

# City of Bloomington Common Council

## Legislative Packet

**Wednesday, 12 December 2018**

### **Special Session**

For legislation and background material regarding Resolution 18-24 and Resolution 18-25 (Parking Garage Bonds), please see the [24 October 2018 Legislative Packet](#) and [05 December 2018 Legislative Packet](#).

*immediately followed by*

### **Committee of the Whole**

For legislation and background material regarding Ordinance 18-10, Ordinance 18-26, Ordinance 18-27, and Resolution 18-26, please see the [05 December 2018 Legislative Packet](#).

All other legislation and background material contained herein.

*For a schedule of upcoming meetings of the Council and the City's boards and commissions, please consult the City's [Calendar](#).*

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**City of  
Bloomington  
Indiana**



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**To: Council Members**  
**From: Council Office**  
**Re: Weekly Packet**  
**Date: 07 December 2018**

| <b>LEGISLATIVE PACKET CONTENTS</b>   |  |
|--|--|
| <b>SPECIAL SESSION</b> <i>followed by a</i> <b>COMMITTEE OF THE WHOLE WEDNESDAY, 12 DECEMBER 2018</b>  |  |
| <ul style="list-style-type: none"><li>• Memo from Council Office</li><li>• Agenda</li><li>• Notices</li><li>• <a href="#">Resolution 18-26</a> (Supplementary Material)</li><li>• <a href="#">Resolution 18-27</a> (New Legislation)</li></ul> |  |
| <b>REMINDERS: OTHER UPCOMING MEETINGS</b>  |  |
| <ul style="list-style-type: none"><li>• Sidewalk Committee: Tuesday, 11 December 2018, Noon, Council Library (#115)</li><li>• PS-LIT Committee: Thursday, 13 December 2018, Noon, Legal Conference Room (#225)</li></ul>                       |  |

**Legislation for Consideration on Wednesday, 12 December 2018**

**Special Session:**

- [Resolution 18-24](#): Bond Resolution for the 4<sup>th</sup> Street Garage
- [Resolution 18-25](#): Bond Resolution for the Trades District Garage
- Council 2019 Schedule

**Committee of the Whole:**

- [Ordinance 18-26](#) - Title 15 (Vehicles and Traffic) – Miscellaneous Changes
- [Ordinance 18-10](#) - Title 2 (Administration and Personnel) - Adding Provisions Requiring Additional Council Oversight of Certain City Fiscal Actions)
- [Ordinance 18-27](#) - Title 9 (Water) - Adding new chapter on backflow regulation
- [Resolution 18-26](#) - Approving Lease Purchase of Smart Water Meters (introduced this week - additional materials to be in this packet)
- [Resolution 18-27](#) - Preliminary Approval of Economic Development Bonds for Renovation of Canterbury House (Affordable Housing)

## **Legislative Material for Special Session**

**Resolution 18-24:** Bond Resolution for the 4<sup>th</sup> Street Garage (Amendment by Substitution)

→ Please see the [24 October 2018 Legislative Packet](#) for initial legislation and background material.

→ Please see the [05 December 2018 Legislative Packet](#) for revised legislation (Amendment by Substitution) and supporting memo.

**Resolution 18-25:** Bond Resolution for the Trades District Garage

→ Please see the [05 December 2018 Legislative Packet](#) for legislation and supporting memo.

### **Council 2019 Schedule**

→ Please see the [05 December 2018 Legislative Packet](#) for proposed alternatives.

## **Legislative Material for Committee of the Whole**

**Ordinance 18-26:** Title 15 (Vehicles and Traffic) – Miscellaneous Changes

→ Please see the [05 December 2018 Legislative Packet](#) for legislation and background material.

**Ordinance 18-10:** Title 2 (Administration and Personnel) - Adding Provisions Requiring Additional Council Oversight of Certain City Fiscal Actions)

→ Please see the [05 December 2018 Legislative Packet](#) for legislation and background material.

**Ordinance 18-27:** Title 9 (Water) - Adding new chapter on backflow regulation

→ Please see the [05 December 2018 Legislative Packet](#) for legislation and background material.

**Resolution 18-26:** Approving Lease Purchase of Smart Water Meters

→ Please see the [05 December 2018 Legislative Packet](#) for legislation and background material.

- Supplementary Material: Lease-Purchase Agreement and Escrow Agreement

**Resolution 18-27:** Preliminary Approval to Issue Economic Development Bonds and Lend the Proceeds for the Renovation of Affordable Housing – Re: Canterbury House, 540 S. Basswood Drive (Herman & Kittle, Inc., Petitioner)

- Map of Site;
- Memo from Brian Payne, Assistant Director, Economic Development (ESD)
- Summary of Project from Petitioner;
- PowerPoint Presentation to EDC (and Council);
- EDC [Res 18-05](#);

**Contacts:**

Brian Payne at 812-349-3418 or [payneb@bloomington.in.gov](mailto:payneb@bloomington.in.gov)

Larry Allen at 812-349-3426 or [allenl@bloomington.in.gov](mailto:allenl@bloomington.in.gov)

## **Special Session – Summary**

Both redevelopment bonds -- [Resolution 18-24](#) (4<sup>th</sup> Street Garage) and [Resolution 18-25](#) (Trades District Garage) -- are scheduled for consideration at the Special Session. Due to numerous concerns expressed by Councilmembers about the proposed garages associated with these bonds, votes on both pieces of legislation have been postponed. The legislation is now scheduled for consideration on 12 December. Councilmembers and the Administration held a Work Session on 06 December to discuss concerns and it is anticipated that the City's Redevelopment Commission (RDC) will address these concerns by way of a revised *Project Review and Approval Form*. The RDC will meet on Monday, 10 December at 5:00pm in the McCloskey Room. The proposed *Project Review and Approval Form* is included in the RDC's meeting packet. The packet is located on the [meeting page for the RDC's Monday meeting](#).

## **Committee of the Whole – Summary of New Legislation**

### **Resolution 18-26 Authorizing a Lease-Purchase Agreement for Smart Water Meters**

Recall that [Resolution 18-26](#) was issued in the [05 December Legislative Packet](#) and read into the record last week. As you know, historically, resolutions have not been put to First Reading, as there is no legal requirement to do so. However, some Councilmembers have requested that resolutions with a significant fiscal impact *should* be put to First Reading in the interest of alerting the public to the forthcoming legislation. [Resolution 18-26](#) authorizes a \$9 million lease-purchase agreement for the purchase and installation of smart water meters.

Note that because this legislation was expedited in interest of a First Reading, staff and tax counsel had not yet finalized all documents, and while negotiations were near a close, they had not been completed by the time the packet was issued. For that reason, the legislation was watermarked "pending further negotiations," and for that reason, key exhibits referenced in the legislation (the Lease-Purchase and Escrow Agreements) were noted as "forthcoming." Negotiations are now complete. Both the Lease-Purchase and Escrow Agreements were sent to the Council on 05 December and are included in this packet. City Legal advises that the resolution issued in the legislative packet is an accurate reflection of the agreements.

### **Resolution 18-27 Supporting Tax Exempt Financing for the Acquisition and Renovation of Canterbury House (540 S. Basswood Drive)**

Herman & Kittle Properties, Inc. (H&K) own and operate Canterbury House which is a 208 unit affordable housing complex built in 2001 and located at 540 S. Basswood Drive. By sale of rental housing tax credits (RHTCs) through the Indiana Housing & Community Development Authority (IHCDA) and the issuance of associated tax exempt bonds by the City, H&K hopes to invest \$26 million toward acquiring and renovating this 17 year old complex by 2022 (Project).

As explained later in this summary and the packet materials, the "City acts only as a 'conduit' [for this bonding] – allowing the borrower to access capital at a tax-exempt rate and receive equity for the project in the form of tax credits."<sup>1</sup> Please note that the City has provided this kind of support in the past

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<sup>1</sup> Memo – p 2

at Willow Manor Apartments (3910 S. Walnut – Res 01-07) and at Henderson Court Apartments (2475 Winslow Court – Res 07-17). This summary is based upon the legislation and memo provided by Brian Payne, Assistant Director, ESD and Larry Allen, Assistant City Attorney, the material provided by representatives for H&K, and material derived from Council Office files.

**The Project and Proposed Benefits.** According to the materials, this complex is “comprised of one-, two-, and three-bedroom units [which] target[s] households at or below 60% of Area Median Income (AMI)”<sup>2</sup> and where no more than 30% of household income is applied toward rent and utilities.<sup>3</sup> Please note that there is about a 92% occupancy rate with about 125 units rented to households with Housing Choice Vouchers.

The Project will result in three stated benefits to the community. First, the percentage of units dedicated to 60% of AMI will increase from 80% to 100% of the complex. Second, the five jobs associated with the apartment complex will be retained. And, third needed “modernization, site improvement, and security enhancements” will be made which include:

new roofs, trash enclosures, parking lot repair, enhanced site lighting and accommodations for accessibility; unit improvements: new flooring, countertops, windows, doors, HVAC and appliances (including washer and dryers in units); and safety improvements: enhanced site lighting, larger and clearly visible building identification (per BFD), enhanced security system and fencing separating adjacent apartment communities.<sup>4</sup>

Please note that, after consultation, neither the HAND department (regarding property maintenance code) nor the Planning and Transportation department (regarding the Unified Development Ordinance) have found any compliance issues to raise with the Council or that might be addressed with the improvements.

**Financing and Bonding Process.** As noted above, H&K is seeking tax credits and the issuance of a maximum of \$26 million in tax exempt revenue bonds with the proceeds to be used to reimburse the developer for costs associated with the acquisition, renovation, improvement, and equipping of Canterbury House. The combination of these two devices allows owners to bring in an investor/partner (typically a bank) and are an integral part of the Project. The term “acquisition” does not necessarily imply that the management will change, but rather that an investor/partner will infuse capital (with the help of the tax credits) to obtain most of the monetary risk in, (and ownership of) the Project. The materials indicate that H&K intends to continue managing this property.

The timing of the legislation is largely driven by the application for tax credits which will rely on the “the ‘distressed’ status of the qualified census tract containing Canterbury House,” which expires at the end of the year.

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<sup>2</sup> In Monroe County, for 2018, the AMI by household size is as follows: 1 Person (\$29,220); 2 Persons (\$33,360); 3 Persons (\$37,560); 4 Persons (\$41,700); 5 Persons (\$45,060); and 6 Persons (\$48,420).

<sup>3</sup> The Project Summary breaks down the Rent Limit, Utility Allowance (which is subtracted from Rent Limit), and Rent Paid by Tenant. In general and without regard to the amount of utilities paid by the tenant, the Rent Limit for households at or below 60% AMI is as follows: 1-Bedroom (\$782); 2-Bedroom (\$939); and, 3-Bedroom (\$1,084).

<sup>4</sup> From staff memo.

Upon adoption of the resolution, the petitioner will include it in their application for a combined tax credit and tax exempt bond financing from the IHCD. The IHCD will then consider this application along with others when deciding how to allocate its annual limit for tax advantaged financing. Should this package of financing succeed, then the petitioner will come back to the Council with an ordinance formally issuing the revenue bonds. As indicated above, the City lends its name to these bonds, but they do not become a debt or financial obligation of the City. As the memo states, "Herman and Kittle and its partners would fully indemnify the City and take fully responsibility for payment of the bond – the City would bear no cost."

Resolution 18-27 serves as an "inducement resolution" which supports the issuance of \$26 million in economic development revenue bonds for the Project. In brief, it:

- Recites the City's authority under IC 36-7-1.9 and 12 to issue revenue bonds for financing economic development facilities in this manner and for this purpose;
- Summarizes the Project and notes supports from the EDC;<sup>5</sup>
- Finds that the public purpose (which includes diversification of industry and increase or retention of job opportunities [in this case - five jobs]) to be achieved by the Project will be a public benefit to the issuer and its citizens; and
- Finds that the "Council has considered whether the Project will have an adverse competitive effect on similar facility already constructed or operating in" the City;
- Finds that it is desirable and in the public interest for the City take such action as it lawfully may to encourage the public purposes enuring to the community by the Project (as stated above);
- Asserts that the City approves/confirms that issuing up to \$26 million of revenue bonds for the acquisition, renovation, improvement, and equipping of the Project will serve the above public purposes in accordance with statute;
- Asserts that, in order to induce the applicant to proceed with the Project, the City agrees that it will take such steps as are necessary to aid in the issuance of these bonds (including the adoption of ordinances) and any refinancing bonds necessary to complete the Project (providing the Project continues to satisfy the public purposes set forth in statute) and, further providing, that all of the foregoing are mutually acceptable to the City and Applicant;
- Provides for a broad definition of costs that may be paid out of bond proceeds that are consistent with applicable federal tax and state laws; and
- Provides for the resolution to constitute an "official action" of the Council as required by federal treasury regulations.

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<sup>5</sup> EDC Res 18-05 is attached.

**NOTICE AND AGENDA  
BLOOMINGTON COMMON COUNCIL  
SPECIAL SESSION AND COMMITTEE OF THE WHOLE**

**WEDNESDAY, 12 DECEMBER 2018, 6:30 PM  
COUNCIL CHAMBERS  
SHOWERS BUILDING, 401 N. MORTON ST.**

**SPECIAL SESSION**

**I. ROLL CALL**

**II. AGENDA SUMMATION**

**III. LEGISLATION FOR SECOND READING AND RESOLUTIONS**

1. Resolution 18-24 Approving the Issuance of Tax Increment Revenue Bonds of the City of Bloomington Redevelopment District to Finance the Costs of Acquisition and Construction for Two Parking Garages in the Bloomington Consolidated Economic Development Area and Costs Incurred in Connection with the Issuance of Such Bonds

|                                      |                    |
|--------------------------------------|--------------------|
| Committee Recommendation             | Do Pass: 4 – 1 – 4 |
| Amendment by Substitution: Cm. Volan | Do Pass: N/A       |

*Note: This resolution was postponed from one meeting to the next as follows: from 31 October to 14 November, then to 05 December, and now to 12 December.*

2. Resolution 18-25 Approving the Issuance of Tax Increment Revenue Bonds of the City of Bloomington Redevelopment District to Finance the Costs of Acquisition and Construction of the Trades District Parking Garage in the Bloomington Consolidated Economic Development Area and Costs Incurred in Connection with the Issuance of Such Bonds.

