlantic City, and designated as Block 146, Lot 1 on the City’s tax map (the “**Property**”), and more particularly described in **Exhibit A** attached hereto; and

WHEREAS, the Property is located within the boundaries of the area governed by the Redevelopment Plan; and

WHEREAS, the City Council adopted Resolution 197 appointing Atlantic Lofts Urban Renewal Associates, LLC as Redeveloper of the Property; and

WHEREAS, the City and the Entity have entered into a Redevelopment Agreement (the “**Redevelopment Agreement**”) to effectuate the redevelopment of the Property; and

WHEREAS, the Entity will finance and construct on the Property 56 market-rate residential rental units and commercial space on the ground floor and other amenities and improvements consistent with the Redevelopment Plan (the “**Project**”); and

WHEREAS, the Entity has submitted an application to the City for the approval of a long-term tax exemption (the “**Long Term Tax Exemption**”) for the Project pursuant to the Exemption Law, which application is attached hereto as **Exhibit B** (the “**Application**”); and

WHEREAS, pursuant to the Exemption Law, the City is permitted to grant a tax exemption to the Entity with respect to the Project; and

WHEREAS, on February 19, 2025, by Ordinance No. 6 of 2025 (the “**Ordinance**”), the City approved the Application, subject to the terms and conditions of this Financial Agreement and authorized the execution of this Financial Agreement; and

WHEREAS, pursuant to this Financial Agreement, the City, and the Entity desire to set forth in detail their mutual rights and obligations with respect to the Long Term Tax Exemption; and

WHEREAS, the City has reviewed the Application and has made the following findings:

A. Benefits of Project v. Costs.

i. The development and construction of the Project, as set forth in the Redevelopment Agreement and Redevelopment Plan, will be beneficial to the overall community; will achieve the goals and objectives of the Redevelopment Plan; will help revitalize the Redevelopment Area; will improve the quality of life for the community; will serve as a catalyst for further private investment in areas surrounding the Redevelopment Area and will enhance the economic development of the City.

ii. It is anticipated that the development of the Project will create approximately 70-80 construction jobs during the construction phase of the Project, as well as approximately 3 full-time permanent jobs in connection with the operation of the Project.

iii. Pursuant to this Financial Agreement, the Project is projected to generate revenue for the City in the first year well in excess of the municipal revenue generated by *ad valorem* taxes in 2024. The benefits to the City accruing as a result of the Project, including the generation of jobs, the revitalization of the Redevelopment Area, and the generation of municipal revenues, will substantially outweigh any incremental costs to the City resulting from the Long Term Tax Exemption granted herein.

B. Importance of Long Term Tax Exemption.

The City’s approval of the Long Term Tax Exemption set forth herein is essential to the success of the Project because:

i. The relative stability and predictability of the Annual Service Charge (as defined below) associated with the Project will make it more attractive to financial institutions whose participation is necessary in order to finance the Project.

ii. The relative stability and predictability of the Annual Service Charge will allow the Entity to provide a high level of maintenance for the Redevelopment Area and will have a positive impact on the surrounding area and community.

iii. The financial benefit conferred by the Long Term Tax Exemption is a critical incentive for the Entity to undertake the Project due to the extraordinary costs associated with the development of the Project. In light of market conditions and other economic factors impacting this Project, it is not financially feasible to undertake the development of this Project in the absence of the tax exemption. For this reason, it is critical for the Entity that it receives the Long Term Tax Exemption as it would not be able to raise the debt and equity required to locate its business in the City without this exemption.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties to this Agreement mutually covenant and agree as follows:

ARTICLE I **GENERAL PROVISIONS**

Section 1.1 Governing Law

This Financial Agreement shall be governed by the provisions of the Exemption Law, the Redevelopment Law, the Ordinance, and all other Applicable Laws, as defined below. It is expressly understood and agreed that the City has relied upon the facts, data, and representations contained in the Application in granting the Long Term Tax Exemption and the Application is hereby incorporated into this Financial Agreement by reference.

Section 1.2 General Definitions and Construction

The recitals and exhibits to this Agreement are hereby incorporated by reference herein as if set forth at length. Unless specifically provided otherwise or the context otherwise requires, when used in this Agreement, the following terms and phrases shall have the following respective meanings:

- (a) **Affiliate** – With respect to any person or entity, any other person or entity directly or indirectly Controlling or Controlled by, or under direct common Control with, such person or entity.
- (b) **Agreement or Financial Agreement** – Shall have the meaning specified in the preamble hereof.
- (c) **Allowable Net Profit (also referred to as “ANP”)** – The amount arrived at by applying the Allowable Profit Rate pursuant to the provisions of *N.J.S.A. 40A:20-3*.
- (d) **Allowable Profit Rate (also referred to as the “APR”)** – The greater of 12% or the percentage per annum arrived at by adding 1.25% to the annual interest percentage rate

payable on the Entity's initial permanent mortgage financing for the Project. If the initial permanent mortgage is insured or guaranteed by a governmental agency, the mortgage insurance premium or similar charge, if payable on a per annum basis, shall be considered as interest for this purpose. If there is no permanent mortgage financing or if the financing is internal or undertaken by a related party, the APR shall be the greater of 12% or the percentage per annum arrived at by adding 1.25% percent to the prevailing per annum interest rate on mortgage financing on comparable improvements within Atlantic County. The provisions of *N.J.S.A.* 40A:20-3(b) are incorporated herein by reference.

- (e) **Annual Administrative Fee** – Shall have the meaning specified in Section 4.10 hereof.
- (f) **Annual Audited Statement** – Shall mean a complete financial statement outlining the financial status of the Project, which shall also include a computation of Net Profit, Allowable Net Profit, and Annual Gross Revenue, prepared annually by the Entity's certified public accountant. The contents of each Annual Audited Statement shall be prepared in conformity with generally accepted accounting principles, the Exemption Law, and this Financial Agreement.
- (g) **Annual Gross Revenue (also referred to as the "AGR")** – The annual gross revenue and all other income of the Entity derived from the Project. Any operating and maintenance expenses paid by a tenant of the Project that would ordinarily be paid by the Entity, as landlord, shall be included in Annual Gross Revenue. However, notwithstanding anything contained herein to the contrary, any gain of the entity realized by the sale or refinancing of the Project or any portion thereof in fee simple or leasehold interest is not included in Annual Gross Revenue.
- (h) **Annual Service Charge (also referred to as the "ASC")** – The total annual amount that the Entity has agreed to pay the City for municipal services supplied to the Project, which sum is in lieu of any taxes on the Improvements pursuant to the Exemption Law, which amount shall be prorated in the year in which the Annual Service Charge begins and the year in which the Annual Service Charge terminates. The Annual Service Charge shall be calculated pursuant to Article IV hereof.
- (i) **Applicable Law** – Shall mean any and all federal, state, and local laws, rules, regulations, rulings, court orders, statutes, and ordinances applicable to the Project, the Redevelopment Area, and the Long-Term Tax Exemption.
- (j) **Application** – Shall have the meaning specified in the recitals of this Financial Agreement.
- (k) **ASC Commencement Date** – The first day of the calendar quarter immediately following the Substantial Completion of the Project, with the amount of the Annual Service Charge upon commencement being determined and controlled by Article IV hereof, as prorated for the remainder of the year the Annual Service Charge commences..
- (l) **Certificate of Occupancy** – A temporary or permanent certificate of occupancy issued by the appropriate City official, pursuant to *N.J.S.A.* 52:27D-133.