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|--------------------------|--------------|
| Committee Recommendation | Do Pass: N/A |
|--------------------------|--------------|

*Note: This resolution was postponed at the 05 December meeting to 12 December.*

**IV. COUNCIL SCHEDULE**

**V. ADJOURNMENT**

*to be followed immediately by a*

**COMMITTEE OF THE WHOLE  
Chair: Councilmember Andy Ruff**

1. Ordinance 18-26 To Amend Title 15 of the Bloomington Municipal Code Entitled “Vehicles and Traffic” – Re: Amending Chapter 15.08 (Administration) to Extend the Time Period Permissible for Temporary, Experimental, or Emergency Traffic Regulations, Chapter 15.12 (Stop, Yield and Signalized Intersections) to Codify 90-Day Orders, Chapter 15.24 (Speed Regulations) to Codify 90-Day Orders, Chapter 15.26 (Neighborhood Traffic Safety Program) to Add Traffic Calming Locations, Chapter 15.32 (Parking Controls) to Make Changes to No Parking and Limited Parking Zones; Chapter 15.34 (Accessible Parking for People with Physical Disabilities) to Authorize the Transportation and Traffic Engineer to Approve Changes in Accessible Parking; and, Chapter 15.40 (Municipal Parking Lots, Garages and On-Street Metered Parking) to Grant Authority to the Parking Services Director to Modify Parking Fees for Special Events and to Make Changes to Non-Reserved Monthly Garage Permits

|                  |   |
|------------------|---|
| Asked to Attend: | Scott Robinson, Assistant Director, Planning and Transportation<br>Barbara McKinney, Assistant City Attorney/Human Rights Commission Director |
|------------------|---|

2. Ordinance 18-10 To Amend Title 2 of the Bloomington Municipal Code (BMC) Entitled “Administration and Personnel” (Inserting BMC 2.26.200 to Provide for Additional Council Oversight of Intra-Category Transfers of \$100,000 or More within Certain Funds; Inserting BMC 2.26.205 to Require Submittal and Approval of Capital Plans Associated with Such Funds for the Applicable Year and Council Review of Capital-Related Expenditures of \$100,000 or More Not Identified in those Plans; and, Inserting BMC 2.26.210 to Require that Certain Other Expenditures in Such Funds of \$100,000 or More be Identified and, if Not Previously Identified, then be Reviewed by the Council)

|                  |   |
|------------------|---|
| Asked to Attend: | Sponsor Councilmember Dorothy Granger<br>Sponsor Councilmember Isabel Piedmont-Smith<br>Dan Sherman, Council Administrator/Attorney |
|------------------|---|

\*Auxiliary aids for people are available upon request with adequate notice. Please call (812) 349 - 3409 or e-mail [council@bloomington.in.gov](mailto:council@bloomington.in.gov).

Posted and Distributed: December 7, 2018

Jeff Underwood, Controller

3. Ordinance 18-27 To Amend Title 9 of the Bloomington Municipal Code Entitles “Water” (Adding Chapter 9.24 – Standards for the Control of Backflow and Cross Connections)

Asked to Attend: Vic Kelson, Director, Utilities  
Chris Wheeler, Assistant City Attorney

4. Resolution 18-26 To Approve an Equipment Lease Purchase Agreement and Other Related Matters – Re: Purchase and Installation of Utility Metering Improvements

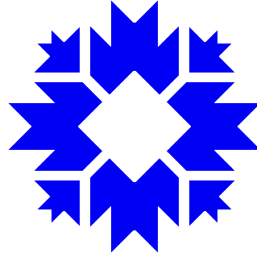
Asked to Attend: Jeff Underwood, Controller  
Vic Kelson, Director, Utilities  
Laura Pettit, Assistant Director, Finance  
Chris Wheeler, Assistant City Attorney  
Bruce Donaldson, Tax Counsel  
Otto Krohn, Financial Advisor

5. Resolution 18-27 Preliminary Approval to Issue Economic Development Bonds and Lend the Proceeds for the Renovation of Affordable Housing at 540 S. Basswood Drive

Asked to Attend: Bryan Payne, Assistant Director, Economic and Sustainable Development  
Mike Rodriguez, Development Director, Herman & Kittle Properties, Inc.  
Tyler Kalachnik, Partner, Ice Miller LLP

**Public Comment:** Please note that pursuant to the Bloomington Municipal Code, at Committee of the Whole meetings, the public may comment *only* on items listed on the Agenda. BMC § 2.04.250





**City of Bloomington  
Office of the Common Council**

# **NOTICE OF CHANGE OF SCHEDULE**

**Wednesday, 12 December 2018  
Council Chambers, City Hall, Room #110**

**Two meetings of the Council:**

**Special Session will meet at 6:30pm**

*To consider bond Resolutions 18-24 and 18-25*

**and**

*Immediately followed by a previously scheduled*

**Committee of the Whole**

These events constitute meetings of the Common Council under Indiana Open Door Law (I.C. § 5-14-1.5). For that reason, this statement provides notice that these meetings will occur and are open for the public to attend, observe, and record what transpires.

Posted: Friday, 7 December 2018

**THE MONROE COUNTY LOCAL INCOME TAX  
COUNCIL (TAX COUNCIL)**

**NOTICE**

**THE  
PUBLIC SAFETY LOCAL INCOME TAX COMMITTEE  
(PS LIT COMMITTEE)**

**WILL MEET AS FOLLOWS:**

**THURSDAY, 13 DECEMBER 2018  
NOON  
LAW LIBRARY  
(LEGAL DEPARTMENT – SUITE 220)  
CITY HALL - SHOWERS BUILDING  
401 NORTH MORTON STREET  
BLOOMINGTON, IN, 47404**

THE TAX COUNCIL SERVES AS THE “ADOPTING BODY” IN REGARD TO CERTAIN LOCAL INCOME TAX RATES PER IC 6-3.6 ET AL. IT IS COMPRISED OF FOUR MEMBERS - THE: BLOOMINGTON COMMON COUNCIL, ELLETTSVILLE TOWN COUNCIL, MONROE COUNTY COUNCIL, AND STINESVILLE TOWN COUNCIL. REPRESENTATIVES OF THE MEMBERS SIT ON THE PS LIT COMMITTEE, WHICH WILL MEET AS INDICATED ABOVE FOR ABOUT AN HOUR TO CONSIDER SPONSORING AN IU SPEA CAPSTONE CLASS THIS SPRING TO ASSESS AND OFFER IMPROVEMENTS TO ALLOCATIONS UNDER IC § 6-3.6-6-8(C) (WHICH GO TO QUALIFYING SERVICE PROVIDERS) OR AS OTHERWISE AGREED UPON BY THE COMMITTEE.

WHILE NO PUBLIC COMMENT WILL BE SOUGHT AT THE MEETING, THE PUBLIC IS WELCOME TO PROVIDE WRITTEN COMMENT TO THE CITY COUNCIL STAFF AT THE MEETING OR TO THE COUNCIL OFFICE (ADDRESS SET FORTH BELOW), OR TO SEND EMAILS TO COUNCIL@BLOOMINGTON.IN.GOV FOR DISTRIBUTION TO THE COMMITTEE.

PURSUANT TO INDIANA OPEN DOOR LAW (I.C. 5-14-1.5), THIS PROVIDES NOTICE THAT THIS MEETING WILL OCCUR AND IS OPEN FOR THE PUBLIC TO ATTEND, OBSERVE, AND RECORD WHAT TRANSPIRES.

| <b><u>Member</u></b>       | <b><u>Address</u></b>  | <b><u>Phone / Email</u></b>                         |
|----------------------------|--|---|
| Bloomington Common Council | 401 N. Morton St.<br>(Room 110)<br>P.O. Box 100<br>Bloomington, IN 47402 | 812-349-3409 /<br>council@bloomington.in.gov        |
| Ellettsville Town Council  | 1150 W. Guy McCown Drive<br>P.O. Box 8<br>Ellettsville, IN 47429         | 812-876-3860 /<br>clerktreasurer@ellettsville.in.us |
| Monroe County Council      | 100 W. Kirkwood Ave<br>(Room 306)<br>Bloomington IN 47404 -5140          | 812-349-7312 /<br>mflory@co.monroe.in.us            |
| Stinesville Town Council   | P.O. Box 66<br>Stinesville, IN 47464                                     | 812-876-8303 /<br>stinesville@bluemarble.net        |

## **Legislative Materials Related to:**

### **Resolution 18-26**

To Approve an Equipment Lease Purchase Agreement and  
Other Related Matters – Re: Purchase and Installation of Utility  
Metering Improvements

#### **Supplemental Materials in this Packet:**

- Equipment Lease Purchase Agreement
- Escrow Agreement

*Note: This resolution and other materials were issued in 05 December  
Legislative Packet.*

## EQUIPMENT LEASE PURCHASE AGREEMENT

**THIS EQUIPMENT LEASE PURCHASE AGREEMENT** (the “Agreement”), is dated as of December 20, 2018, between **FIRST INTERNET PUBLIC FINANCE CORP.**, as Lessor (“Lessor”), and the **City of Bloomington, Indiana**, a municipal corporation organized and existing under the laws of the State of Indiana, as Lessee (“Lessee”), wherein the parties hereby agree as follows:

**Section 1. Definitions.** The following terms will have the meanings indicated below unless the context clearly requires otherwise:

“**Agreement**” means this Equipment Lease Purchase Agreement and any other schedule, exhibit or escrow agreement made a part hereof by the parties hereto, together with any amendments to this Agreement.

“**Code**” means the Internal Revenue Code of 1986, as amended.

“**Commencement Date**” is the date when the term of this Agreement and Lessee’s obligation to pay rent commences, which date will be the earlier of (i) the date on which the Equipment is accepted by Lessee in the manner described in **Section 13**, or (ii) the date on which sufficient moneys to purchase the Equipment are deposited for that purpose with an escrow agent.

“**Equipment**” means the property described on the Equipment Schedule attached hereto as **Exhibit A** under the headings Equipment Description, and all replacements, substitutions, repairs, restorations, modifications, attachments, accessions, additions and improvements thereof or thereto.

“**Event of Default**” means an Event of Default described in **Section 35**.

“**Issuance Year**” is the calendar year in which the Commencement Date occurs.

“**Lease Term**” means the Original Term and all Renewal Terms, but ending on the occurrence of the earliest event specified in **Section 6**.

“**Lessee**” means the entity described as such in the first paragraph of this Agreement, its successors and its assigns.

“**Lessor**” means the entity described as such in the first paragraph of this Agreement, its successors and its assigns.

“**Maximum Lease Term**” means the Original Term and all Renewal Terms through the Renewal Term including the last Rental Payment Date set forth on the Payment Schedule.

“**Net Proceeds**” means the amount remaining from the gross proceeds of any insurance claim or condemnation award after deducting all expenses (including attorneys’ fees) incurred in the collection of such claim or award.

“**Original Term**” means the period from the Commencement Date until the end of the 2019 fiscal year of Lessee.

“**Payment Schedule**” means the schedule of Rental Payments and Purchase Price set forth on **Exhibit B**.

“**Purchase Price**” means the amount set forth on the Payment Schedule that Lessee may, at its option, pay to Lessor to purchase the Equipment.

“**Renewal Terms**” means the optional renewal terms of this Agreement, each having a duration of one year and a term co-extensive with Lessee’s fiscal year.

“**Rental Payment Dates**” means the dates set forth on the Payment Schedule on which Rental Payments are due.

“**Rental Payments**” means the basic rental payments payable by Lessee pursuant to **Section 9**.

“**State**” means the State of Indiana.

“**Vendor**” means the manufacturer of the Equipment as well as the agents or dealers of the manufacturer from whom Lessor purchased or is purchasing the Equipment, as listed on **Exhibit A**.

**Section 2. Representations and Covenants of Lessee.** Lessee represents, warrants and covenants for the benefit of Lessor as follows:

(a) Lessee is a political subdivision duly organized and existing under the constitution and laws of the State. Lessee will do or cause to be done all things to preserve and keep in full force and effect its existence as a political subdivision. Lessee has a substantial amount of one or more of the following sovereign powers: (a) the power to tax, (b) the power of eminent domain, and (c) police power.

(b) Lessee is authorized under the constitution and laws of the State to enter into this Agreement and the transaction contemplated hereby and to perform all of its obligations hereunder.

(c) Lessee has been duly authorized to execute and deliver this Agreement by proper action and approval of its governing body at a meeting duly called, regularly convened and attended throughout by a requisite majority of the members thereof or by other appropriate official approval.

(d) This Agreement constitutes the legal, valid and binding obligation of Lessee enforceable in accordance with its terms, except to the extent limited by applicable bankruptcy, insolvency, reorganization or other laws affecting creditors’ rights generally.

(e) No event or condition that constitutes, or with the giving of notice or the lapse of time or both would constitute, an Event of Default exists at the Commencement Date.

(f) Lessee has, in accordance with the requirements of law, fully budgeted and appropriated sufficient funds for the 2019 fiscal year to make the Rental Payments scheduled to come due during the Original Term and to meet its other obligations for the Original Term, and such funds have not been expended for other purposes.

(g) Lessee has complied with such public bidding requirements as may be applicable to this Agreement and the acquisition by Lessee of the Equipment hereunder.

(h) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, pending or to the Lessee’s knowledge threatened against or affecting Lessee, nor to the best knowledge of Lessee is there any basis therefor, wherein an unfavorable decision, ruling or finding would materially adversely affect the transactions contemplated by this Agreement or any other document, agreement or certificate which is used or contemplated for use in the consummation of the transactions contemplated by this Agreement or materially adversely affect the financial condition or properties of Lessee.

(i) All authorizations, consents and approvals of governmental bodies or agencies required in connection with the execution and delivery by Lessee of this Agreement or in connection with the carrying out by Lessee of its obligations hereunder have been obtained.

(j) The entering into and performance of this Agreement or any other document or agreement contemplated hereby to which Lessee is or is to be a party will not violate any judgment, order, law or regulation applicable to Lessee or result in any breach of, or constitute a default under, or result in the creation of any lien, charge, security interest or other encumbrance on any assets of Lessee or the Equipment pursuant to any indenture, mortgage, deed of trust, bank loan or credit agreement or other instrument to which Lessee is a party or by which it or its assets may be bound, except as herein provided.

(k) The Equipment described in this Agreement is essential to the function of Lessee or to the service Lessee provides to its residents. Lessee has an immediate need for, and expects to make immediate use of, substantially all the Equipment, which need is not temporary or expected to diminish in the foreseeable future. The Equipment will be used by Lessee only for the purpose of performing one or more of Lessee’s governmental or proprietary functions consistent with the permissible scope of Lessee’s authority.

(l) Neither the payment of the Rental Payments hereunder nor any portion thereof is (i) secured by any interest in property used or to be used in a trade or business of a non-exempt person (within the meaning of Section 103 of the Code) or in payments in respect of such property or (ii) derived from payments in respect of property, or borrowed money, used or to be used in a trade or business of a non-exempt person (within the meaning of Section 103 of the Code). No portion of the Equipment will be used directly or indirectly in any trade or business carried on by any non-exempt person (within the meaning of Section 103 of the Code).

(m) Lessee will comply with all applicable provisions of the Code, including without limitation Sections 103 and 148 thereof, and the applicable regulations of the Treasury Department to maintain the exclusion of the interest components of Rental Payments from gross income for purposes of federal income taxation.

(n) Lessee will use the proceeds of this Agreement as soon as practicable and with all reasonable dispatch for the purpose for which this Agreement has been entered into. No part of the proceeds of this Agreement will be invested in any securities, obligations or other investments or used, at any time, directly or indirectly, in a manner which, if such use had been reasonably anticipated on the date of issuance of this Agreement, would have caused any portion of this Agreement to be or become "arbitrage bonds" within the meaning of Section 103(b)(2) or Section 148 of the Code and the applicable regulations of the Treasury Department.

(o) Lessee has never failed to pay payments coming due under any bond issue, lease purchase agreement or other indebtedness obligation of Lessee.

(p) The useful life of the Equipment will not be less than the Maximum Lease Term.

(q) The application, statements and credit or financial information submitted by Lessee to Lessor are true and correct and made to induce Lessor to enter into this Agreement and the escrow agreement, and Lessee has experienced no material change in its financial condition since the date(s) of such information.

(r) Lessee has provided Lessor with its most recent audited financial statements. Lessee has experienced no material change in its financial condition or in the revenues expected to be utilized to meet Rental Payments due under the Agreement since such audit.

(s) Lessee agrees that this Agreement constitutes a Finance Lease as outlined in IC 26-1-2.1-103 of the Indiana Uniform Commercial Code-Leases.

(t) Lessee agrees that this Agreement shall be a "net lease" and shall be construed to effectuate such intent.

(u) Lessee has complied and will in the future comply with all applicable procurement laws and requirements in connection with acquiring any of the Equipment.

(v) Lessee covenants to make the Rental Payments required hereunder from legally available funds (subject to appropriation as provided in Section 8 of this Agreement) to the Lessor in each calendar year.

**Section 3. Certification as to Arbitrage.** Lessee hereby represents as follows:

(a) The estimated total costs of the Equipment, together with any costs of entering into this Agreement that are expected to be financed under this Agreement, will not be less than the total principal portion of the Rental Payments.

(b) The Equipment has been ordered or is expected to be ordered within six months of the Commencement Date, and the Equipment is expected to be delivered and installed, and the Vendor fully paid, within eighteen months of the Commencement Date.

(c) Lessee has not created or established, and does not expect to create or establish, any sinking fund or other similar fund (i) that is reasonably expected to be used to pay the Rental Payments, or (ii) that may be used solely to prevent a default in the payment of the Rental Payments.

(d) The Equipment has not been and is not expected to be sold or otherwise disposed of by Lessee, either in whole or in major part, prior to the last maturity of the Rental Payments.

(e) To the best of our knowledge, information and belief, the above expectations are reasonable.

**Section 4. Lease of Equipment.** Lessor hereby demises, leases and lets the Equipment to Lessee, and Lessee rents, leases and hires the Equipment from Lessor, in accordance with the provisions of this Agreement, for the Lease Term.

**Section 5. Lease Term.** The Original Term of this Agreement will commence on the Commencement Date and will terminate on the last day of Lessee's current fiscal year. The Lease Term may be continued, solely at the option of Lessee, at the end of the Original Term or any Renewal Term for an additional Renewal Term up to the Maximum Lease Term. At the end of the Original Term and at the end of each Renewal Term until the Maximum Lease Term has been completed, Lessee will be deemed to have exercised its option to continue this Agreement for the next Renewal Term unless Lessee has terminated this Agreement pursuant to **Section 6** or **Section 31**. The terms and conditions during any Renewal Term will be the same as the terms and conditions during the Original Term, except that the Rental Payments will be as provided in the Payment Schedule.

**Section 6. Termination of Lease Term.** The Lease Term will terminate upon the earliest of any of the following events:

(a) the expiration of the Original Term or any Renewal Term of this Agreement and the nonrenewal of this Agreement in the event of nonappropriation of funds pursuant to **Section 8**;

(b) the exercise by Lessee of the option to purchase the Equipment under the provisions of **Section 31** and payment of the Purchase Price and all amounts payable in connection therewith;

(c) a default by Lessee and Lessor's election to terminate this Agreement under **Section 36**; or

(d) the payment by Lessee of all Rental Payments authorized or required to be paid by Lessee hereunder during the Maximum Lease Term.

**Section 7. Continuation of Lease Term.** Lessee currently intends, subject to the provisions of **Section 8** and **Section 12**, to continue the Lease Term through the Original Term and all of the Renewal Terms and to pay the Rental Payments hereunder. Lessee reasonably believes that legally available funds in an amount sufficient to make all Rental Payments during the Original Term and each of the Renewal Terms can be obtained. The responsible financial officer of Lessee will do all things lawfully within his or her power to obtain and maintain funds from which the Rental Payments may be made, including making provision for such Rental Payments to the extent necessary in each proposed annual budget submitted for approval in accordance with applicable procedures of Lessee and to exhaust all available reviews and appeals in the event such portion of the budget is not approved. Notwithstanding the foregoing, the decision whether or not to budget or appropriate funds or to extend this Agreement for any Renewal Term is solely within the discretion of the then current governing body of Lessee.

**Section 8. Nonappropriation.** Lessee is obligated only to pay such Rental Payments under this Agreement as may lawfully be made from funds budgeted and appropriated for that purpose during Lessee's then current fiscal year. In the event sufficient funds will not be appropriated or are not otherwise legally available to pay the Rental Payments required to be paid in the next occurring Renewal Term, as set forth in the Payment Schedule, this Agreement will be deemed to be terminated at the end of the then current Original Term or Renewal Term. Lessee agrees to deliver notice to Lessor of such termination at least 30 days prior to the end of the then current Original Term or Renewal Term, but failure to give such notice will not extend the Lease Term beyond such Original Term or Renewal Term. If this Agreement is terminated in accordance with this Section, Lessee agrees, at Lessee's cost and expense, to peaceably deliver the Equipment to Lessor at the location or locations specified by Lessor. During the term of this Agreement, the Lessee will

furnish to the Lessor copies of each proposed budget of the Lessee within 20 days after it is filed and each final budget of the Lessee within 20 days after it is approved.

**Section 9. Rental Payments.** Lessee will pay Rental Payments, exclusively from legally available funds, in lawful money of the United States of America to Lessor in the amounts and on the dates set forth on the Payment Schedule. Rental Payments will be in consideration for Lessee's use of the Equipment during the fiscal year in which such payments are due. Any Rental Payment not received on or before its due date will bear interest at the rate of 5% per annum or the maximum amount permitted by law, whichever is less, from its due date.

**Section 10. Interest Component.** As set forth on the Payment Schedule, a portion of each Rental Payment is paid as, and represents payment of, interest. The interest component will be calculated on the basis of a 360 day year consisting of 12 30 day months.

**Section 11. Rental Payments To Be Unconditional.** Except as provided in Section 8, the obligations of Lessee to make Rental Payments and to perform and observe the other covenants and agreements contained herein shall be absolute and unconditional in all events without abatement, diminution, deduction, set-off or defense, for any reason, including without limitation any failure of the Equipment to be delivered or installed, any defects, malfunctions, breakdowns or infirmities in the equipment or any accident, condemnation or unforeseen circumstances.

**Section 12. Rental Payments to Constitute a Current Expense of Lessee.** The obligation of Lessee to pay Rental Payments hereunder will constitute a current expense of Lessee, is from year to year and does not constitute a mandatory payment obligation of Lessee in any fiscal year beyond the then current fiscal year of Lessee. Lessee's obligation hereunder will not in any way be construed to be an indebtedness of Lessee in contravention of any applicable constitutional, charter or statutory limitation or requirement concerning the creation of indebtedness by Lessee, nor will anything contained herein constitute a pledge of the general credit, tax revenues, funds or moneys of Lessee.

**Section 13. Delivery, Installation and Acceptance of the Equipment.** Lessee will order the Equipment, cause the Equipment to be delivered and installed at the locations specified on **Exhibit A** and pay any and all delivery and installation costs in connection therewith. When the Equipment has been delivered and installed, Lessee will immediately accept the Equipment and evidence said acceptance by executing and delivering to Lessor an acceptance certificate in form and substance acceptable to Lessor. After it has been installed, the Equipment will not be moved from the locations specified on **Exhibit A** without Lessor's consent, which consent will not be unreasonably withheld.

**Section 14. Enjoyment of Equipment.** Lessor hereby covenants to provide Lessee with quiet use and enjoyment of the Equipment during the Lease Term, and Lessee will peaceably and quietly have and hold and enjoy the Equipment during the Lease Term, without suit, trouble or hindrance from Lessor, except as otherwise expressly set forth in this Agreement.

**Section 15. Right of Inspection.** Lessor will have the right at all reasonable times during regular business hours to enter into and upon the property of Lessee for the purpose of inspecting the Equipment.

**Section 16. Use of the Equipment.** Lessee will not install, use, operate or maintain the Equipment improperly, carelessly, in violation of any applicable law or in a manner contrary to that contemplated by this Agreement. Lessee will obtain all permits and licenses, if any, necessary for the installation and operation of the Equipment. In addition, Lessee agrees to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of each item of the Equipment) with all applicable laws, regulations and rulings of any legislative, executive, administrative or judicial body; provided, however, that Lessee may contest in good faith the validity or application of any such law, regulation or ruling in any reasonable manner that does not, in the opinion of Lessor, adversely affect the interest of Lessor in and to the Equipment or its interest or rights under this Agreement.

**Section 17. Maintenance of Equipment.** Lessee agrees that it will, at Lessee's own cost and expense, maintain, preserve and keep the Equipment in good repair, working order and condition. Lessor will have no responsibility to maintain, or repair or to make improvements or additions to the Equipment.



**Section 18. Title to the Equipment.** During the Lease Term, title to the Equipment and any and all additions, repairs, replacements or modifications will vest in Lessee, subject to the rights of Lessor under this Agreement, and if Lessee has satisfied the condition set forth in Section 6(d) of this Agreement, title will fully vest in Lessee at the end of the Maximum Lease Term and Lessor shall have no further rights in the Equipment or otherwise under this Agreement; provided that title will immediately and without any action by Lessee vest in Lessor, and Lessee will immediately surrender possession of the Equipment to Lessor upon (a) any termination of this Agreement prior to the satisfaction of the condition set forth in Section 6(d) of this Agreement other than termination pursuant to **Section 31** or (b) the occurrence of an Event of Default. It is the intent of the parties hereto that any transfer of title to Lessor pursuant to this Section will occur automatically without the necessity of any bill of sale, certificate of title or other instrument of conveyance. Lessee will, nevertheless, execute and deliver any such instruments as Lessor may request to evidence such transfer. Lessee irrevocably designates, makes, constitutes and appoints Lessor and its assignee as Lessee's true and lawful attorney (and agent in-fact) with power, at such time of termination or times thereafter as Lessor in its sole and absolute discretion may determine, in Lessee's or Lessor's or such assignee's name, to endorse the name of Lessee upon any bill of sale, document, instrument, invoice, freight bill, bill of lading or similar document relating to the Equipment in order to vest title in Lessor and transfer possession to Lessor.

**Section 19. Security Interest.** To secure the payment of all of Lessee's obligations under this Agreement and to the extent permitted by law, Lessor retains, and Lessee hereby pledges and grants to Lessor, a security interest constituting a first lien on the Equipment and on all additions, attachments and accessions thereto and substitutions therefor and proceeds therefrom. Lessee agrees to execute such additional documents in form satisfactory to Lessor, that Lessor deems necessary or appropriate to establish and maintain its security interest. Lessee agrees that financing statements may be filed with respect to the security interest in the Equipment at the option and cost of the Lessor.

As further security therefor, Lessee pledges and grants to Lessor a first priority security interest in the cash and negotiable instruments from time to time comprising the escrow fund, if any, established under any related escrow agreement and all proceeds (cash and non-cash) thereof, and agrees with respect thereto that Lessor shall have all the rights and remedies of a secured party. The Security Interests granted herein to Lessor shall vest immediately without the need for any further action by the Lessor or the Lessee. The Lessee agrees that to the extent the Uniform Commercial Code is ever determined to not be applicable to the foregoing pledge, the pledge made pursuant to this Section shall be effective pursuant to IC 5-1-14-4.

Commencing on the date of this Agreement, the Lessee grants the Lessor a security interest in, and a lien on, all of the funds that are legally available and have been annually appropriated to make such Rental payments due herein.

**Section 20. Personal Property.** Lessor and Lessee agree that the Equipment is and will remain personal property. The Equipment will not be deemed to be affixed to or a part of the real estate on which it may be situated, notwithstanding that the Equipment or any part thereof may be or hereafter become in any manner physically affixed or attached to such real estate or any building thereon.

**Section 21. Liens, Taxes, Other Governmental Charges and Utility Charges.** Lessee will keep the Equipment free and clear of all liens, charges and encumbrances, except those created under this Agreement unless permitted by Lessor. The parties to this Agreement contemplate that the Equipment will be used for a governmental or proprietary purpose of Lessee and, therefore, that the Equipment will be exempt from all property taxes and other similar charges. If the use, possession or acquisition of the Equipment is found to be subject to taxation in any form, Lessee will pay all taxes and governmental charges lawfully assessed or levied against or with respect to the Equipment. Lessee will pay all utility and other charges incurred in the use and maintenance of the Equipment. Lessee will pay such taxes and charges as the same become due; provided that, with respect to any such taxes and charges that may lawfully be paid in installments over a period of years, Lessee will be obligated to pay only such installments that accrue during the Lease Term.

**Section 22. Insurance.** At its own expense, Lessee will maintain (a) casualty insurance insuring the Equipment against loss or damage by fire and all other risks covered by the standard extended coverage endorsement then in use in the State and any other risks reasonably required by Lessor in an amount at least equal to the then applicable Purchase Price of the Equipment, (b) liability insurance that protects Lessor from liability in all events in form and amount satisfactory to Lessor, and (c) workers' compensation coverage as required by the laws of the State; provided that, with Lessor's prior written consent, Lessee may self-insure against the risks described in clauses (a) and (b). Lessee shall also

provide to Lessor a payment and performance bond naming Lessor as a dual obligee and issued by a surety company rated "A" or better by AM Best. All insurance proceeds from casualty losses will be payable as hereinafter provided. Upon Lessor's request, the Lessee will furnish to Lessor certificates evidencing such coverage throughout the Lease Term.

All such casualty and liability insurance will name Lessor as a loss payee and an additional insured and will contain a provision to the effect that such insurance will not be cancelled or modified materially without first giving written notice thereof to Lessor at least 30 days in advance of such cancellation or modification.

**Section 23. Advances.** In the event Lessee fails to maintain the insurance required by this Agreement, pay taxes or charges required to be paid by it under this Agreement or fails to keep the Equipment in good repair and operating condition, Lessor may (but will be under no obligation to) purchase the required policies of insurance and pay the cost of the premiums thereof, pay such taxes and charges and make such Equipment repairs or replacements as are necessary and pay the cost thereof. All amounts so advanced by Lessor will become additional rent for the then current Original Term or Renewal Term. Lessee agrees to pay such amounts with interest thereon from the date paid at the rate of 5% per annum or the maximum permitted by law, whichever is less.