- (m) **Control** – As used with respect to any person or entity, shall mean possession, directly or indirectly, of the power to direct or cause the direction of the management and operation of such person or entity, whether through the ownership of voting securities or by contract or other written agreements.
- (n) **Days** – Whenever the word “Days” is used to denote time, it shall mean calendar days.
- (o) **Debt Service** – The amount required to make annual payments of principal and interest or the equivalent thereof on any construction mortgage, permanent mortgage or other financing including returns on institutional equity financing and market rate related party debt for the Project for a period equal to the term of the Long-Term Tax Exemption granted by this Financial Agreement.
- (p) **Default** – A breach or failure of the City or the Entity to perform any obligation imposed by the terms of this Financial Agreement, or under the Exemption Law, beyond any applicable grace or cure periods set forth in this Financial Agreement. In addition, a Default under the Redevelopment Agreement, which has not been cured in accordance with the terms of the Redevelopment Agreement, for failure to commence or complete construction in accordance with the Redevelopment Agreement, shall constitute a Default under this Agreement.
- (q) **Effective Date** – Shall have the meaning specified in the preamble of this Financial Agreement.
- (r) **Entity** – Shall mean the entity specified in the preamble of this Financial Agreement, which shall be qualified as an urban renewal entity under the Exemption Law. Unless the context provides otherwise, it shall also include any permitted Transferee, which shall also be qualified as an urban renewal entity under the Exemption Law as set forth in Section 8.1 hereof.
- (s) **Excess Net Profits** – The amount of Net Profits that exceeds the Allowable Net Profits (ANP) for the applicable accounting period as determined in accordance with the Exemption Law.
- (t) **Exemption Law** – Shall have the meaning specified in the preamble of this Financial Agreement.
- (u) **Improvements** – Any building, structure or fixture comprising the Project which is permanently affixed to the Land to be constructed and exempt under this Agreement.
- (v) **Land** – The land comprising Block 146, Lot 1.
- (w) **Land Tax Credit** – Shall have the meaning specified in Section 4.4 of this Financial Agreement.

- (x) **Land Taxes** – The amount of any real estate taxes levied on the Land, exclusive of any Improvements related thereto.
- (y) **Long Term Tax Exemption** – Shall have the meaning specified in the recitals of this Financial Agreement.
- (z) **Minimum Annual Service Charge** – The amount of the total taxes levied against the Property in the last full tax year in which the Property was subject to taxation.
- (aa) **Net Profit** – Annual Gross Revenue (AGR) less all operating and non-operating expenses and costs of the Entity, all determined in accordance with Generally Accepted Accounting Principles and the provisions of *N.J.S.A. 40A:20-3(c)*, but: (1) there shall be included in expenses: (a) all Annual Service Charges paid pursuant to *N.J.S.A. 40A:20-12*; (b) all payments to the municipality of excess profits pursuant to *N.J.S.A. 40A:20-15* or *N.J.S.A. 40A:20-16*; (c) an annual amount sufficient to amortize the Total Project Cost and all capital costs determined in accordance with generally accepted accounting principles, of any other entity whose revenue is included in the computation of excess profits, over the term of the abatement as set forth in this Financial Agreement; (d) all reasonable annual operating expenses of the Entity and any other entity whose revenue is included in the computation of Excess Profits, including the cost of all management fees, brokerage commissions, insurance premiums, all taxes or service charges paid, legal, accounting, or other professional service fees, utilities, building maintenance costs, building and office supplies, and payments into repair or maintenance reserve accounts; (e) all payments of rent including, but not limited to, ground rent by the Entity (if applicable); (f) all Debt Service; and (2) there shall not be included in expenses either depreciation or obsolescence, interest on debt, except interest which is part of Debt Service, income taxes, or salaries, bonuses or other compensation paid, directly or indirectly to directors, officers and stockholders of the Entity, or officers, partners or other persons holding any proprietary ownership interest in the Entity.
- (bb) **Ordinance** – Shall have the meaning specified in the recitals of this Financial Agreement.
- (cc) **Party or Parties** – Shall have the meaning specified in the preamble of this Financial Agreement.
- (dd) **Payment Default** – Shall have the meaning specified in Section 5.4 of this Financial Agreement.
- (ee) **Project** – Shall have the meaning specified in the recitals of this Financial Agreement.
- (ff) **Redevelopment Agreement** – Shall have the meaning specified in the recitals of this Financial Agreement.
- (gg) **Redevelopment Law** – Shall have the meaning defined in the recitals of this Financial Agreement.

- (hh) **Redevelopment Plan** – Shall have the meaning defined in the recitals of this Financial Agreement.
- (ii) **Reserve** – Shall have the meaning defined in Section 6.2 of this Financial Agreement.
- (jj) **Secured Party or Secured Parties** – Shall have the meaning defined in Section 8.3(a) of this Financial Agreement.
- (kk) **Security Arrangements** – Shall have the meaning defined in Section 8.3(a) of this Financial Agreement.
- (ll) **State** – The state of New Jersey.
- (mm) **Substantial Completion** – The determination by the City construction official that the Project, in whole or in part, is ready for the use intended, which shall mean the date on which the Project receives, or is eligible to receive, any Certificate of Occupancy for any portion of the Project.
- (nn) **Termination Date** – The earlier to occur of (i) the 35th anniversary of the Effective Date; (ii) the 30th anniversary date of the ASC Commencement Date; or (iii) such other date as this Financial Agreement may terminate pursuant to the terms hereof or pursuant to Applicable Law.
- (oo) **Total Project Cost** – Shall be as calculated in accordance with Section 3(h) of the Exemption Law.
- (pp) **Transferee** – Shall have the meaning specified in Section 8.1 of this Financial Agreement.

Section 1.3 Interpretation and Construction

In this Agreement, unless the context otherwise requires:

(a) The terms “hereby,” “hereof,” “hereto,” “herein,” “hereunder” and any similar terms, as used in this Agreement, refer to this Agreement, and the term “hereafter” means after, and the term “heretofore” means before the date of delivery of this Agreement.

(b) Words importing a particular gender mean and include correlative words of every other gender and words importing the singular number mean and include the plural number and vice versa.

(c) Words importing persons mean and include firms, associations, partnerships (including limited partnerships), trusts, corporations, limited liability companies and other legal entities, including public or governmental bodies, as well as natural persons.

(d) Any headings preceding the texts of the several articles and sections of this Agreement, and any table of contents or marginal notes appended to copies hereof, shall be solely

for convenience of reference and shall not constitute a part of this Agreement, nor shall they affect its meaning, construction, or effect. All references to articles, sections, or exhibits in this Agreement shall, unless indicated otherwise, refer to the articles, sections or exhibits in this Agreement.

(e) Unless otherwise indicated, all approvals, consents and acceptances required to be given or made by any person or Party hereunder shall not be unreasonably withheld, conditioned, or delayed.

(f) All notices to be given hereunder and responses thereto shall be given, unless a certain number of days is specified, within a reasonable time, which shall not be less than 10 Days nor more than 20 Days, unless the context dictates otherwise.

(g) All exhibits referred to in this Agreement and attached hereto are incorporated herein and made part hereof.

ARTICLE II **PROJECT AND PROPERTY**

Section 2.1. City's Findings

Pursuant to the Exemption Law, the City finds that the Long-Term Tax Exemption granted pursuant to this Financial Agreement will benefit the City and the community by assuring the success of the redevelopment of the Redevelopment Area, which exhibits the statutorily recognized redevelopment criteria. The development and construction of the Project, as set forth in the Redevelopment Agreement and Redevelopment Plan, will be beneficial to the overall community; will achieve the goals and objectives of the Redevelopment Plan; will help revitalize the Redevelopment Area, including environmental remediation of the Redevelopment Area; will improve the quality of life for the community; is expected to generate 70-80 construction jobs and 3 permanent jobs; will serve as a catalyst for further private investment in areas surrounding the Redevelopment Area and will enhance the economic development of the City. The benefits to the City accruing as a result of the Project, including the generation of jobs, the revitalization of the Redevelopment Area, and the generation of municipal revenues, will substantially outweigh any incremental costs to the City resulting from the Long-Term Tax Exemption granted herein.