**Section 24. Financial Information.** By no later than October 31 of each fiscal year, Lessee, will provide Lessor with current financial statements, budgets and proofs of appropriation for the ensuing fiscal year and such other financial information relating to the ability of Lessee to continue this Agreement as may be requested by Lessor.

**Section 25. Release and Indemnification.** To the extent permitted by law, Lessee will indemnify, protect and hold harmless Lessor from and against any and all liability, obligations, losses, claims and damages whatsoever, regardless of cause thereof, and expenses in connection therewith (including, without limitation, counsel fees and expenses and any federal income tax and interest and penalties connected therewith imposed on interest received) arising out of or as the result of (a) the entering into this Agreement, (b) the ownership of any item of the Equipment, (c) the manufacturing, ordering, acquisition, use, operation, condition, purchase, delivery, rejection, storage or return of any item of the Equipment, (d) any accident in connection with the operation, use, condition, possession, storage or return of any item of the Equipment resulting in damage to property or injury or death to any person or (e) the breach of any covenant herein or any material misrepresentation contained herein. The indemnification arising under this paragraph will continue in full force and effect notwithstanding the full payment of all obligations under this Agreement or the termination of the Lease Term for any reason.

**Section 26. Risk of Loss.** Lessee assumes, from and including the Commencement Date, all risk of loss of or damage to the Equipment from any cause whatsoever. No such loss of or damage to the Equipment nor defect therein nor unfitness or obsolescence thereof will relieve Lessee of the obligation to make Rental Payments during the Original Term or any Renewal Term for which an appropriation to make Rental Payments has been made, or to perform any other obligation under this Agreement.

**Section 27. Damage, Destruction, Condemnation; Use of Proceeds.** If (a) the Equipment or any portion thereof is destroyed, in whole or in part, or is damaged by fire or other casualty, or (b) title to, or the temporary use of, the Equipment or any part thereof or the interest of Lessee or Lessor in the Equipment or any part thereof will be taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority, Lessee and Lessor will cause the Net Proceeds of any insurance claim or condemnation award to be applied to the prompt replacement, repair, restoration, modification or improvement of the Equipment, unless Lessee has exercised its option to purchase the Equipment pursuant to **Section 31**. Any balance of the Net Proceeds remaining after such work has been completed will be paid to Lessee.

**Section 28. Insufficiency of Net Proceeds.** If the Net Proceeds are insufficient to pay in full the cost of any repair, restoration, modification or improvement referred to in **Section 27**, Lessee will either (a) complete such replacement, repair, restoration, modification or improvement and pay any costs thereof in excess of the amount of the Net Proceeds, or (b) purchase Lessor's interest in the Equipment pursuant to **Section 31**; provided, however, that Lessee's obligations under this sentence are subject to appropriation of funds by the fiscal body of Lessee. The amount of the Net Proceeds, if any, remaining after completing such repair, restoration, modification or improvement or after purchasing the Equipment will be retained by Lessee. If Lessee will make any payments pursuant to this Section, Lessee will not be

entitled to any reimbursement therefor from Lessor nor will Lessee be entitled to any diminution of the amounts payable under **Section 9**.

**Section 29. Disclaimer of Warranties.** LESSOR MAKES NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, LICENSING, PATENT, QUALITY, DURABILITY, CONSTRUCTION, OPERATION, SUITABILITY, MERCHANTABILITY OR FITNESS FOR PARTICULAR USE OR PURPOSE OF THE EQUIPMENT OR CONFORMITY TO THE SPECIFICATIONS OF ANY ORDER RELATING THERETO OR ITS COMPLIANCE OR SATISFACTION OF THE REQUIREMENTS OF ANY APPLICABLE LAW OR AGAINST INFRINGEMENT, OR ANY OTHER WARRANTY OR REPRESENTATION WITH RESPECT THERETO. IN NO EVENT SHALL LESSOR BE LIABLE FOR ANY ACTUAL, INCIDENTAL, INDIRECT, SPECIAL PUNITIVE OR CONSEQUENTIAL DAMAGE IN CONNECTION WITH OR ARISING OUT OF THIS AGREEMENT OR THE EXISTENCE, FURNISHING, FUNCTIONING OR LESSEE'S USE OR MAINTENANCE OF ANY EQUIPMENT OR SERVICES PROVIDED FOR IN THIS AGREEMENT. LESSEE ACKNOWLEDGES AND AGREES TO THE FOREGOING AND ACKNOWLEDGES THAT (1) LESSOR IS NOT AN AGENT OF ANY MANUFACTURER, SUPPLIER, CONTRACTOR OR WARRANTY PROVIDER; (2) LESSEE HAS SELECTED AND CAUSED THE PURCHASE OF THE EQUIPMENT AND HAS SELECTED EACH SUPPLIER AND WARRANTY PROVIDER; AND (3) LESSEE EXPRESSLY DISCLAIMS ANY RELIANCE UPON THE LENDER WITH RESPECT THERETO.

**Section 30. Vendor's Warranties.** Lessee may have rights under the contract evidencing the purchase of the Equipment; Lessee is advised to contact the Vendor for a description of any such rights. Lessee hereby assigns to Lessor during the Lease Term all warranties running from Vendor to Lessee. Lessor hereby irrevocably appoints Lessee its agent and attorney-in-fact during the Lease Term, so long as Lessee will not be in default hereunder, to assert from time to time whatever claims and rights (including without limitation warranties) related to the Equipment that Lessor may have against the Vendor. Lessee's sole remedy for the breach of any such warranty, indemnification or representation will be against the Vendor, and not against Lessor. Any such matter will not have any effect whatsoever on the rights and obligations of Lessor with respect to this Agreement, including the right to receive full and timely payments hereunder. Lessee expressly acknowledges that Lessor makes, and has made, no representations or warranties whatsoever as to the existence or availability of such warranties by the Vendor.

**Section 31. Purchase Option.** Lessee will not have the option to purchase the Equipment prior to maturity, except as listed below and upon giving written notice to Lessor at least 30 days before the date of purchase, at the following times and upon the following terms:

(a) In the event of substantial damage to or destruction or condemnation (other than by Lessee or any entity controlled by or otherwise affiliated with Lessee) of substantially all of the Equipment, on the day Lessee specifies as the purchase date in Lessee's notice to Lessor of its exercise of the purchase option, upon payment in full of the Rental Payment and all other amounts then due hereunder plus (i) the Purchase Price designated on the Payment Schedule for such purchase date if such purchase date is a Rental Payment Date or the Purchase Price for the immediately preceding Rental Payment Date if such purchase date is not a Rental Payment Date, and (ii) if such day is not a Rental Payment Date, an amount equal to the portion of the interest component of the Rental Payment scheduled to come due on the following Rental Payment Date accrued from the immediately preceding Rental Payment Date to such purchase date, computed on the basis of a 360-day year of twelve 30-day months.

(b) Prior to maturity, the Lease may be pre-paid (in whole, but not in part) on any Rental Payment Date on or after February 15, 2024, on 30 days' written notice to the Lessor, upon payment in full of the Rental Payment then due hereunder plus all other amounts due hereunder plus the then-applicable Purchase Price (calculated on **Exhibit B** as 102% of the remaining Principal Portion of the Lease Rentals) to Lessor, if any.

Upon the exercise of the option to purchase set forth above, title to the Equipment will be vested in Lessee, free and clear of any claim by or through Lessor.

**Section 32. Determination of Fair Purchase Price.** Lessee and Lessor hereby agree and determine that the Rental Payments hereunder during the Original Term and each Renewal Term represent the fair value of the use of the Equipment and that the amount required to exercise Lessee's option to purchase the Equipment pursuant to **Section 31**

represents, as of the end of the Original Term or any Renewal Term, the fair purchase price of the Equipment. Lessee hereby determines that the Rental Payments do not exceed a reasonable amount so as to place Lessee under a practical economic compulsion to renew this Agreement or to exercise its option to purchase the Equipment hereunder. In making such determinations, Lessee and Lessor have given consideration to (a) the costs of the Equipment, (b) the uses and purposes for which the Equipment will be employed by Lessee, (c) the benefit to Lessee by reason of the acquisition and installation of the Equipment and the use of the Equipment pursuant to the terms and provisions of this Agreement, and (d) Lessee's option to purchase the Equipment. Lessee hereby determines and declares that the acquisition and installation of the Equipment and the leasing of the Equipment pursuant to this Agreement will result in equipment of comparable quality and meeting the same requirements and standards as would be necessary if the acquisition and installation of the Equipment were performed by Lessee other than pursuant to this Agreement. Lessee hereby determines and declares that the Maximum Lease Term does not exceed the useful life of the Equipment.

**Section 33. Assignment by Lessor.** Lessor's interest in, to and under this Agreement and the Equipment may be assigned and reassigned in whole or in part to one or more assignees by Lessor without the consent of Lessee; provided that any assignment will not be effective against Lessee until (a) Lessee has received written notice of the name and address of the assignee and (b) in the event that such assignment is made to a bank or trust company for holders of certificates representing interests in this Agreement, such bank or trust company agrees to maintain, or cause to be maintained, a register by which a record of the names and addresses of such holders as of any particular time is kept and agrees, upon request of Lessee, to furnish such information to Lessee. Lessee will retain all such notices as a register of all assignees and will make all payments to the assignee or assignees designated in such register. Lessee agrees to execute all documents, including notices of assignment and chattel mortgages or financing statements that may be reasonably requested by Lessor or any assignee to protect its interest in the Equipment and in this Agreement and agrees to the filing of financing statements with respect to the Equipment and this Agreement. Lessee will not have the right to and will not assert against any assignee any claim, counterclaim, defense, set-off or other right Lessee may have against Lessor. As noted in Section 34 below, Lessee may not assign its interest hereunder without Lessor's prior consent.

**Section 34. Assignment and Subleasing by Lessee.** None of Lessee's right, title and interest in, to and under this Agreement and the Equipment may be assigned or encumbered by Lessee for any reason, except that Lessee may sublease all or part of the Equipment if Lessee obtains the prior written consent of Lessor and an opinion of nationally recognized counsel in the area of tax exempt municipal obligations satisfactory to Lessor that such subleasing will not adversely affect the exclusion of the interest components of the Rental Payments from gross income for federal income tax purposes. Any such sublease of all or part of the Equipment will be subject to this Agreement and the rights of Lessor in, to and under this Agreement and the Equipment.

**Section 35. Events of Default Defined.** Subject to the provisions of **Section 8**, any of the following will be "Events of Default" under this Agreement:

(a) Failure by Lessee to pay any Rental Payment or other payment required to be paid hereunder at the time specified herein;

(b) Failure by Lessee to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in **Section 35(a)**, for a period of 30 days after written notice, specifying such failure and requesting that it be remedied, is given to Lessee by Lessor, unless Lessor will agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, Lessor will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by Lessee within the applicable period and diligently pursued until the default is corrected;

(c) Any statement, representation or warranty made by Lessee in or pursuant to this Agreement or its execution, delivery or performance proves to have been false, incorrect, misleading or breached in any material respect on the date when made;

(d) Any provision of this Agreement at any time for any reason ceases to be valid and binding on Lessee, or is declared to be null and void, or the validity or enforceability thereof will be contested by Lessee or any governmental agency or authority if the loss of such provision would materially adversely affect the rights or security of Lessor, or Lessee denies that it has any further liability or obligation under this Agreement;

(e) Lessee (i) applies for or consents to the appointment of a receiver, trustee, custodian or liquidator of Lessee, or of all or a substantial part of the assets of Lessee, (ii) is unable, fails or admits in writing its inability generally to pay its debts as they become due, (iii) makes a general assignment for the benefit of creditors, (iv) has an order for relief entered against it under applicable federal bankruptcy law, or (v) files a voluntary petition in bankruptcy or a petition or an answer seeking reorganization or an arrangement with creditors or taking advantage of any insolvency law or any answer admitting the material allegations of a petition filed against Lessee in any bankruptcy, reorganization or insolvency proceeding;

(f) An order, judgment or decree is entered by any court of competent jurisdiction, approving a petition or appointing a receiver, trustee, custodian or liquidator of Lessee or of all or a substantial part of the assets of Lessee, in each case without its application, approval or consent, and such order, judgment or decree continues unstayed and in effect for any period of 30 consecutive days;

(g) This Agreement for any reason shall cease to create a valid lien on any of the Equipment or the items the Lessee has granted a security interest in pursuant to Section 19 hereof (the "Collateral"), or such security interest shall cease to be perfected and first priority liens on such Equipment and Collateral; or

(h) Any material provision of this Agreement shall at any time for any reason cease to be the legal, valid and binding obligation of the Lessee or shall cease to be in full force and effect, or shall be declared to be null and void, or the Lessee shall renounce the same or deny that it has any further liability hereunder.

**Section 36. Remedies on Default.** Whenever any Event of Default exists, Lessor will have the right, at its sole option without any further demand or notice, to take one or any combination of the following remedial steps:

(a) By written notice to Lessee, Lessor may declare all Rental Payments and other amounts payable by Lessee hereunder to the end of the then current Original Term or Renewal Term to be due;

(b) With or without terminating this Agreement, Lessor may enter the premises where the Equipment is located and retake possession of the Equipment or require Lessee at Lessee's expense to promptly return any or all of the Equipment to the possession of Lessor at a place specified by Lessor, and sell or lease the Equipment or, for the account of Lessee, sublease the Equipment, holding Lessee liable for the difference between (i) the Rental Payments and other amounts payable by Lessee hereunder plus the applicable Purchase Price, and (ii) the net proceeds of any such sale, lease or sublease (after deducting all expenses of Lessor in exercising its remedies under this Agreement, including without limitation, all expenses of taking possession, storing, reconditioning and selling or leasing the Equipment and all brokerage, auctioneers' and attorneys' fees) provided that the amount of Lessee's liability under this subparagraph (b) shall not exceed the Rental Payments and other amounts otherwise due hereunder to the end of the then current Original Term or Renewal Term for which an appropriation has been made; and

(c) Lessor may take whatever other action at law or in equity may appear necessary or desirable to enforce its rights as the owner of the Equipment.

In addition, Lessee will remain liable for all covenants and indemnities under this Agreement and for all legal fees and other costs and expenses, including court costs, incurred by Lessor with respect to the enforcement of any of the remedies listed above or any other remedy available to Lessor. In exercising any of the remedies provided for hereunder, the Lessor may proceed directly against the Lessee without resorting to any other remedies which it may have.

**Section 37. No Remedy Exclusive.** No remedy herein conferred upon or reserved to Lessor is intended to be exclusive and every such remedy will be cumulative and will be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default will impair any such right or power or will be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle Lessor to exercise any remedy reserved to it in this Agreement it will not be necessary to give any notice, other than such notice as may be required in this Agreement.