The Long-Term Tax Exemption is important to the City and the Entity because without the incentive of the Long-Term Tax Exemption, it is unlikely that the Project would be undertaken. The Long-Term Tax Exemption will allow the Entity to provide a high level of maintenance for the Redevelopment Area.

Section 2.2 Approval of Agreement

The City hereby approves a Long-Term Tax Exemption for the Project, which is to be constructed, operated, and maintained on the Land in accordance with the terms and conditions set forth herein, the Redevelopment Agreement, the provisions of the Exemption Law, and other Applicable Law.

Section 2.3 Approval of the Entity

The City hereby approves of the Entity in reliance upon the Entity's representation that its certificate of formation contains all the requisite provisions of law, has been reviewed and approved by the Commissioner of the New Jersey State Department of Community Affairs, and has been filed with, as appropriate, the New Jersey State Department of Treasury, all in accordance with *N.J.S.A. 40A:20-5*.

Section 2.4 Redevelopment of the Land

The Entity agrees that it will develop, construct, operate and maintain the Project in accordance with the terms of the Redevelopment Agreement and the Redevelopment Plan.

Section 2.5 Entity's Relationship to Land

The Land will be owned in fee simple by the Entity.

ARTICLE III **OWNERSHIP, MANAGEMENT AND CONTROL**

Section 3.1 Entity's Representation

The Entity represents that it shall remain the fee title owner of the Land throughout the development and construction of same, subject to its right of transfer in accordance with Section 8.1 hereof and the terms of the Redevelopment Agreement.

Section 3.2 Required Provisions of Financial Agreement

To the extent not otherwise set forth herein, those items required by *N.J.S.A. 40A:20-9* to be included in this Financial Agreement are set forth in the Application attached hereto as Exhibit B, which is incorporated herein as if set forth at length, and the Entity represents and warrants as to the accuracy of the contents thereof. The Entity expressly covenants, warrants, and represents that upon completion, the Project, including all Land and Improvements, shall be used, managed, and operated for the purposes set forth in the Application, in accordance with the Redevelopment Agreement, Redevelopment Plan and all Applicable Laws.

Section 3.3 Fiscal Plan

The Entity represents that the Improvements shall be financed in accordance with the representations set forth in the Application, including the fiscal plan attached thereto, which is also attached hereto as Exhibit C. The Application and fiscal plan set forth, among other things, the estimated Total Project Cost, amortization rates on the Total Project Cost, the source of funds, the interest rates to be paid on construction financing, the source and amount of paid in capital, and the terms of any mortgage amortization.

Section 3.4 Estimated Annual Gross Revenues

The Entity sets forth its good faith projections of the Annual Gross Revenue from the Project in the Fiscal Plan annexed to and made a part of this Financial Agreement at Exhibit C.

ARTICLE IV **LONG TERM TAX EXEMPTION; ANNUAL SERVICE CHARGE**

Section 4.1 Term

Subject to compliance with this Agreement, this Agreement shall be in effect from the Effective Date through the Termination Date. However, in no case shall this Agreement remain in effect longer than 35 years from the Effective Date. Upon the expiration of this Agreement, (i) the Long Term Tax Exemption for the Project shall expire and the Land and the Improvements thereon shall thereafter be assessed and taxed according to the general law applicable to other non-exempt property in the City, and (ii) any restrictions and limitations upon the Entity shall terminate upon such Entity's rendering and the City's acceptance of its final accounting to the City, pursuant to *N.J.S.A. 40A:20-13*.

Section 4.2 Calculation of Annual Service Charge

(a) In consideration of the City granting the Entity the exemption set forth in Section 4.1 of this Agreement, the Entity shall make payment to the City for municipal services, as provided in the Law, by payment to the City of the Annual Service Charge in the amount of: ten percent (10%) of Annual Gross Revenue for Years One (1) through and including Ten (10) following the ASC Commencement Date; and eleven percent (11%) of Annual Gross Revenue for Years Eleven (11) through and including Twenty (20) following the ASC Commencement Date; and twelve percent (12%) of Annual Gross Revenue for Years Twenty One (21) through and including Thirty (30) following the ASC Commencement Date (each such percentage herein being referred to as a "**ASC Percentage Rate**"). Notwithstanding the preceding sentence, in any year where the actual Annual Gross Revenue, as determined by the Auditor's Report for that year ("**Actual Annual Gross Revenue**"), exceeds the amount of the Entity's Projected Annual Gross Revenue, as set forth on the schedule attached hereto as **Exhibit C** ("**Projected Annual Gross Revenue**"), by four percent (4%) or more the ACS Percentage Rate shall be increased by one percent (1%) for each four percent (4%) increment of Actual Annual Gross Revenue that exceeds the Projected Annual Gross Revenue for that year. There must be a full and complete four percent (4%) increase in Actual Annual Gross Revenue over Projected Annual Gross Revenue for there to be an additional one percent (1%) increase to the Annual Gross Revenue Percentage Rate; i.e. there will be no prorated increase in the Annual Gross Revenue Percentage Rate for anything less than a full four percent (4%) increase in the Annual Gross Revenue over the Projected Annual Gross Revenue. For example, and not by limitation, if the Actual Annual Gross Revenue exceeds the Projected Annual Gross Revenue by four percent (4%) in Year One, then the revised ASC Percentage Rate for Year One would be eleven percent (11%); if the Actual Annual Gross Revenue exceeds the Projected Annual Gross Revenue by four percent (4%) in Year Eleven, the revised ASC Percentage Rate for Year Eleven would be twelve percent (12%). For the further avoidance of doubt, the chart attached hereto as **Exhibit D** ("**Exemplar Chart for ASC Adjustment**") displays

the calculations that would be made if the increase in Actual Annual Gross Revenue over Projected Annual Gross Revenue were to be four or eight percent (4% or 8%) for Years One, Five, Eleven and Twenty-One.

(b) The Annual Service Charge shall first begin to accrue on first day of the calendar quarter immediately following the Substantial Completion of the Project. In the event the Entity fails to timely pay the Annual Service Charge, the amount unpaid shall bear the highest rate of interest permitted in the case of unpaid taxes or tax liens on the land until paid, and the City shall have the same rights and remedies to collect such charges as provided by law for collection of general municipal taxes.

(c) The Annual Service Charge shall not be in lieu of sewer charges or other municipal charges imposed in accordance with Applicable Law.

Section 4.3 Staging Schedule for Annual Service Charges

The Annual Service Charge shall be scheduled over the term of the Agreement in accordance with N.J.S.A. 40A:20-12(b) as follows:

Stage One (years 1-15): Pursuant to N.J.S.A. 40A:20-11 and N.J.S.A. 40A:20-12(1), commencing on the ASC Commencement Date of the PILOT Project and for each of the fifteen (15) years thereafter, the Annual Service Charge shall be determined pursuant to Section 4.2(a) of this Agreement.

Stage Two (years 16-21): The Annual Service Charge shall be the amount determined pursuant to Section 4.2(a) of this Agreement, or twenty (20%) per cent of the amount of taxes otherwise due on the value of the Land and Improvements, whichever is greater.

Stage Three (years 22-27): The Annual Service Charge shall be the amount determined pursuant to Section 4.2(a) of this Agreement, or forty (40%) per cent of the amount of taxes otherwise due on the value of the Land and Improvements, whichever is greater.

Stage Four (years 28-29): The Annual Service Charge shall be the amount determined pursuant to Section 4.2(a) of this Agreement, or sixty (60%) per cent of the amount of taxes otherwise due on the value of the Land and Improvements, whichever is greater.

Stage Five (year 30): The Annual Service Charge shall be the amount determined pursuant to Section 4.2(a) of this Agreement, or eighty (80%) per cent of the amount of taxes otherwise due on the value of the Land and Improvements, whichever is greater.