**Section 38. Notices.** All notices, certificates or other communications hereunder will be sufficiently given and will be deemed given when delivered or mailed by registered mail, postage prepaid, to the parties at the addresses immediately after the signatures to this Agreement (or at such other address as either party hereto will designate in writing to the other for notices to such party), to any assignee at its address as it appears on the register maintained by Lessee.

**Section 39. Binding Effect.** This Agreement will inure to the benefit of and will be binding upon Lessor and Lessee and their respective successors and assigns.

**Section 40. Severability.** In the event any provision of this Agreement will be held invalid or unenforceable by any court of competent jurisdiction, such holding will not invalidate or render unenforceable any other provision hereof.

**Section 41. Entire Agreement.** This Agreement constitutes the entire agreement between Lessor and Lessee.

**Section 42. Amendments.** This Agreement may be amended, changed or modified in any manner by written agreement of Lessor and Lessee. Any waiver of any provision of this Agreement or any right or remedy hereunder must be affirmatively and expressly made in writing and will not be implied from inaction, course of dealing or otherwise.

**Section 43. Execution in Counterparts.** This Agreement may be simultaneously executed in several counterparts, each of which will be an original and all of which will constitute but one and the same instrument.

**Section 44. Captions.** The captions or headings in this Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Agreement.

**Section 45. Applicable Law.** This Agreement will be governed by and construed in accordance with the laws of the State.

**Section 46. Electronic Transactions.** The parties agree that the transaction described herein may be conducted and related documents may be stored by electronic means. Copies, teletypes, facsimiles, electronic files and other reproductions of original executed documents shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law.

**Section 47. Role of Lessor.** The Lessee hereby acknowledges and agrees that the Lessor is not a registered municipal advisor and does not provide advice to municipal entities or obligated persons with respect to municipal financial products or the issuance of municipal securities (including regarding the structure, timing, terms and similar matters concerning municipal financial products or municipal securities issuances) or engage in the solicitation of municipal entities or obligated persons for the provision by non-affiliated persons of municipal advisory services and/or investment advisory services. With respect to this Agreement and any other information, materials or communications provided by the Lessor: (a) the Lessor and its representatives are not recommending an action to any municipal entity or obligated person; (b) the Lessor and its representatives are not acting as an advisor to any municipal entity or obligated person and do not owe a fiduciary duty pursuant to Section 15B of the Securities Exchange Act of 1934, as amended, and the related final rules (the "Municipal Advisor Rules"), to any municipal entity or obligated person with respect to this Agreement, or any other information, materials or communications; (c) the Lessor and its representatives are acting for their own interests; and (d) the Lessee has been informed that they should discuss this Agreement and any such other information, materials or communications with any and all internal and external advisors and experts that the Lessee deems appropriate before acting on this Agreement or any such other information, materials or communications.

The Lessee further acknowledges and agrees that: (a) in connection with this Agreement, the Lessor is acting as a lender in an arm's length commercial transaction; (b) the Lessor, its representatives and affiliates have financial and other interests that differ from those of the Lessee; and (c) if the Lessee would like a municipal advisor in this transaction that has legal fiduciary duties to them, the Lessee is free to engage a municipal advisor to serve in such capacity with the Lessee. In entering into the Agreement, the Lessor is relying on the bank exemption to the Municipal Advisor Rules.

[The remainder of this page left blank intentionally.]

**IN WITNESS WHEREOF**, Lessor and Lessee have caused this Agreement to be executed in their corporate names by their duly authorized officers as of the date first above written.

**FIRST INTERNET PUBLIC FINANCE  
CORP.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Address: 11201 USA Parkway, Fishers, IN 46037

**CITY OF BLOOMINGTON, INDIANA**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Address: \_\_\_\_\_

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**CERTIFICATION**

I, the undersigned, do hereby certify (i) that the officer of Lessee who executed the foregoing Agreement on behalf of Lessee and whose genuine signature appears thereon, is a duly qualified and acting officer of Lessee as stated beneath his or her signature and has been authorized to execute the foregoing Agreement on behalf of Lessee, and (ii) that the fiscal year of Lessee is from January 1 to December 31.

**DATED:** December 20, 2018.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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**EXHIBIT A TO EQUIPMENT LEASE PURCHASE AGREEMENT**  
**EQUIPMENT SCHEDULE**

**Equipment Description:**

The Equipment consists of integrated smart water meters, the related communications network, AMI Hardware (Base Stations), the related data management system, meter hardware and smart points, related software and other related equipment and improvements, together with any and all replacement parts, additions, repairs, modifications, attachments and accessories thereto, any and all substitutions, replacements or exchanges therefor, and any and all insurance and/or proceeds thereof. Certain of the Equipment is further described in the documents attached as Exhibit C hereto.

**Locations:**

The Equipment will be located at the following addresses:

**Vendor:**

This Equipment Schedule shall be deemed to be supplemented by the descriptions of the Equipment included in the Certificate of Acceptance and Payment Requests submitted to First Internet Bank, as escrow agent, pursuant to the Escrow Agreement dated as of December 20, 2018, among Lessor, Lessee and First Internet Bank, as escrow agent, which descriptions shall be deemed to be incorporated herein.

**EXHIBIT B TO EQUIPMENT LEASE PURCHASE AGREEMENT**

**PAYMENT SCHEDULE**

Solar Equipment

Principal Amount: \$9,000,000

Interest Rate: 3.40%

Commencement Date: December 20, 2018

Rental payments will be made in accordance with **Section 9** and this Payment Schedule.

| <u>Rental<br/>Payment Date</u> | <u>Total<br/>Rental Payment</u> | <u>Interest<br/>Portion</u> | <u>Principal<br/>Portion</u> | <u>Purchase<br/>Price</u> |
|--------------------------------|---------------------------------|-----------------------------|------------------------------|---------------------------|
| 2/15/20                        | \$ 562,750.00                   | \$ 352,750.00               | \$ 210,000                   | \$ 9,180,000              |
| 8/15/20                        | 569,430.00                      | 149,430.00                  | 420,000                      | 8,965,800                 |
| 2/15/21                        | 572,290.00                      | 142,290.00                  | 430,000                      | 8,537,400                 |
| 8/15/21                        | 569,980.00                      | 134,980.00                  | 435,000                      | 8,098,800                 |
| 2/15/22                        | 572,585.00                      | 127,585.00                  | 445,000                      | 7,655,100                 |
| 8/15/22                        | 570,020.00                      | 120,020.00                  | 450,000                      | 7,201,200                 |
| 2/15/23                        | 572,370.00                      | 112,370.00                  | 460,000                      | 6,742,200                 |
| 8/15/23                        | 574,550.00                      | 104,550.00                  | 470,000                      | 6,273,000                 |
| 2/15/24                        | 566,560.00                      | 96,560.00                   | 470,000                      | 5,793,600                 |
| 8/15/24                        | 573,570.00                      | 88,570.00                   | 485,000                      | 5,314,200                 |
| 2/15/25                        | 570,325.00                      | 80,325.00                   | 490,000                      | 4,819,500                 |
| 8/15/25                        | 571,995.00                      | 71,995.00                   | 500,000                      | 4,319,700                 |
| 2/15/26                        | 568,495.00                      | 63,495.00                   | 505,000                      | 3,809,700                 |
| 8/15/26                        | 574,910.00                      | 54,910.00                   | 520,000                      | 3,294,600                 |
| 2/15/27                        | 566,070.00                      | 46,070.00                   | 520,000                      | 2,764,200                 |
| 8/15/27                        | 572,230.00                      | 37,230.00                   | 535,000                      | 2,233,800                 |
| 2/15/28                        | 568,135.00                      | 28,135.00                   | 540,000                      | 1,688,100                 |
| 8/15/28                        | 573,955.00                      | 18,955.00                   | 555,000                      | 1,137,300                 |
| 2/15/29                        | 569,520.00                      | 9,520.00                    | 560,000                      | 571,200                   |

CITY OF BLOOMINGTON, Indiana

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

\* Lessee does not generally have the right to pre-purchase the Equipment except as listed in **Section 31**. The Lessee may pre-purchase the Equipment on any Rental Payment Date on or after February 15, 2024, on 30 days' written notice to the Lessor, upon payment in full of the Rental Payment then due hereunder plus all other amounts due hereunder plus the then-applicable Purchase Price (102% of the remaining Principal Portion as set forth above) to Lessor.

**EXHIBIT C TO EQUIPMENT LEASE PURCHASE AGREEMENT**  
**EQUIPMENT DESCRIPTION DOCUMENTATION**

## ESCROW AGREEMENT

LESSOR:  
FIRST INTERNET PUBLIC FINANCE CORP.  
11201 USA Parkway  
Fishers, Indiana 46037

ESCROW AGENT:  
FIRST INTERNET BANK  
11201 USA Parkway  
Fishers, Indiana 46037

LESSEE:  
CITY OF BLOOMINGTON, INDIANA

**THIS ESCROW AGREEMENT** (this "Escrow Agreement") dated December 20, 2018, is entered into by and among FIRST INTERNET PUBLIC FINANCE CORP. ("Lessor"), the CITY OF BLOOMINGTON, INDIANA ("Lessee"), and FIRST INTERNET BANK (the "Escrow Agent").

Lessor and Lessee have heretofore entered into that certain Equipment Lease Purchase Agreement dated as of December 20, 2018 (the "Agreement"). The Agreement contemplates that certain Equipment described therein (the "Equipment") is to be acquired from the vendor(s) or manufacturer(s) thereof.

After acceptance of the Equipment by Lessee, the Equipment is to be leased by Lessor to Lessee pursuant to the terms of the Agreement.

The Agreement contemplates that Lessor will deposit with the Escrow Agent cash in the amount of \$9,000,000, to be held in escrow by the Escrow Agent and applied on the express terms and conditions set forth herein. Such deposit, together with all interest and additions received with respect thereto (hereinafter, the "Escrow Fund"), is to be applied from time to time to pay certain costs of acquiring the Equipment (a portion of which may be paid in multiple payments and prior to acceptance of all Equipment by Lessee) and, if requested by Lessee and approved by Lessor, to pay certain costs of entering into the Agreement.

The parties desire to set forth the terms on which the escrow is to be created and to establish the rights and responsibilities of the parties hereto.

NOW, THEREFORE, the parties agree as follows:

1. Each of Lessor and Lessee hereby appoint, and the Escrow Agent hereby agrees, to serve as escrow agent upon the express terms and conditions set forth herein. The Escrow Agent agrees that the Escrow Fund shall be held irrevocably in trust for the account and benefit of Lessee and Lessor and all interest earned with respect to the Escrow Fund shall accrue to the benefit of Lessee and shall be applied as expressly set forth herein.

To the limited extent required to perfect the security interest granted by Lessee to Lessor in the cash and negotiable instruments from time to time comprising the Escrow Fund, Lessor hereby appoints the Escrow Agent as its security agent, and the Escrow Agent hereby accepts the appointment as security agent, and agrees to hold physical possession of such cash and negotiable instruments on behalf of Lessor.

Upon receipt of written notice from the Lessor or Lessee that an Event of Default has occurred under the Agreement or that Lessee has determined not to complete the acquisition of the Equipment, the Escrow Agent shall liquidate all investments held in the Escrow Fund and transfer the proceeds thereof and all other moneys held in the Escrow Fund and under the Escrow Agreement to the Lessor to be applied to repay the amounts due under the Agreement, all as determined in writing by the Lessor.

2. On such day as determined to the mutual satisfaction of the parties (the "Commencement Date"), Lessor shall deposit with the Escrow Agent cash in the amount of \$9,000,000 to be held by the Escrow Agent on the express terms and conditions set forth herein. The Escrow Agent agrees to accept the deposit of the Escrow Fund by Lessor, and further agrees to hold the amount so deposited together with all interest and other additions received with respect thereto in escrow on the express terms and conditions set forth herein.

3. The Escrow Agent shall at all times segregate the Escrow Fund into an account maintained for that express purpose, which shall be clearly identified on the books and records of the Escrow Agent as being held in its capacity as Escrow Agent. Securities and other negotiable instruments comprising the Escrow Fund from time to time shall be held or registered in the name of the Escrow Agent (or its nominee). The Escrow Fund shall not, to the extent permitted by applicable law, be subject to levy or attachment or lien by or for the benefit of any creditor of any of the parties hereto (except with respect to the security interest therein held by Lessor).

4. Lessee will direct the Escrow Agent in writing to invest the cash comprising the Escrow Fund from time to time in Qualified Investments (as hereinafter defined). Interest or other amounts earned and received by the Escrow Agent with respect to the Escrow Fund shall be deposited in and comprise a part of the Escrow Fund. No investment shall be made that would cause the Agreement to be deemed to be an arbitrage bond within the meaning of Section 148(a) of the Internal Revenue Code of 1986, as amended (the "Code"). For purposes of this paragraph 4, the term "Qualified Investments" means (i) direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America ("United States Treasury Obligations"); (ii) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America; (iii) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America; and (iv) money market funds, which funds may be funds of the Trustee or its affiliates, including those for which the Trustee or an affiliate performs services for a fee, whether as a custodian, transfer agent, investment advisor or otherwise, and which funds are rated "AAAm" or "AAAm G" by Standard & Poor's.

5. Lessor and Lessee hereby authorize the Escrow Agent to take the following actions with respect to the Escrow Fund:

a. From time to time, the Escrow Agent shall pay the vendor or manufacturer of the Equipment or Lessee or other payee upon receipt of the following: (a) a duly executed Certificate of Acceptance and Payment Request in the form attached as **Exhibit A** to this Escrow Agreement approved for payment by Lessor, (b) the vendor(s) or manufacturer(s) invoice(s) specifying the acquisition price of the Equipment described in the requisition request, (c) in the event that certain costs of entering into the Agreement are described in the requisition request, invoice(s), budget(s), closing statement(s) or other additional documentation specifying the amount(s) of such costs, and (d) any additional documentation required by Lessor prior to Lessor's approval of such requisition request. Lessor's approval on the Certificate of Acceptance and Payment Request in each case shall be conclusive evidence that all invoices, budgets, closing statements and any additional documentation requirements have been received by and are acceptable to Lessor for payment purposes. Without limiting the foregoing, Lessor shall not approve any such payment unless and until Lessee shall have provided to Lessor (i) certificates of insurance evidencing coverage in accordance with Section 22 of the Agreement and satisfactory to Lessor, and (ii) a payment and performance bond naming Lessor as a dual obligee and issued by a surety company rated "A" or better by AM Best in form and substance satisfactory to Lessor.

b. In the event that Lessor provides to the Escrow Agent and Escrow Agent actually receives written notice of the occurrence of an Event of Default as defined in the Agreement or a nonappropriation by Lessee under the Agreement, the Escrow Agent shall thereupon promptly remit to Lessor the entire balance of the Escrow Fund *after* application of the Escrow Fund to all reasonable fees and expenses incurred by the Escrow Agent in connection herewith as evidenced by its statement forwarded to Lessor and Lessee.

c. Upon actual receipt by the Escrow Agent of a duly executed Certificate of Acceptance and Payment Request identified as the final such request, the remaining monies in the Escrow Fund shall, *first* be applied to all reasonable fees and expenses incurred by the Escrow Agent in connection herewith as evidenced by its statement forwarded to Lessor and Lessee; and, *second* be paid to Lessee upon receipt by the Escrow Agent of the written consent of Lessor..

d. Lessor and Lessee agree that the security procedures under this Section 5 are commercially reasonable.

e. In the event that Escrow Agent makes any payment to any payee pursuant to this Escrow Agreement and for any reason such payment (or any portion thereof) is required to be returned to the Escrow Fund or is subsequently invalidated, declared to be fraudulent or preferential, set aside and/or required to be repaid to a receiver, trustee or other party under any bankruptcy or insolvency law, other federal or state law, common law or equitable doctrine, then the party who benefited from the payment to the payee shall repay to Escrow Agent upon written request the amount so paid to the payee. Escrow Agent shall not be liable to any party or any other person by reason of such payment.