Section 4.4 Minimum Annual Service Charge

Notwithstanding anything to the contrary in this Financial Agreement, including, without limitation, Section 4.2 hereof, the Annual Service Charge for the Project shall not be less than the Minimum Annual Service Charge.

Section 4.5 Land Tax Credit

The Entity, or its Transferee, shall be entitled to a credit against the Annual Service Charge for the amount, without interest, of Land Taxes timely paid in the prior tax year (the “**Land Tax Credit**”). For each quarterly payment of the Annual Service Charge in a given tax year, the Land Tax Credit shall be equal to one-fourth of the Land Taxes paid in the previous tax year.

Section 4.6 Quarterly Installments

The Annual Service Charge or the Minimum Annual Service Charge, as the case may be, and if applicable, Land Taxes, shall be paid in quarterly installments on those dates when *ad valorem* real estate tax payments on other properties within the City are due, subject to adjustment for over payment or underpayment within 30 Days after the close of each calendar year. If the Entity fails to so pay, the amount unpaid shall bear the highest rate of interest permitted in the case of the unpaid taxes or tax liens on the Land until paid. The Entity’s failure to make the requisite payments of Annual Service Charge or Minimum Annual Service Charge, or if applicable, Land Taxes, in a timely manner shall constitute a Default under this Agreement and the City may, among its other remedies as provided in this Financial Agreement, proceed against the Project pursuant to the In Rem Tax Foreclosure Act, *N.J.S.A. 54:5-1 et seq.* In addition, the City may terminate this Agreement with respect to the Project in accordance with Section 5.4 hereof. Any Default arising out of the Entity’s failure to pay the Annual Service Charge, Minimum Annual Service Charge, or if applicable, Land Taxes, shall not be subject to the dispute resolution remedies provided in Section 5.1.

Section 4.7 Rights and Obligations Related to Long Term Tax Exemption

(a) All Annual Service Charge or Minimum Annual Service Charge payments, as the case may be, made pursuant to this Financial Agreement shall be in lieu of taxes and, as set forth above, the City shall have the rights and remedies of tax enforcement granted to a municipality by Applicable Law, including those of in rem tax foreclosure pursuant to *N.J.S.A. 54:5-1*, just as if said payments constituted regular real property tax obligations on other real properties within the City.

(b) If the ASC Commencement Date occurs on a date other than the last day of a quarter, the amount of ad valorem real estate taxes for such period up to the ASC Commencement Date shall be based on a per diem basis for such quarter.

Section 4.8 Remittance to County

The City shall remit to the County of Atlantic 5% of the Annual Service Charge (net of the land tax credit) received each year from the Entity, pursuant to *N.J.S.A. 40A:20-12(b)(2)(e)*.

Section 4.9 Payment of Conventional Taxes Prior to ASC Commencement Date

The Parties agree that conventional property taxes, including Land Taxes, are due from time to time in accordance with Applicable Law prior to the ASC Commencement Date.

Section 4.10 Administrative Fee

In addition to the Annual Service Charge, the City reserves the right to charge the Entity an annual administrative fee (the “**Annual Administrative Fee**”) in an amount equal to 2% of the Annual Service Charge (prior to Land Tax Credit). The Annual Administrative Fee shall be due on or before November 1 in each year following the ASC Commencement Date.

Section 4.11 Application Fee

The Entity shall pay to the City prior to or simultaneously with the execution of this Financial Agreement an application fee of two percent (2.0%) of the projected first year Annual Service Charge.

Section 4.12 Other Municipal Services.

Nothing herein shall exempt the Entity from the payment of any applicable municipal services. The Entity shall timely pay for municipal services rendered to the Project or to the Land.

ARTICLE V **DISPUTE RESOLUTION; DEFAULT**

Section 5.1 Agreement to Arbitrate

If the City or the Entity breaches this Financial Agreement (other than with respect to a Payment Default), or a dispute arises between the Parties regarding the terms and provisions set forth herein, then the Parties shall submit the dispute to arbitration, which shall utilize State law and the arbitration rules of the American Arbitration Association in the State of New Jersey, to be resolved in accordance with its rules and regulations in such fashion as to accomplish the purposes of the Exemption Law and this Financial Agreement. The costs of arbitration shall be borne equally by the Parties involved in the arbitration. The demand for arbitration shall be filed in writing and shall be made within a reasonable time after a dispute or breach occurs. The arbitrator(s) shall make written findings of fact and conclusions of law. Any arbitration award may be appealed by either party to the New Jersey Superior Court, Law Division, with respect to asserted errors of fact or law, and the outcome of such appeal may be further appealed in the State courts and shall not be limited in any way due to the origin of the action in arbitration.

Notwithstanding the foregoing, if the Entity fails to pay the Annual Service Charge, Minimum Annual Service Charge, or if applicable, Land Taxes, the City among its other remedies, reserves the right to proceed against the Project pursuant to *N.J.S.A. 54:5-1 to 54:5-129*, and any Act supplementary or amendatory thereof, and shall not be required to submit such matters to

arbitration. Whenever the word "Taxes" appears or is applied, directly or implied, to mean taxes or municipal liens on land, such statutory provisions shall be read, as far as is pertinent to this Agreement, as if the Annual Service Charge are taxes or municipal liens on land.

Section 5.2 Covenant to Make Payments

The Entity agrees that timely payment of the Land Taxes (during any period in which Land Taxes are not exempt hereunder), the Minimum Annual Service Charge and/or the Annual Service Charge to the City, as well as continued compliance with Applicable Laws, are material conditions of this Financial Agreement. The failure to make any of the aforesaid payments in timely fashion shall constitute both a breach of this Financial Agreement and a tax payment delinquency under Applicable Law.

Section 5.3 Remedies upon Default

All of the remedies provided in this Agreement, and all rights and remedies granted to the parties by law and equity, shall be cumulative and concurrent. No termination of any provision within this Agreement shall deprive the City of any of its remedies in accordance with law or actions against the Entity because of its failure to pay Land Taxes (during any period in which Land Taxes are not exempt hereunder), the Annual Service Charge, and/or water and sewer charges with interest payments. The bringing of any action due to a Default under this Agreement shall not be construed as a waiver of the right to enforce any other remedy provided in this Agreement. Nothing in this Agreement shall be deemed to create personal liability on the part of any Entity for any of the provisions of this Agreement, the City's rights, and remedies to collect any obligation due and owing hereunder to be the same as the City's rights and remedies with respect to collection of real estate taxes generally under applicable law.

Section 5.4 Notification of Breach Required

Other than with respect to the nonpayment or late payment of all or a portion of Land Taxes, the Annual Administrative Fee, Annual Service Charge or Minimum Annual Service Charge (any of the foregoing a "**Payment Default**"), the City shall notify the Entity in writing of any breach relating to the terms of this Financial Agreement. If the Entity fails to cure a Payment Default within 10 Days of its occurrence, or fails to cure any other breach within 30 Days after the actual delivery of notice by the City, or within any additional periods to which the Parties may agree to, in writing (with respect to Defaults other than Payment Defaults, the City shall not unreasonably refuse to grant a reasonable extension of the cure period, not to exceed 60 Days after the notice unless the City in its sole discretion shall agree to a longer cure period), the City may invalidate the Long Term Tax Exemption by providing 30 Days written notice to the Entity, which shall inform the Entity that the Long Term Tax Exemption shall terminate at the expiration of said 30 Day notice period due to the breach of the terms of this Financial Agreement. In addition, if the Redevelopment Agreement has been terminated in accordance with its terms, this Financial Agreement shall also automatically terminate.

Section 5.5 Force Majeure

Neither Party shall be liable to the other for failure to perform its obligations under this Agreement due to causes that are beyond the reasonable control and not substantially due to the fault or negligence of the party seeking to excuse delay or failure of performance of an obligation hereunder by reason thereof, including, but not limited to, declarations of public emergency; acts of nature (as to weather-related events, limited to severe and unusual events or natural occurrences such as hurricanes, tornadoes, earthquakes, and floods); acts of the public enemy; acts of terrorism; acts of war; fire; epidemics; quarantine restrictions; blackouts, power failures or energy shortages; governmental embargoes; strikes or similar labor action by equipment or material suppliers or transporters, or unavailability of necessary building materials. Notwithstanding the foregoing, the payment of Land Taxes (during any period in which Land Taxes are not exempt hereunder), Annual Service Charge, Minimum Annual Service Charge and Annual Administrative Fee are material conditions of this Agreement which shall not be excused by the occurrence of a force majeure event.

Section 5.6 Certificate of Occupancy

It is understood and agreed that it shall be the obligation of the Entity to obtain all Certificates of Occupancy in a reasonably timely manner. The City shall reasonably cooperate in processing Entity's request(s) for the issuance of any Certificate(s) of Occupancy.

Section 5.7 Filing of Certificate of Occupancy

It shall be the responsibility of the Entity to forthwith file with both the Tax Assessor and the Tax Collector of the City a copy of any Certificate of Occupancy issued for the Project.

Failure of the Entity to file such issued Certificate of Occupancy as required by the preceding paragraph shall not militate against any action or non-action taken by the City, including, if appropriate, retroactive billing with interest for any charges determined to be due, in the absence of such filing by the Entity.

ARTICLE VI **LIMITATION ON PROFITS**

Section 6.1 Entity's Covenant of Limitation on Profits

During the period of tax exemption as provided herein, the Entity shall be subject to a limitation of its profits pursuant to the provisions of *N.J.S.A.* 40A:20-15. Pursuant to *N.J.S.A.* 40A:20-3(c), this calculation is completed in accordance with generally accepted accounting principles.

Section 6.2 Permitted Reserves

The Entity shall have the right to establish a reserve against vacancies, unpaid rentals, and reasonable contingencies in an amount up to 10% of the Annual Gross Revenues of the Entity for the prior fiscal year (hereinafter referred to as the "Reserve") and may retain such part of the Excess Net Profits as is necessary to eliminate a deficiency in that Reserve, as provided in *N.J.S.A.*

40A:20-15.

Section 6.3 Payment of Dividend and Excess Profit Charge

In accordance with *N.J.S.A.* 40A:20-15, if the Net Profits of the Entity shall exceed the Allowable Net Profits in any accounting period, then the Entity, within 90 Days after the end of the accounting period, shall pay such Excess Net Profits to the City as an additional Annual Service Charge; provided, however, that the Entity may maintain a Reserve as determined pursuant to Section 6.2.

Section 6.4 Payment of Reserve/Excess Net Profit Upon Termination, Expiration or Sale

The Termination Date of this Agreement, or the date of sale or transfer of the Improvements, shall be considered to be the close of the fiscal year of the Entity. Within 90 Days after such date, the Entity shall pay to the City the amount of the Reserve, if any, maintained by it pursuant to Section 6.2, and the Excess Net Profits, if any.

ARTICLE VII
TERMINATION OF AGREEMENT AND INSPECTIONS

Section 7.1 Voluntary Termination of the Financial Agreement by Entity

Pursuant to the Exemption Law, the Entity or any Transferee may at any time after the expiration of 1 year from the ASC Commencement Date, notify the City in writing that, as of a certain date designated in the notice, it relinquishes its status as an urban renewal entity under the Exemption Law and that the Entity, or Transferee, has obtained the consent of the Commissioner of the Department of Community Affairs, if required by Applicable Law. As of that date, all of the obligations and requirements contained in this Financial Agreement shall terminate. Notwithstanding the foregoing, such relinquishment shall not impact the obligation of the Entity or the Transferee, as applicable, to make payment of any Annual Administrative Fee, Land Taxes (during any period in which Land Taxes are not exempt hereunder), Annual Service Charge, or Minimum Annual Service Charge that has accrued up to and including the Termination Date, or the obligation of the Entity or the Transferee, as applicable, to perform the final accounting required by the Exemption Law and Section 7.2 below.

Section 7.2 Termination and Final Accounting

Within 90 Days after the Termination Date, whether by affirmative action of the Entity or by virtue of the provisions of the Applicable Law or pursuant to the terms of this Financial Agreement, the Entity shall provide a final accounting and pay to the City the Reserve, if any, pursuant to *N.J.S.A.* 40A:20-15, as well as any Excess Net Profits, if any, payable as of that date. For purposes of rendering a final accounting, the Termination Date of the Financial Agreement shall be deemed to be the end of the fiscal year for the Entity.

Section 7.3 Taxes After Termination Date

After the Termination Date, the Long-Term Tax Exemption shall expire, and the relevant portion of the Land and the Improvements constructed thereupon shall thereafter be assessed and conventionally taxed according to Applicable Law as other real property in the City.

Section 7.4 Rights of Inspection

The Entity shall permit the inspection of its property, equipment, buildings, and other facilities of the Project by representatives duly authorized by the City and Division of Local Government Services in the Department of Community Affairs pursuant to *N.J.S.A. 40A:20-9(e)*. The Entity shall also permit, upon written request, examination and audit of its books, contracts, records, documents, and papers relating to the Project by representatives duly authorized by the City and Division of Local Government Services in the Department of Community Affairs pursuant to *N.J.S.A. 40A:20-9(e)*. Such inspection shall be made upon 5 Days' prior written notice, in the presence of an officer or agent designated by the Entity. To the extent reasonably possible, the inspection will not materially interfere with construction or operation of the Project. Nothing in this section shall be construed to affect, limit, or restrict the powers of municipal, county, State, or other officials from carrying out those inspections that are generally applicable outside of the Exemption Law context, including, but not limited to, inspections by fire officials, construction code officials, etc.

ARTICLE VIII **SALE OR LEASE OF PROJECT**

Section 8.1 Approval of Sale of Project to Entity Formed and Eligible to Operate Under Applicable Law

The Entity shall not transfer all or any portion of the Project without the prior written approval of the City, except that after completion of the Project, the Entity shall be permitted to transfer all or any portion of the Project to another urban renewal entity, qualified and organized under the Exemption Law (a "Transferee") and approved by the City under the conditions set forth herein. As permitted by *N.J.S.A. 40A:20-10(a)*, it is understood and agreed that the City, on written application by the Entity after completion of the Project, shall consent to a sale of the Project and the transfer of this Agreement, provided: (i) the Transferee entity does not own or lease any other Project subject to long term tax exemption at the time of transfer; (ii) the Transferee entity is formed and eligible to operate under the Exemption Law; (iii) the Entity is not then in Default of the Redevelopment Agreement, this Agreement or the Exemption Law; (iv) the Entity's obligations under this Agreement are fully assumed by the Transferee; (v) the Transferee agrees to abide by all terms and conditions of this Agreement including, without limitation, the filing of an application pursuant to *N.J.S.A. 40A:20-8*, and any other terms and conditions of the City in regard to the Project; (vi) the Transferee possesses the requisite experience, qualifications, and financial capacity to operate and manage the Project; and (vii) the principal owners of the Transferee possess the same business reputation, financial qualifications and credit worthiness as the Entity and are otherwise reputable. The City may charge an administrative fee of two percent (2%) of the Annual Service Charge due in the year that the transfer is requested for processing any such application for transfer by the Entity.