6. The reasonable fees and expenses of the Escrow Agent incurred in connection herewith shall be the responsibility of Lessee and are herein further described on **Schedule 1**.

7. a. The Escrow Agent shall have no liability for acting upon any written instruction presented by Lessee and Lessor in connection with this Escrow Agreement which the Escrow Agent in good faith believes to be genuine. Furthermore, the Escrow Agent shall not be liable for any act or omission in connection with this Escrow Agreement except for its own gross negligence or willful misconduct. The Escrow Agent shall not be liable for any loss or diminution in value of the Escrow Fund as a result of the investment decisions made pursuant to Section 4, Qualified Investments at the written direction of Lessee. Escrow Agent shall have only those duties and responsibilities as expressly set forth herein, and no other duty, obligation or covenant, fiduciary or otherwise, shall be implied or enforceable against Escrow Agent by any person.

b. Without limiting the effect of Section 7(a) hereof, Escrow Agent shall have no obligation or liability to any other party hereto (or any person claiming through any of them): (i) to review, examine, enforce, administer or take notice of any agreement, instrument or document other than this Escrow Agreement; (ii) to determine whether any conditions precedent to a disbursement of Escrow Funds, other than receipt of a duly executed Certificate of Acceptance and Payment Request together with accompanying invoices as set forth in Section 5(a), have been or will be satisfied or otherwise to investigate any notice received by Escrow Agent hereunder; (iii) to evaluate or determine the validity or legality of any action or omission of any third party, including any federal or state bank regulator; (iv) to make any payment to the other parties or other payees set forth in written instructions received under Section 5 from any source other than the Escrow Funds, and no such payment shall be made if the amount of Escrow Funds is inadequate; (v) to communicate with any person other than as expressly provided for in this Escrow Agreement; (vi) for any action or omission of Escrow Agent taken or made upon the oral or written, joint instructions of the parties hereto; (vii) for any other action or omission of, or for errors in judgment by, Escrow Agent under or in connection with this Escrow Agreement taken or made in good faith and without gross negligence or willful misconduct; and (viii) for special, incidental, consequential, indirect or punitive damages in any event, even if Escrow Agent has been advised or was otherwise aware of the likelihood of such loss or damages and regardless of the form of action.

8. To the extent permitted by law, the Lessee hereby agrees to indemnify and save harmless the Escrow Agent from all losses, liabilities, costs, and expenses, including attorney fees and expenses, which may be incurred by it as a result of its acceptance of or arising from the performance of its duties hereunder, unless such losses, liabilities, costs and expenses shall have been finally adjudicated to have resulted from the gross negligence or willful misconduct of the Escrow Agent, and such indemnification shall survive its resignation or removal of the Escrow Agent or the termination of this Agreement.

9. The Escrow Agent may at any time resign by giving at least 30 days' prior written notice to Lessee and Lessor, but such resignation shall not take effect until the appointment of the successor Escrow Agent. The substitution of another bank or trust company to act as Escrow Agent under this Escrow Agreement may occur by written agreement of Lessor and Lessee. In addition, the Escrow Agent may be removed at any time, upon 30 days' prior written notice, with or without cause, by instrument in writing executed by Lessor and Lessee. Such notice shall set forth the effective date of the removal. In the event of any resignation or removal of the Escrow Agent, a successor Escrow Agent shall be appointed by an instrument in writing executed by Lessor and Lessee. Such successor Escrow Agent shall indicate its acceptance of such appointment by an instrument in writing delivered to Lessor, Lessee and the predecessor Escrow Agent.

Upon the effective date of resignation or removal, the Escrow Agent will transfer the Escrow Fund then held by it to the successor Escrow Agent selected by Lessor and Lessee.

If the other parties are unable to agree upon a successor escrow agent within 30 days after such notice, the other parties hereby agree that either of them acting unilaterally shall apply to a court of competent jurisdiction for the appointment of a successor escrow agent or for other appropriate relief. The costs and expenses (including reasonable attorneys' fees and expenses) incurred by Escrow Agent in connection with such proceeding shall be paid in accordance with Section 6.

10. The Escrow Agent may consult with counsel of its own choice and shall have full and complete authorization and protection for actions taken in reliance upon the opinion of such counsel.

11. In the event of any dispute with respect to the Escrow Funds, the interpretation of this Escrow Agreement or the rights and obligations of the parties hereunder, or to the propriety of any action contemplated by Escrow Agent hereunder, or if Escrow Agent in good faith is in doubt as to what action should be taken hereunder, then in any such case Escrow Agent shall not be obligated to resolve the dispute or disagreement or to make any disbursement of all or any portion of the Escrow Funds, but may commence an action in the nature of an interpleader and seek to deposit such funds with a court of competent jurisdiction, and thereby shall be discharged from any further duty or obligation with respect to any Escrow Funds. The costs of such interpleader action shall be borne by Lessee. In the event Lessee shall fail on demand to reimburse Escrow Agent for such costs, then Lessee irrevocably authorizes Escrow Agent to deduct any such amounts from the Escrow Funds without any further notice or demand to any person. Escrow Agent may, in its sole discretion in lieu of filing such action in interpleader, elect to cease to perform under this Agreement and to ignore all instructions received in connection herewith until Escrow Agent has received a written notice of resolution signed by the parties to such dispute or disagreement or an order of a court of competent jurisdiction over the matter directing a disposition of the Escrow Funds.

12. This Escrow Agreement and the Escrow Fund established hereunder shall terminate upon receipt by the Escrow Agent of the written notice from Lessor specified in Section 5(b) or Section 5(c) hereof.

13. All notices hereunder shall be in writing, sent by certified mail, return receipt requested, or by mutually recognized overnight carrier addressed to the other parties at their respective addresses shown on page 1 of this Escrow Agreement or at

such other address as each such party shall from time to time designate in writing to the other parties; and shall be effective on the date or receipt.

14. This Escrow Agreement shall inure to the benefit of and shall be binding upon the parties hereto and their respective successors and assigns. No rights or obligations of the Escrow Agent under this Escrow Agreement may be assigned without the prior written consent of Lessor and Lessee.

15. Except as provided in the next sentence, this Escrow Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof, and no waiver, consent, modification or change of terms hereof shall bind any party unless in writing signed by all parties. This Escrow Agreement is in addition to any related account applications and other account opening and authorizing documents and/or resolutions on file with Escrow Agent and such documents are hereby incorporated by reference into this Agreement (the "Account Agreements"). In the event that there are inconsistencies between this Agreement and any other Account Agreement, the terms of this Escrow Agreement shall control.

16. The Escrow Agent may employ agents, attorneys and accountants in connection with its duties hereunder (such costs to be paid as set forth in Section 6) and shall not be liable for any action taken or omitted in good faith in accordance with the advice of counsel, accountants or other skilled persons.

17. This Escrow Agreement shall be governed by and be construed and interpreted in accordance with the internal laws of the State of Indiana (the "State"). In addition, the parties agree that the transaction described herein may be conducted and related documents may be stored by electronic means. Copies, telecopies, facsimiles, electronic files and other reproductions of original executed documents shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law.

18. Lessee represents, warrants and covenants for the benefit of Escrow Agent as follows:

a. Lessee is authorized under the constitution and laws of the State to enter into this Escrow Agreement and the transaction contemplated hereby and to perform all of its obligations hereunder.

b. Lessee has been duly authorized to execute and deliver this Escrow Agreement by proper action and approval of its governing body at a meeting duly called, regularly convened and attended throughout by a requisite majority of the members thereof or by other appropriate official approval.

c. This Escrow Agreement constitutes the legal, valid and binding obligation of Lessee enforceable in accordance with its terms, except to the extent limited by applicable bankruptcy, insolvency, reorganization or other laws affecting creditors' rights generally.

d. Lessee will comply with all applicable provisions of the Internal Revenue Code of 1986, as amended, including without limitation Sections 103 and 148 thereof, and the applicable regulations of the Treasury Department. No part of the Escrow Fund shall be invested at Lessee's discretion in any securities, obligations or other investments or used, at any time, directly or indirectly, in a manner which, if such use had been reasonably anticipated on the date of issuance of the Agreement, would have caused any portion of the Agreement to be or become "arbitrage bonds" within the meaning of Section 103(b)(2) or Section 148 of the Code and the applicable regulations of the Treasury Department.

19. The parties acknowledge that in order to help the United States government fight the funding of terrorism and money laundering activities, pursuant to Federal regulations that became effective on October 1, 2003 (Section 326 of the USA PATRIOT Act) all financial institutions are required to obtain, verify, record and update information that identifies each person establishing a relationship or opening an account. The parties to this Escrow Agreement agree that they will provide to the Escrow Agent such information as it may request, from time to time, in order for the Escrow Agent to satisfy the requirements of the USA PATRIOT Act, including but not limited to the name, address, tax identification number and other information that will allow it to identify the individual or entity who is establishing the relationship or opening the account and may also ask for formation documents such as articles of incorporation or other identifying documents to be provided.

IN WITNESS WHEREOF, the parties hereto have caused this Escrow Agreement to be duly executed as of the day and year first above set forth.

LESSOR:

FIRST INTERNET PUBLIC FINANCE CORP.

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

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

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



LESSEE:

CITY OF BLOOMINGTON, INDIANA

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

ESCROW AGENT:

FIRST INTERNET BANK

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

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

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

**EXHIBIT A**

**CERTIFICATE OF ACCEPTANCE AND PAYMENT REQUEST**

FIRST INTERNET BANK (the "Escrow Agent"), as escrow agent under that certain Escrow Agreement dated December 20, 2018 (the "Escrow Agreement"), by and among the CITY OF BLOOMINGTON, INDIANA ("Lessee"), FIRST INTERNET PUBLIC FINANCE CORP. ("Lessor") and the Escrow Agent, is hereby requested to pay from the Escrow Fund (as defined in the Escrow Agreement) established and maintained thereunder, the amount set forth below to the named payee(s). The equipment and costs described below are (i) part or all of the Equipment listed in the Equipment Schedule to that certain Equipment Lease Purchase Agreement dated as of December 20, 2018 (the "Agreement"), between Lessor and Lessee, or (ii) certain costs of entering into the Agreement. The amount shown is due and payable under (i) a purchase order or contract (or has been paid by and not previously reimbursed to Lessee), or (ii) invoices, budgets, closing statements or any other additional documentation.

| QUANTITY | DESCRIPTION OF<br>EQUIPMENT OR<br>FINANCING COST | AMOUNT | PAYEE |
|----------|--|--------|-------|
|----------|--|--------|-------|

Lessee hereby certifies and represents to and agrees with Lessor as follows: (i) the Equipment described above has been delivered and installed at the location(s) set forth in the Equipment Schedule; (ii) a present need exists for such Equipment which need is not temporary or expected to diminish in the near future; (iii) such Equipment is essential to and will be used by Lessee only for the purpose of performing one or more governmental functions of Lessee consistent with the permissible scope of Lessee's authority; (iv) the estimated useful life of such Equipment based upon the manufacturer's representations and Lessee's projected needs is not less than the term of lease with respect to such Equipment; (v) Lessee has conducted such inspection and/or testing of such Equipment as it deems necessary and appropriate and hereby acknowledges that it accepts such Equipment for all purposes as of the date of this Certificate; (vi) such Equipment is covered by insurance in the types and amounts required by the Agreement; (vii) no Event of Default, as such term is defined in the Agreement, or nonappropriation under the Agreement, and no event which with the giving of notice or lapse of time or both, would become an Event of Default or nonappropriation under the Agreement, has occurred and is continuing on the date hereof; and (viii) sufficient funds have been appropriated by Lessee for the payment of all rental payments due under the Agreement during Lessee's current fiscal year.

Based on the foregoing, Escrow Agent is hereby authorized and directed to fund the acquisition of the Equipment set forth in the Agreement by paying, or causing to be paid, the manufacturer(s)/vendor(s), Lessee or other payee(s) the amounts set forth on the attached invoices from the Escrow Fund held under the Escrow Agreement in accordance with its terms.

The following documents are attached hereto and made a part hereof: (a) Original Invoice(s); and/or (b) Copies of Certificate(s) of Origin, when applicable, designating Lessor as lienholder if any part of the Equipment consists of motor vehicles, and evidence of filing.

IF REQUEST IS FOR REIMBURSEMENT, CHECK HERE . Lessee paid an invoice prior to the commencement date identified in the Equipment Schedule and is requesting reimbursement for such payment. A copy of evidence of such payment, together with a copy of Lessee's Declaration of Official Intent and any other evidence required by Lessor prior to Lessor's approval hereof that Lessee has satisfied the requirements for reimbursement set forth in Treas. Reg. 1.150-2, is hereby attached. Lessor's approval hereof shall evidence that Lessee has delivered to Lessor such required documentation.

IF REQUEST IS FINAL REQUEST, CHECK HERE . Lessee hereby certifies that the items of Equipment described above, together with the items of Equipment described in and accepted by Certificates of Acceptance and Payment Requests previously filed by Lessee and Lessor with Escrow Agent constitutes all of the Equipment subject to the Equipment Schedule.

Date: \_\_\_\_\_, 20\_\_\_\_.

**Approved for Payment:**

FIRST INTERNET PUBLIC FINANCE CORP., as Lessor      CITY OF BLOOMINGTON, INDIANA, as Lessee

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

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

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

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

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

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

## SCHEDULE 1

Attached to and made a part of the Escrow Agreement (the "Escrow Agreement") dated December 20, 2018, by and among FIRST INTERNET PUBLIC FINANCE CORP. ("Lessor"), the CITY OF BLOOMINGTON, INDIANA, as Lessee, and FIRST INTERNET BANK (the "Escrow Agent").