Notwithstanding the above, it is expressly understood and agreed that the Entity is permitted, without the prior approval of the City, to affect the following transfers with respect to the Project:

- (a) Encumber the Project, e.g., mortgage financing, development easements, etc., provided that any such encumbrance is subordinate to the lien of the Annual Service Charges.
- (b) Transfer the ownership interest in the Entity to an Affiliate.
- (c) Lease any portion of the Project to an end user, with such user not being required to be an entity eligible to operate under the Exemption Law.

Notwithstanding anything to the contrary contained in A. through C., above, or elsewhere in this Agreement, the Parties expressly agree and acknowledge that:

- (i) the Entity shall not enter into any lease, whether or not with an Affiliate or related entity, that shall operate to minimize or remove revenues properly includable in the calculation of Annual Gross Revenue; and
- (ii) prior to completion of the Project, all restrictions on transfer that are set forth in the Redevelopment Agreement shall apply in accordance with the terms thereof.

Section 8.2 Obligations of Entity and Transferee after Conveyance

If the Entity transfers the Project to a Transferee with the consent of the City and the Transferee has assumed the contractual obligations of the transferor Entity with the City pursuant to Section 8.1 hereof, then the Entity shall be absolutely discharged from any further obligations regarding the Project and shall be qualified to undertake another project pursuant to the Exemption Law. Within 90 Days after the date of a transfer, the Entity shall pay to the City any Reserve maintained by it pursuant to this Financial Agreement, as well as any Excess Net Profits payable to the City pursuant to this Financial Agreement and the Exemption Law.

Section 8.3 Collateral Assignment

It is expressly understood and agreed that the Entity has the right, to the extent permitted by the Exemption Law and the Redevelopment Agreement, to encumber and/or assign its fee title to the Land and/or Improvements for purposes of (i) financing the design, development, and construction of the Project and (ii) permanent mortgage financing with respect to the Project.

- (a) The City acknowledges that the Entity and/or its Affiliates intend to obtain secured financing in connection with the acquisition, development, and construction of the Project. The City agrees that the Entity and/or its Affiliates may, subject to compliance with the Redevelopment Agreement (if then still in effect) and the Exemption Law, assign, pledge, hypothecate or otherwise transfer its rights under this Agreement and/or its interest in the Project to one or more secured parties or any agents therefor (each, a “**Secured Party**” and collectively, the “**Secured Parties**”) as security for obligations of the Entity, and/or its Affiliates, incurred in connection with such

secured financing (collectively, the “**Security Arrangements**”). The Entity shall give the City written notice of any such Security Arrangements, together with the name and address of the Secured Party or Secured Parties. Failure to provide such notice waives any requirement of the City hereunder to provide any notice of Default or notice of intent to enforce its remedies under this Agreement.

(b) If the Entity shall Default in any of its obligations hereunder, the City shall give written notice of such Default to the Secured Parties and the City agrees that, in the event such Default is not waived by the City or cured by the Entity, its assignee, designee or successor, within the period provided for herein, before exercising any remedy against the Entity hereunder, the City will provide the Secured Parties a reasonable period of time to cure such Default, but in any event not less than 20 Days from the date of such notice to the Secured Parties with regard to a Payment Default by the Entity and 90 Days from the date the Entity was required to cure any other Default.

(c) In the absence of a Default by the Entity, the City agrees to consent to any collateral assignment by the Entity to any Secured Party or Secured Parties of its interests in this Agreement and to permit each Secured Party to enforce its rights hereunder and under the applicable Security Arrangement and shall, upon request of the Secured Party, execute such documents as are typically requested by secured parties to acknowledge such consent. This provision shall not be construed to limit the City’s right to payment from the Entity, nor shall the priority of such payments be affected by the Secured Party exercising its rights under any applicable Security Arrangement.

(d) Nothing herein is intended to limit any rights of a Secured Party under *N.J.S.A. 55:1-17 et seq.*

ARTICLE IX **ENTITY’S COVENANTS AND REPRESENTATIONS**

Section 9.1 Management and Operation

Subject to its right to transfer the Project pursuant to Section 8.1 of this Financial Agreement, the Entity represents and covenants that the Entity will manage the Project or will contract with a third-party management company. The Entity shall be free to rent storage units to end users without the consent of the City.

Section 9.2 Computation of Gross Revenue

The Entity shall, for the duration of this Agreement, calculate the Annual Gross Revenue in accordance with the Exemption Law and this Financial Agreement and the computation of Annual Gross Revenue shall be shown on the Entity’s Annual Audited Statement.

Section 9.3 Annual Audit Report

For so long as the Entity owns the Project and within 90 Days after the close of each fiscal or calendar year (depending on the Entity’s accounting basis) that this Financial Agreement shall continue in effect, the Entity shall submit to the Mayor of the City, the Governing Body, the CFO

of the City, the City Manager and the New Jersey Division of Local Government Services within the New Jersey Department of Community Affairs, its Annual Audited Statement for the preceding fiscal or calendar year in accordance with the Exemption Law. The report shall clearly identify and calculate the Net Profit for the Entity during the previous fiscal year. The Entity assumes all costs associated with preparation of the Annual Audited Statements. Except to the extent required by Applicable Law, all financial information provided hereunder shall remain confidential and not subject to public disclosure.

Section 9.4 Total Project Cost Audit

Within 90 Days after the final Certificate of Occupancy is issued for the Project, the Entity shall submit to the Mayor, City Manager and Governing Body, an audit of Total Project Cost, certified as to actual construction costs by the Entity's architect.

Section 9.5 Disclosure Statement

On each anniversary date of the Effective Date of this Agreement, the Entity shall submit to the Mayor, City Manager and Governing Body, who shall advise those municipal officials required to be advised, a disclosure statement listing the persons having an ownership interest in the Project, and the extent of the ownership interest of each and such additional information as the City may request from time to time.

Section 9.6 Atlantic City First Source Employment Linkage Program AND First Employment and Contracting Agreement

Pursuant to Atlantic City Code § 30-9 through 30-13 and § 231-48, the Entity and the City shall enter an "Atlantic City First Employment and Contracting Agreement" containing the terms and reporting requirements set forth in Atlantic City Code § 231-48 B (1) through B (3).

ARTICLE X **INDEMNIFICATION**

Section 10.1 Indemnification

It is understood and agreed that in the event the City shall be named as a party defendant in any action brought against the City or the Entity by allegation of any breach, Default or a violation of any of the provisions of this Agreement and/or the provisions of the Exemption Law or any other Applicable Law, the Entity shall indemnify and hold the City harmless from and against all liability, losses, damages, demands, costs, claims, actions or expenses (including reasonable attorneys' fees and expenses) of every kind, character and nature arising out of or resulting from the action or inaction of the Entity and/or by reason of any breach, Default or a violation of any of the provisions of this Agreement, the provisions of the Exemption Law and/or any other Applicable Law except for any willful misconduct by the City or any of its officers, officials, employees or agents, and the Entity shall defend the suit at its own expense. The City shall be entitled to intervene in any such suit, and retain attorneys of its choosing, whether as party

defendant or intervenor, the cost of such attorneys to be borne by the Entity in accordance with this Section.

ARTICLE XI
MISCELLANEOUS PROVISIONS

Section 11.1 Governing Law

This Financial Agreement shall be governed by the provisions of Applicable Law including but not limited to the Exemption Law. This Agreement shall be construed and enforced in accordance with the laws of the State of New Jersey, without regard to or aid of any presumption or other rule requiring construction against the party drawing or causing this Agreement to be drawn since counsel for both the Entity and the City have combined in their review and approval of same.

Section 11.2 Oral Representation

Neither Party hereto has made any oral representation that is not contained in this Financial Agreement. This Financial Agreement and the Application, including all of the Exhibits attached and annexed thereto, constitute the entire Financial Agreement by and between the Parties.

Section 11.3 Modification

There shall be no modification of this Financial Agreement except by virtue of a written instrument executed by and between both Parties.