**A. Based upon our current understanding of your proposed transaction, the proposed services are as follows, which shall be the responsibility of Lessee: \$0. The Escrow Agent agrees not to charge any ongoing Acceptance or Monthly Administration fees in connection with the Escrow Agreement.**

1. New Account Acceptance

Encompassing review, negotiation and execution of governing documentation, opening of the account, and completion of all due diligence documentation.

2. Monthly Administration

Covering our usual and customary ministerial duties, including record keeping, distributions, document compliance and such other duties and responsibilities expressly set forth in the governing documents for each transaction.

**B. Extraordinary Services and Out-of-Pocket Expenses**

Any additional services beyond our standard services as specified above, and all reasonable out-of-pocket expenses including attorney's or accountant's fees and expenses will be considered extraordinary services for which related costs, transaction charges, and additional fees may be billed at Escrow Agent's then standard rate. Disbursements, receipts, investments or tax reporting exceeding 25 items per year may be treated as extraordinary services.

## **RESOLUTION 18-27**

### **PRELIMINARY APPROVAL TO ISSUE ECONOMIC DEVELOPMENT BONDS AND LEND THE PROCEEDS FOR THE RENOVATION OF AFFORDABLE HOUSING - Re: Canterbury House Apartments, 540 S. Basswood Drive (Herman & Kittle Properties, Inc., Petitioner)**

WHEREAS, the City of Bloomington, Indiana (the "Issuer"), is authorized by IC 36-7-11.9 and 12 (collectively, the "Act") to issue revenue bonds for the financing of economic development facilities, the funds from said financing to be used for the acquisition, renovation, improvement and equipping of said facilities, and said facilities to be either sold or leased to a company or directly owned by a company; and

WHEREAS, Herman & Kittle Properties, Inc., an Indiana corporation, on behalf of itself or a to-be-formed Indiana limited partnership or limited liability company (the "Applicant"), has advised the Bloomington Economic Development Commission (the "Commission") and the Issuer that it proposes that the Issuer lend proceeds of an economic development financing to the Applicant for the acquisition, renovation, improvement and equipping of a multifamily housing facility consisting of an apartment complex known as Canterbury House, containing approximately 208 apartment units, together with functionally related and subordinate facilities such as carports, garages and parking areas, located at 540 S. Basswood Drive in the City of Bloomington, Indiana (the "Project"); and

WHEREAS, on November 21, 2018, the Commission unanimously voted in support of Herman & Kittle Properties, Inc., to proceed with its application and to pursue issuing bonds as memorialized in Commission Resolution 18-05; and

WHEREAS, the diversification of industry and increase in or retention of job opportunities (approximately 5 existing jobs to be retained) to be achieved by the acquisition, renovation, improvement and equipping of the Project will be of public benefit to the health, safety and general welfare of the Issuer and its citizens; and

WHEREAS, the Common Council has considered whether the Project will have an adverse competitive effect on any similar facility already constructed or operating in Bloomington, Indiana;

**NOW, THEREFORE, BE IT HEREBY RESOLVED BY THE COMMON COUNCIL OF THE CITY OF BLOOMINGTON, MONROE COUNTY, INDIANA, THAT:**

SECTION 1. The Common Council of the City of Bloomington, Indiana, finds, determines, ratifies and confirms that the promotion of diversification of economic development and job opportunities in and near Bloomington, Indiana, is desirable to preserve the health, safety and general welfare of the citizens of the Issuer; and that it is in the public interest that the Commission and the Issuer take such action as they lawfully may to encourage economic development, diversification of industry and promotion of job opportunities in and near the Issuer.

SECTION 2. The Common Council of the City of Bloomington, Indiana, approves, determines, ratifies and confirms that the issuance and sale of economic development revenue bonds in an amount not to exceed \$26,000,000 under the Act for the lending of the proceeds of the revenue bonds to the Applicant, for the acquisition, renovation, improvement and equipping of the Project will serve the public purposes referred to above, in accordance with the Act.

SECTION 3. In order to induce the Applicant to proceed with the acquisition, renovation, improvement and equipping of the Project, and subject to the further final approval of the Common Council of the City of Bloomington, Indiana, the Common Council of the City of Bloomington, Indiana, hereby approves, determines, ratifies and confirms that (i) it will take or cause to be taken such actions pursuant to the Act as may be required to implement the aforesaid financing, or as it may deem appropriate in pursuance thereof; and (ii) it will adopt such ordinances and resolutions and authorize the execution and delivery of such instruments and the taking of such action as may be necessary and advisable for the authorization, issuance and sale of said economic development revenue bonds; and that the aforementioned purposes comply

with the provisions of the Act; and (iii) it will use its best efforts at the request of Applicant to authorize the issuance of additional bonds for refunding and refinancing the outstanding principal amount of the bonds, for completion of the Project and for additions to the Project, including the costs of issuance (providing that the financing of such addition or additions to the Project is found to have a public purpose at the time of authorization of such additional bonds), and that the aforementioned purposes comply with the provisions of the Act; provided that all of the foregoing shall be mutually acceptable to the Issuer and the Applicant.

SECTION 4. All costs of the Project incurred after the date permitted by applicable federal tax and state laws, including reimbursement or repayment to the Applicant of moneys expended by the Applicant for planning, engineering, a portion of the interest paid during acquisition, improvement and equipping, underwriting expenses, attorney and bond counsel fees, acquisition, improvement and equipping of the Project will be permitted to be included as part of the bond issue to finance the Project, and the Issuer will lend the proceeds from the sale of the bonds to the Applicant for the same purposes. Also, certain indirect expenses, including but not limited to, planning, architectural work and engineering incurred prior to this inducement resolution will be permitted to be included as part of the bond issue to finance the Project.

SECTION 5. This resolution shall constitute "official action" for purposes of compliance with federal and state laws requiring governmental action as authorization for future reimbursement from the proceeds of bonds, particularly Treas. Reg. 1.150-2.

SECTION 6. If any section, sentence or provision of this resolution, or the application thereof to any person or circumstances shall be declared invalid, such invalidity shall not affect any of the other sections, sentences, provisions or applications of this resolution which can be given effect without the invalid provision or application, and to this end the provisions of this resolution are declared to be severable.

PASSED by the Common Council of the City of Bloomington, Monroe County, Indiana upon this \_\_\_\_\_ day of \_\_\_\_\_, 2018.

\_\_\_\_\_  
DOROTHY GRANGER, President  
Bloomington Common Council

ATTEST:

\_\_\_\_\_  
NICOLE BOLDEN, Clerk  
City of Bloomington

PRESENTED by me to the Mayor of the City of Bloomington, Monroe County, Indiana, upon this \_\_\_\_\_ day of \_\_\_\_\_, 2018.

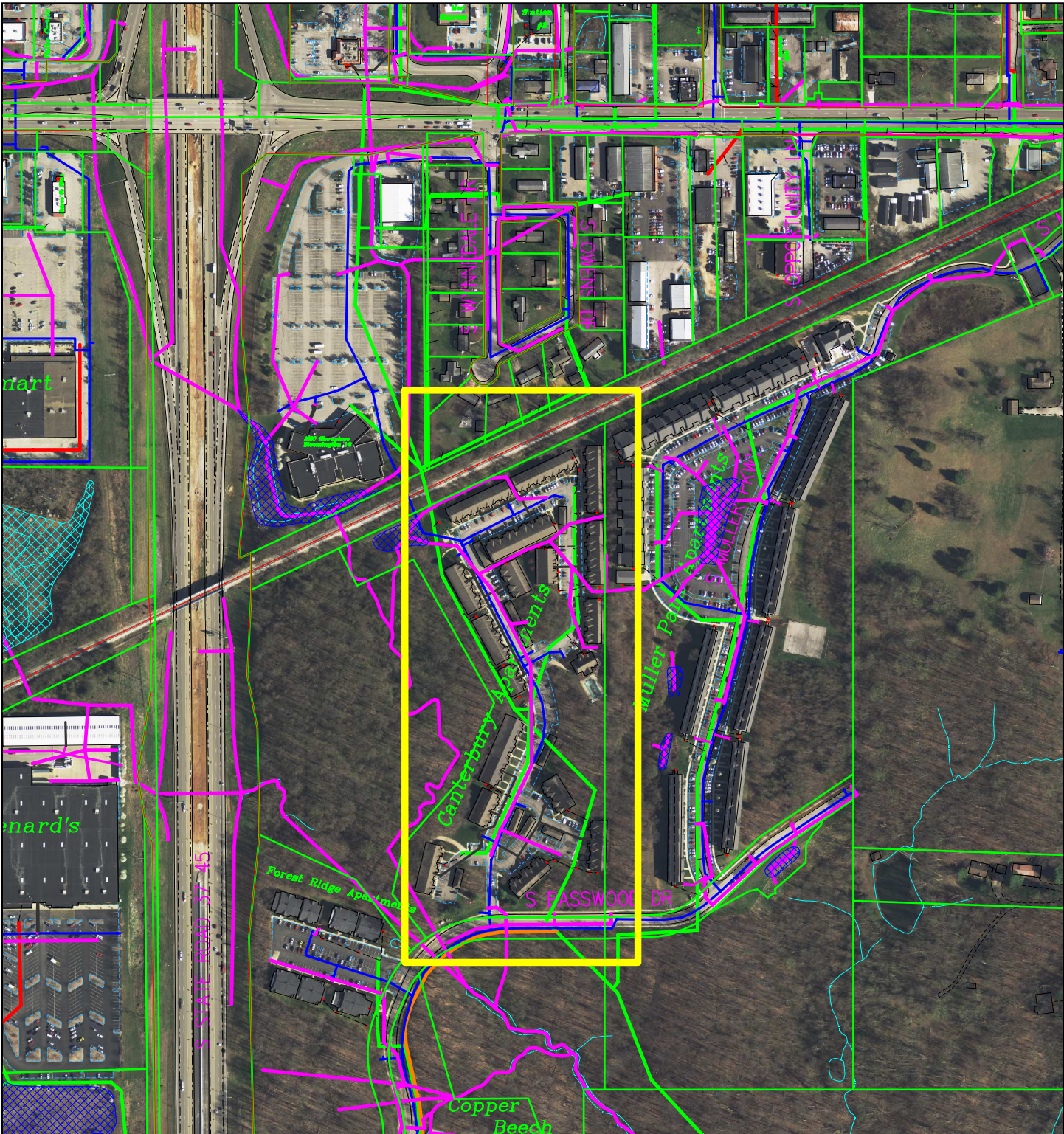
\_\_\_\_\_  
NICOLE BOLDEN, Clerk  
City of Bloomington

SIGNED and APPROVED by me upon this \_\_\_\_\_ day of \_\_\_\_\_, 2018.

\_\_\_\_\_  
JOHN HAMILTON, Mayor  
City of Bloomington

## SYNOPSIS

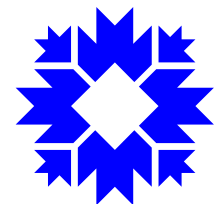
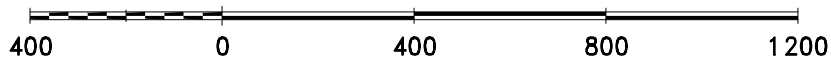
Resolution 18-27 is for Preliminary Approval for the City of Bloomington to Issue Economic Development Revenue Bonds pursuant to Indiana Code 36-7-11.9 and 36-7-12 in an amount not to exceed twenty-six million dollars (\$26,000,000.00). The City would lend the funds from this Economic Development Revenue Bond to Herman and Kittle and its limited partner for the rehabilitation and renovation of the affordable housing development currently known as Canterbury House at 540 S Basswood Drive. Herman and Kittle and its partners would fully indemnify the City and take fully responsibility for payment of the bond – the City would bear no cost. As part of the renovation, the development would become all affordable housing. This Resolution is only the first step in the process, which will allow Herman and Kittle to apply for Indiana Community Housing Development Authority tax credits that will make this project possible.



Res 18-27 Prelim Approval of Econ Dev Bonds for Renovation of Canterbury House

City of Bloomington  
Council Office

By: shermand  
6 Dec 18



Scale: 1" = 400'

For reference only; map information NOT warranted.





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**MEMORANDUM**

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To: Members of the Common Council of the City of Bloomington

From: Brian Payne, Assistant Director, Economic and Sustainable Development (ESD)

CC: Alex Crowley, Director, ESD  
Philippa Guthrie, Corporation Counsel  
Dan Sherman, Attorney Advisor, Common Council

Date: December 12, 2018

Re: Request from Herman & Kittle (Owners of Canterbury House) for Preliminary Common Council Approval of Proposed Housing Bond Transaction

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This Resolution is for Preliminary Approval for the City of Bloomington to Issue Economic Development Revenue Bonds pursuant to Indiana Code 36-7-11.9 and 36-7-12 in an amount not to exceed twenty-six million dollars (\$26,000,000.00). The City would lend the funds from this Economic Development Revenue Bond to Herman and Kittles and its limited partner for the rehabilitation and renovation of the affordable housing development currently known as Canterbury House at 540 S Basswood Drive. Herman and Kittles and its partners would fully indemnify the City and take fully responsibility for payment of the bond – the City would bear no cost. As part of the renovation, the development would become all affordable housing. This Resolution is only the first step in the process, which is outlined below, and will allow Herman and Kittles to apply for Indiana Community Housing Development Authority tax credits that will make this project possible.

As requested by Council, this matter of preliminary approval was considered by the Economic Development Commission (“EDC”) in a public meeting on November 20, 2018. The EDC unanimously approved recommendation of passage to the Council in EDC Resolution 18-05 (included with this memorandum).

**Canterbury House**

Herman & Kittle Properties, Inc., an Indiana corporation, owns and operates Canterbury House, a 208-unit affordable housing facility at 540 S Basswood Drive in west Bloomington. Built in 2001, Canterbury House currently reserves 80% of its units (ranging from 1- to 3-bedrooms) for households at or below 60% of Area Median Income. Current occupancy rate is 92%, including 125 households with Housing Choice Vouchers. Canterbury House also supports five existing jobs in Bloomington. The property needs modernization, site improvement, and security enhancements.

**Rehabilitation Project**

Herman & Kittle (H&K) propose to invest approximately \$24,500,000 in capital improvements to address these needs. To fund this renovation project, H&K will rely heavily on available tax credits from the Indiana Community Housing Development Authority (IHCDA). Currently the project is located in a qualified census tract that the IHCDA considers a distressed area for development, which would allow Canterbury House to receive more tax credits. However, the census tract where the project is located loses the designation effective January 1, 2019, which would reduce the available tax credits available to H&K for the Canterbury House rehabilitation project.

## Economic and Sustainable Development Department

Post rehabilitation, 100% of units will be reserved for those at or below 60% of Area Median Income. Rehabilitations will include site improvements: new roofs, trash enclosures, parking lot repair, enhanced site lighting and accommodations for accessibility; unit improvements: new flooring, countertops, windows, doors, HVAC and appliances (including washer and dryers in units); and safety improvements: enhanced site lighting, larger and clearly visible building identification (per BFD), enhanced security system and fencing separating adjacent apartment communities. H&K will continue to manage the property.