Section 11.4 Notices

A notice, demand or other communication required to be given under this Agreement by any Party to the other shall be in writing and shall be sufficiently given or delivered if dispatched by United States Registered or Certified Mail, postage prepaid and return receipt requested, or delivered by overnight courier or delivered personally (with receipt acknowledged) to the Parties at their respective addresses set forth herein, or at such other address or addresses with respect to the Parties or their counsel as any party may, from time to time, designate in writing and forward to the others as provided in this Section:

(a) When sent by the Entity to the City:

City of Atlantic City
City Clerk
1301 Bacharach Boulevard
Atlantic City, New Jersey 08401

With a copy to:

Chiesa Shahinian & Giantomasi PC

One Boland Drive
West Orange, New Jersey 07052
Attn: John R. Lloyd, Esq.
Email: jlloyd@csglaw.com

(b) When sent by the City to the Entity:

Atlantic Lofts Urban Renewal Associates, LLC
1 South New York Avenue
Atlantic City, NJ 08401
Attn: Philip Balderton

With a copy to:

Cooper Levenson
1125 Atlantic Avenue
Atlantic City, NJ 08401
Attn: Nicholas F. Talvacchia, Esq.

From time to time either Party may designate a different person or address for all the purposes of this notice provision by giving the other party no less than 10 Days' notice in advance of such change of address in accordance with the provisions hereof. Notices shall be effective upon the earlier of receipt or rejection of delivery by the addressee. Any notice given by an attorney for a party shall be effective for all purposes. In addition, if the Entity delivers formal written notice to the City in accordance with this Agreement, of the name and address of Entity's mortgagee, then the City shall provide such mortgagee with a copy of any notice required to be sent to the Entity.

Section 11.5 Severability

If any term, covenant, or condition of this Financial Agreement shall be judicially declared to be invalid or unenforceable, the remainder of this Financial Agreement or the application of such term, covenant or condition to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term, covenant or condition of this Financial Agreement shall be valid and be enforced to the fullest extent permitted by Applicable Law.

If any portion of this Financial Agreement shall be judicially declared to be invalid and unenforceable and provided that a Default has not been declared pursuant to this Financial Agreement, the Parties shall cooperate with each other to take the actions reasonably required to restore the Financial Agreement in a manner contemplated by the Parties, including, but not limited to the authorization and amendment of this Financial Agreement in a form reasonably drafted to effectuate the original intent of the Parties.

Section 11.6 Good Faith

The Entity and the City agree to act in good faith in all of their dealings with each other.

Section 11.7 Certification

The City Clerk shall certify to the Tax Assessor, pursuant to *N.J.S.A. 40A:20-12*, that a Financial Agreement with an urban renewal entity, i.e., the Entity, for the development of the Project, has been entered into and is in effect as required by the Exemption Law. Delivery by the City Clerk to the Tax Assessor of a certified copy of the Ordinance and this Financial Agreement shall constitute the required certification. Upon certification as required hereunder and upon the ASC Commencement Date, the Tax Assessor shall implement the exemption and continue to enforce that exemption without further certification by the City Clerk until the expiration of the entitlement to exemption by the terms of this Financial Agreement or until the Tax Assessor has been duly notified by the City Clerk that the exemption has been terminated.

Further, within 10 Days following the later of the effective date of the Ordinance or the execution of the Financial Agreement by the Entity, the City Clerk shall transmit a certified copy of the Ordinance and the Financial Agreement to the chief financial officer of Atlantic County and to the Atlantic County counsel for informational purposes.

Section 11.8 Counterparts

This Agreement may be simultaneously executed in counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 11.9 Estoppel Certificate

Within 30 Days following written request therefor by the Entity, or any mortgagee, purchaser, tenant or other party having an interest in the Project, the City shall issue a signed estoppel certificate in reasonable form stating that (i) this Financial Agreement is in full force and effect, (ii) to the best of the City's knowledge, no Default has occurred under this Agreement (nor any event which, with the passage of time and/or the giving of notice would result in the occurrence of a Default) or stating the nature of any Default, and (iii) stating any such other reasonable information as may be requested. In the event the estoppel certificate discloses a Default, it shall also state the manner in which such Default may be cured.

[Signature Page Follows]

IN WITNESS WHEREOF, the Parties have caused this Financial Agreement to be executed the day and year first above written.

WITNESS:

ATLANTIC LOFTS URBAN RENEWAL
ENTITY, LLC

Cody Worthington
Name: Cody Worthington

By: [Signature]
Name: Phillip Balderston
Title: Manager

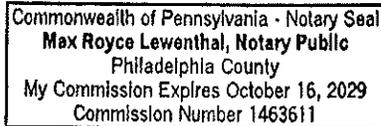
STATE OF _____)
) SS.:
COUNTY OF _____)

Be it remembered that on the 23 day of October, 2025, Phillip Balderston personally appeared before me, and this person acknowledged under oath, to my satisfaction that:

- (a) s/he is the Manager of Atlantic Lofts Urban Renewal Entity the limited liability company named as Entity in the attached Financial Agreement;
- (b) s/he is authorized to execute the attached Financial Agreement on behalf of the Entity;
- (c) s/he executed the attached Financial Agreement on behalf of and as the act of the Entity; and
- (d) the attached Financial Agreement was signed and made by the Entity as its duly authorized and voluntary act.

Sworn and subscribed to before me
this 23 day of October, 2025

[Signature]
Notary Public of the State of PA



ATTEST:

CITY OF ATLANTIC CITY

Paula Geletei

Name: Paula Geletei
Title: City Clerk

By: *Marty Small Sr.*

Name: Marty Small Sr.
Title: Mayor

STATE OF NEW JERSEY)

)

SS.:

COUNTY OF ATLANTIC)

Be it remembered that on the 19th, day of NOVEMBER, 2025, Marty Small Sr. personally appeared before me, and this person acknowledged under oath, to my satisfaction that:

- (a) he is the Mayor of the City of Atlantic City, New Jersey, the City in the attached Financial Agreement;
- (b) he is authorized to execute the attached Financial Agreement on behalf of the City;
- (c) he executed the attached Financial Agreement on behalf of and as the act of the City; and
- (d) the attached Financial Agreement was signed and made by the City as its duly authorized and voluntary act.

Sworn and subscribed to before me
this 19th day of November, 2025

Gianni N. Brooks
Notary Public of the State of NJ



APPROVED AS TO FORM AND LEGALITY

By: *Jack Berenato*
Jack Berenato, ESQ.
Assistant Solicitor, City of
Atlantic City

Ordinance

Ordinance No. 6

OF THE
CITY OF ATLANTIC CITY, N.J.

Date...1-29-2025.....
Date to Mayor..2-20-2025....

Approved as to Form and Legality on Basis of Facts Set Forth

Factual contents certified to by

Assistant City Solicitor/s/ Jack Berenato

Director of Planning & Development /s/ Jacques Howard

Revised 1/29/2025

Prepared by the City Solicitor's Office

Council Members SHABAZZ, RANDOLPH, MARSHALL & LACCA Present the following Ordinance:

AN ORDINANCE APPROVING THE APPLICATION FOR A LONG-TERM TAX EXEMPTION AND AUTHORIZING THE EXECUTION OF A FINANCIAL AGREEMENT WITH ATLANTIC LOFTS URBAN RENEWAL ASSOCIATES, LLC

WHEREAS, the City Council of the City of Atlantic City (the “**City Council**”) adopted Resolution 889 in 1994, designating the entire City of Atlantic City (the “**City**”) as an area in need of rehabilitation as defined in the Local Redevelopment and Housing Law, *N.J.S.A. 40A:12A-1 et seq.* (the “**Redevelopment Law**”), which designation became effective upon the transmission of the resolution to the New Jersey Department of Community Affairs by the City Clerk; and

WHEREAS, pursuant to *N.J.S.A. 40A:12A-7*, the City of Atlantic City Planning Board did adopt Resolution No. 10 of 2015 as its official report and recommendation to the City Council of Atlantic City that the Redevelopment Plan, entitled “Redevelopment Plan for the City of Atlantic City”, which incorporates the existing permitted uses for all parcels within the City as set forth in the City of Atlantic City Development Regulations and Zoning Ordinance and/or are set forth in the various specific Redevelopment Plans which have been adopted by the City of Atlantic City Council and which are on file with the City Clerk’s office, be adopted as it provides for the planning, development, redevelopment and rehabilitation of the City;

WHEREAS, the City did adopt by Ordinance # 38 of 2015 the “Redevelopment Plan for the City of Atlantic City” (the “**Redevelopment Plan**”); and

WHEREAS, pursuant to *N.J.S.A. 52:27BBBB-19f* the State Legislature has further “declared [the entire City of Atlantic City] a blighted area and area in need of redevelopment”; and

WHEREAS, ATLANTIC LOFTS URBAN RENEWAL ASSOCIATES, LLC (the “**Entity**”), is the owner of the property located at 1 South New York Avenue in the City of Atlantic City know as Block 146, Lot 1; and

WHEREAS, the Property is located within the boundaries of the area governed by the Redevelopment Plan; and

WHEREAS, the Entity will, in accordance with the Redevelopment Plan, finance and construct on the Property 56 market-rate residential rental units and commercial space on the ground floor and other amenities and improvements; and

WHEREAS, by Ordinance No. 73-22 adopted on December 21, 2022, the City designated the Entity as the Redeveloper of the Redevelopment Area; and

WHEREAS, the City and the Entity entered into a redevelopment agreement ("**Redevelopment Agreement**") pursuant to which, among other things, the Entity will develop the Property; and

WHEREAS, the Entity submitted to the Mayor of the City (the "Mayor") an application (the "**Application**") to make payments to the City in lieu of taxes in connection with the Project, pursuant to the Long-Term Tax Exemption Law, N.J.S.A. 40A:20-1 et seq. ("**Tax Exemption Law**"); and

WHEREAS, the Entity also submitted to the Mayor a proposed form of financial agreement (the "**Financial Agreement**"), a copy of which is attached hereto as **Exhibit A**; and

WHEREAS, the Mayor submitted the Application and Financial Agreement to the City Council with his recommendation for approval, a copy of which is recommendation is on file with the City Clerk; and

WHEREAS, the City Council has determined that the Project represents an undertaking permitted by the Tax Exemption Law; and

NOW THEREFORE, BE IT ORDINANED BY THE CITY COUNCIL OF THE CITY OF ATLANTIC CITY, STATE OF NEW JERSEY, AS FOLLOWS:

1. Approval of Application

The Application is hereby approved in accordance with the Mayor's recommendations.

2. Grant of Tax Exemption

An exemption from taxation is hereby granted to the Entity with respect to the Project for the term of thirty (30) years from the Annual Service Charge Start Date (as defined in the Financial Agreement), and only so long as the Entity remains subject to and complies with the Financial Agreement and the Tax Exemption Law.

3. Approval of Financial Agreement

The Mayor is hereby authorized to execute, on the City's behalf, the Financial Agreement attached to this Ordinance as **Exhibit A**, subject to such necessary non-material additions, deletions, modifications or alterations deemed necessary by the Mayor in consultation with the City's professional advisors including the City Solicitor, the City Business Administrator, the City Financial Director, and the City's Redevelopment Counsel. The Executed copy of the Financial Agreement shall be certified by the Municipal Clerk and filed with the office of the Municipal Clerk.

4. Compliance with Laws; Non-Discrimination; First Source Employment. The Project, when completed, shall conform with all federal and state law, regulations and City ordinances relating to its construction, operation and use. The Entity shall comply with all laws so that no person shall be discriminated against on the basis of their race, religious principles, color, national origin or ancestry or any other condition protected under the law. The Entity shall also comply with City ordinance requiring the hiring of Atlantic City residents as indicated in the Financial Agreement.

5. Payment of Annual Service Charge

Commencing with the Annual Service Charge Start Date, the Entity shall pay the Annual Service Charge for the Project to the City as set forth in the Financial Agreement attached to this Ordinance as Exhibit A.

6. Conditions Precedent to Tax Exemption

The following occurrences, together with any other required by law including, without limitation, by the Redevelopment Law and Tax Exemption Law, are express conditions to the grant of this tax exemption to be performed by the Entity:

- (a) The Entity shall pay real estate taxes on the land and improvements comprising the Project when due until the Annual Service charge becomes effective.
- (b) The Entity shall not, without prior consent of the City as set forth in the Financial Agreement, convey or transfer all or any part of the Project without City approval.
- (c) The Entity shall submit, on an annual basis, the auditor reports and certification required in the Financial Agreement as to the ownership of the Entity, the status of the construction and components of the Project, contact information for any mortgagee, and the number and type of jobs created for City residents. The reports and certification shall be filed with the Municipal Clerk and a copy provided to the City Solicitor.
- (d) The Entity shall complete the Project within the time frames set forth under the Redevelopment Agreement.

7. Additional Authorizations

The City, and appropriate officials thereof, are hereby authorized to draft, amend, modify or make such necessary changes to the Application, the Mayor's Recommendation, the Financial Agreement or any other necessary documents to effectuate the purposes hereof.

8. Limitations

This Ordinance and the actions it authorizes apply solely to the Project.

9. Repeal of Inconsistent Legislations

All ordinances or parts thereof previously adopted, to the extent they are inconsistent with the terms of this ordinance are hereby repealed or rescinded.

10. Effective Date

This ordinance shall take effect at the earliest date permitted by law after publication after adoption hereof.

January 29, 2025 1-F

DO NOT USE SPACE BELOW THIS LINE

RECORD OF COUNCIL VOTE ON FINAL PASSAGE													
COUNCIL MEMBER	AYE	NAY	N.V	A.B.	MOT.	SEC.	COUNCIL MEMBER	AYE	NAY	N.V.	A.B.	MOT.	SEC.
BAILEY	X						LACCA	X					
CROUCH	X					X	MARSHALL	X					
DUNSTON	X						SHABAZZ	X				X	
KURTZ	X						TIBBITT		X				
RANDOLPH, PRESIDENT								X					
X-Indicates Vote NV-Not Voting AB-Absent MOT-Motion SEC-Second													

Adopted on first reading at a meeting of the Council of the City of Atlantic City, N.J. on ...JANUARY 29, 2025.....

Adopted on second and final reading after hearing on...FEBRUARY 19, 2025.....

Approved By.../s/...MARTY SMALL, SR.....Date...2/20/2025....By Council.....Reconsidered _____ Over _____
 Ride _____

Mayor

Aye _____ Nay _____

This is a Certified True copy of the Original Ordinance on file in the City Clerk's Office.

/s/.....PAULA GELETEI, City Clerk

November 17, 2025 9:55 AM 1-F

DO NOT USE SPACE BELOW THIS LINE

RECORD OF COUNCIL VOTE ON FIRST PASSAGE													
COUNCIL MEMBER	AYE	NAY	N.V.	A.B.	MOT.	SEC.	COUNCIL MEMBER	AYE	NAY	N.V.	A.B.	MOT.	SEC.
BAILEY	X						LACCA	X					
CROUCH	X					X	MARSHALL	X					
DUNSTON	X						SHABAZZ	X				X	
KURTZ	X						TIBBITT		X				
RANDOLPH, PRESIDENT								X					
X-Indicates Vote NV-Not Voting AB-Absent MOT-Motion SEC-Second													

Adopted on first reading at a meeting of the Council of the City of Atlantic City, N.J. on ...JANUARY 29, 2025.....