### **Financing Process**

To finance this major rehabilitation project, H&K will require the issuance of revenue bonds, in an amount not to exceed \$26,000,000. While they could seek these revenue bonds from the State of Indiana through IHEDA, that would add a 1% financing fee to the cost. Instead, they request that the City of Bloomington issue the necessary revenue bonds to finance the acquisition, renovation, improvement and equipping of Canterbury House. Said bonds would not be payable from taxes or be a general obligation of the City; they would be payable solely from revenues of the Canterbury House project. H&K would assume total liability for bond payments and indemnify the City via the financing agreement. This would exert no effect on the City's constitutional debt limit or bank qualified limit. In essence, the City acts only as a "conduit" – allowing the borrower to access capital at a tax-exempt rate and receive equity for the project in the form of tax credits.

### **Procedure of Housing Bond Transaction**

H&K is seeking an inducement resolution from Common Council, which is essentially permission to issue bonds and use proceeds to reimburse developer for these improvements. It is a requirement of the application process through which H&K obtains IHEDA tax credits, and would also serve to formally begin the project process to preserve the "distressed" status of the qualified census tract containing Canterbury House, resulting in a larger amount of tax credit equity for the rehabilitation of the project.

The public procedure required by state law is the following:

- Common Council passes inducement resolution before expiration of QCT status in 2019
- H&K applies for IHEDA tax credits, negotiates financing agreement
- IHEDA approves H&K tax credit application
- EDC holds public hearing to approve financing agreement, issuance of bonds
- Common Council approves financing agreement and issuance of bonds

Though not required by state law, Common Council requested that EDC make a recommendation prior to their consideration of said inducement resolution. As noted above, The EDC unanimously approved recommendation of passage to the Council in EDC Resolution 18-05 at its meeting on November 20, 2018. EDC approves and recommends that Council pass this inducement resolution and move forward with this housing bond transaction.

## Canterbury House - Bloomington

**Name:** Canterbury House - Bloomington  
**Proposed:** 208-unit apartment community  
**Developed By:** Herman & Kittle Properties, Inc. (HKP)  
**Location:** 540 S Basswood Drive, Bloomington, IN 47403  
**Current Property Condition:** Existing multifamily property

### OVERVIEW

Herman & Kittle Properties, Inc. (HKP) is an Indianapolis-based developer, owner, and operator of multifamily housing, including the above referenced Canterbury House Apartments, comprised of one-, two-, and three-bedroom units targeting households at 60% of area median income (AMI). Funding for this approximately \$26 million development will be facilitated by the sale of rental housing tax credits (RHTCs) through the Indiana Housing & Community Development Authority (IHCDA). The anticipated scope of work for this development will include capital improvements, such as new roofs, windows and doors as well as new HVAC systems and appliances to increase the efficiency of units and reduce utility costs for residents. Units will be updated and modernized to include the addition of washer and dryers to each unit, new flooring and paint. Finally, security will be a major focus of this rehab—providing more site lighting, security cameras and fencing to ensure the safety of residents.

### DEVELOPMENT TIMELINE

|                   |                             |
|-------------------|-----------------------------|
| November 2018:    | Submit Application to IHCDA |
| February 2019:    | Allocation of Tax Credits   |
| Summer/Fall 2020: | Closing                     |
| Summer 2022:      | Construction Completion     |

### DEVELOPMENT OVERVIEW

The chart below details the income limits for the RHTC program in Monroe County by family size.

**Monroe County Income Limits at 60% of Area Median Income**

| 1 Person  | 2 Person  | 3 Person  | 4 Person  | 5 Person  | 6 Person  |
|-----------|-----------|-----------|-----------|-----------|-----------|
| \$ 29,220 | \$ 33,360 | \$ 37,560 | \$ 41,700 | \$ 45,060 | \$ 48,420 |

Additionally, rent and utility allowances (UA's\*) are monitored by IHCDA as part of the RHTC program. The maximum rent that may be paid by the tenants is published annually by IHCDA and all resident paid utilities must be subtracted from this amount. The chart below identifies the maximum rents and utility allowance for Monroe County in 2018 and the resulting maximum rent that may be charged to a tenant.

|            | 1-Bedroom  |     |                  | 2-Bedroom  |     |                  | 3-Bedroom  |     |                  |
|------------|------------|-----|------------------|------------|-----|------------------|------------|-----|------------------|
|            | Rent Limit | UA* | Tenant Paid Rent | Rent Limit | UA  | Tenant Paid Rent | Rent Limit | UA  | Tenant Paid Rent |
| AMI<br>60% | 782        | 111 | <b>638</b>       | 939        | 135 | <b>804</b>       | 1,084      | 157 | <b>927</b>       |

**City of Bloomington Economic  
Development Commission  
(11/\_\_\_/2018)  
and City Council (12/12/2018)**

Limestone Crossing Apartments  
(f/k/a Canterbury House  
Apartments)

# Limestone Crossing Apts.

***540 S. Basswood Drive***



***Providing safe and affordable housing to the residents  
of Bloomington***

# Limestone Crossing Apts.

- ➔ Built in 2001 to address the affordable housing needs of the residents of Bloomington.
- ➔ Currently, 80% of units reserved for those at or below 60% of Area Median Income.
- ➔ Post rehabilitation, 100% of units will be reserved for those at or below 60% of Area Median Income.
- ➔ 208 Units ranging from one bedroom to three bedroom.
- ➔ 125 households with Housing Choice Vouchers.
- ➔ Property in need of modernization, capital improvements and enhancement to site security.
- ➔ Current occupancy rate is 92%.

# Limestone Crossing Apts.



# Limestone Crossing Apts.

- ➔ Income Limits and Proposed Rents:
  - ➔ The Rental Housing Tax Credit (RHTC) program was initiated to provide safe and decent housing while maintaining total housing costs (including utilities) at or below 30% of gross income.

**Monroe County Income Limits at 60% of Area Median Income**

| 1 Person  | 2 Person  | 3 Person  | 4 Person  | 5 Person  | 6 Person  |
|-----------|-----------|-----------|-----------|-----------|-----------|
| \$ 29,220 | \$ 33,360 | \$ 37,560 | \$ 41,700 | \$ 45,060 | \$ 48,420 |

|     | 1-Bedroom  |       |                  | 2-Bedroom  |       |                  | 3-Bedroom  |       |                  |
|-----|------------|-------|------------------|------------|-------|------------------|------------|-------|------------------|
| AMI | Rent Limit | UA*   | Tenant Paid Rent | Rent Limit | UA    | Tenant Paid Rent | Rent Limit | UA    | Tenant Paid Rent |
| 60% | \$782      | \$111 | \$638            | \$939      | \$135 | \$804            | \$1,084    | \$157 | \$927            |



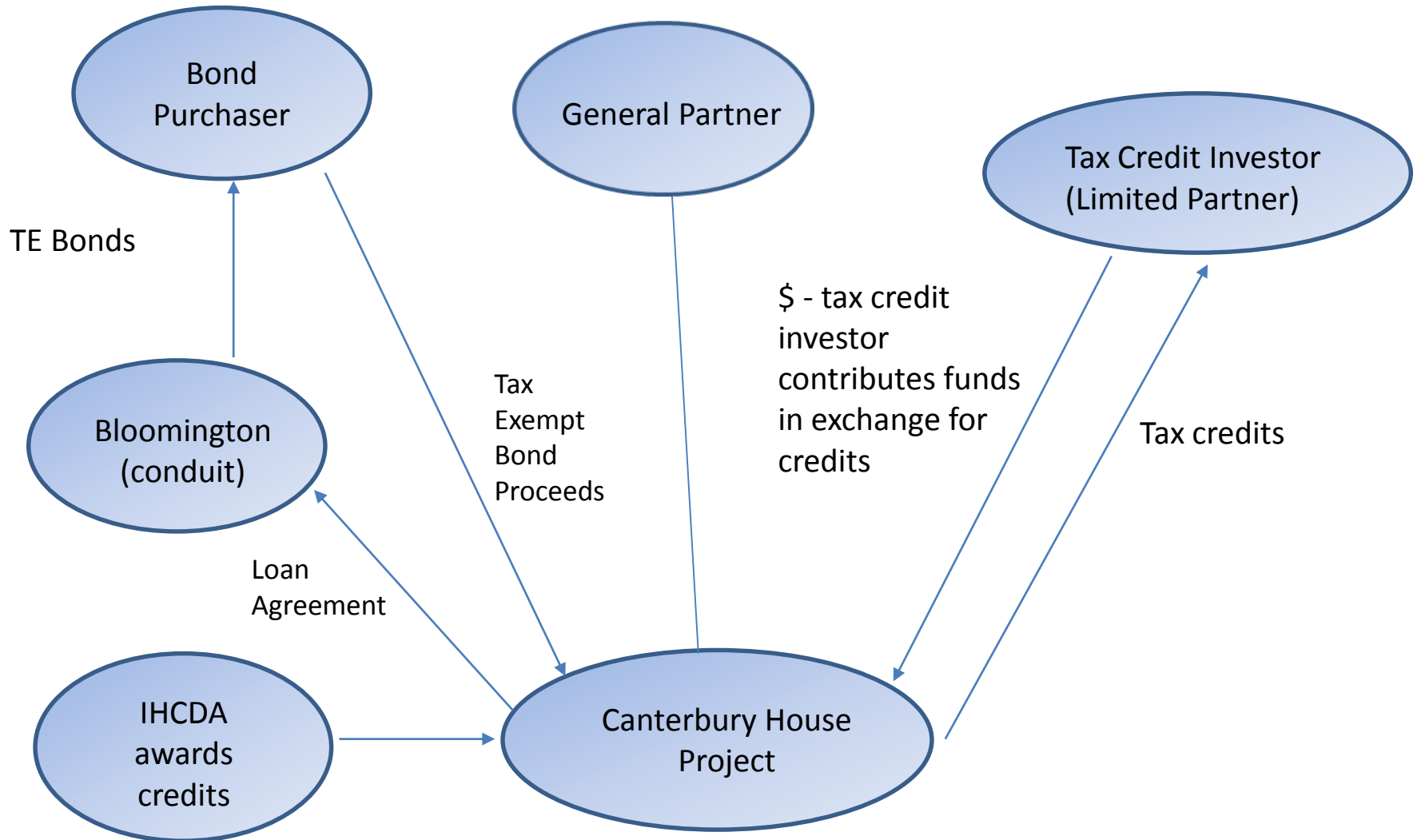
# Proposed Scope of Work

- ➔ Total Development costs of approximately \$24.5MM:
  - ➔ Capital Improvements: New roofs, trash enclosures, parking lot repair, enhanced site lighting and accommodations for accessibility.
  - ➔ Unit Improvements: New flooring, countertops, windows, doors, HVAC and appliances (including washer and dryers in units).
  - ➔ Safety Improvements: Enhanced site lighting, larger and clearly visible building identification (per BFD), enhanced security system and fencing separating adjacent apartment communities.
  - ➔ Herman & Kittle Properties, Inc. will continue to manage the property.

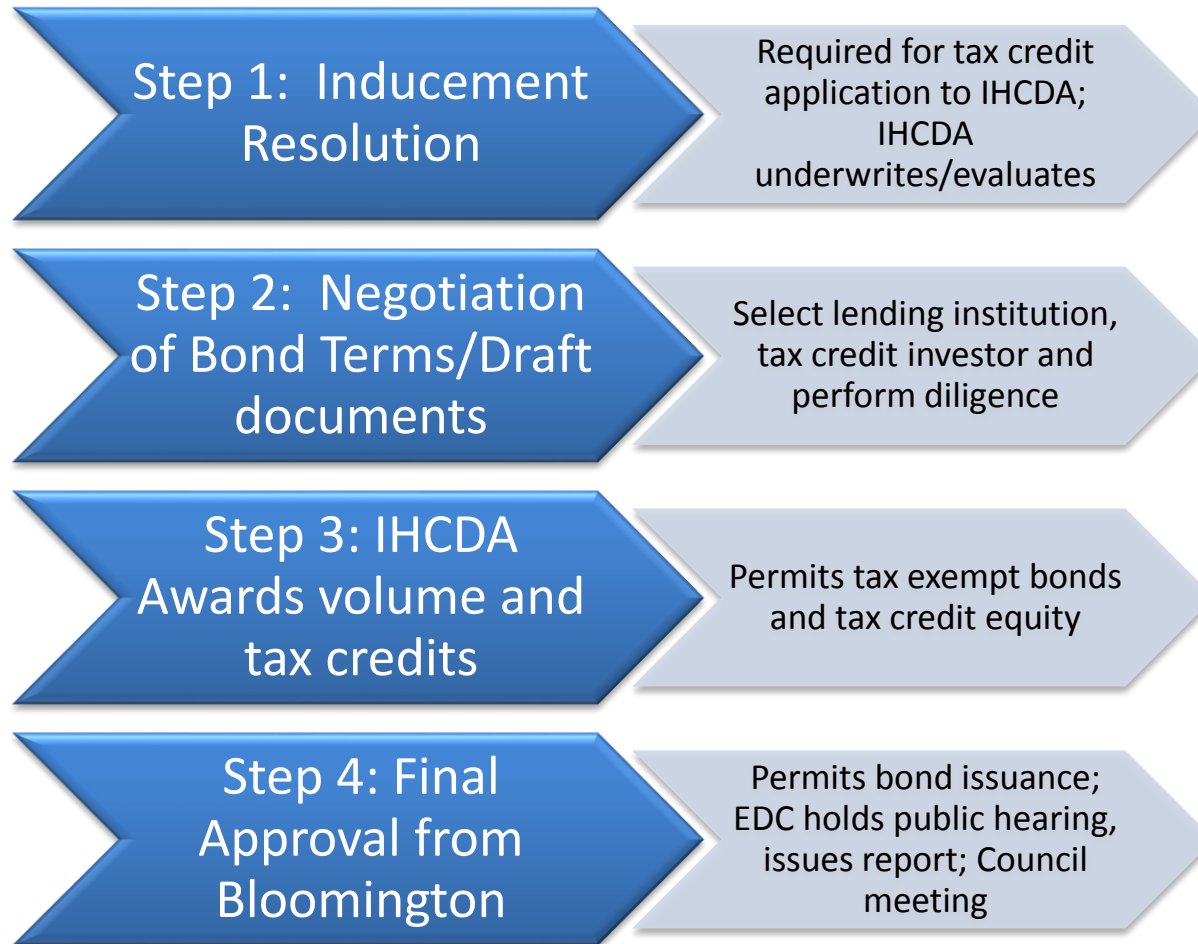
# Timeline

- ➔ December 2018: Submit Application to IHADA
- ➔ February 2019: Allocation of Tax Credits
- ➔ Summer/Fall 2019: Closing
- ➔ Summer 2022: Construction Completion

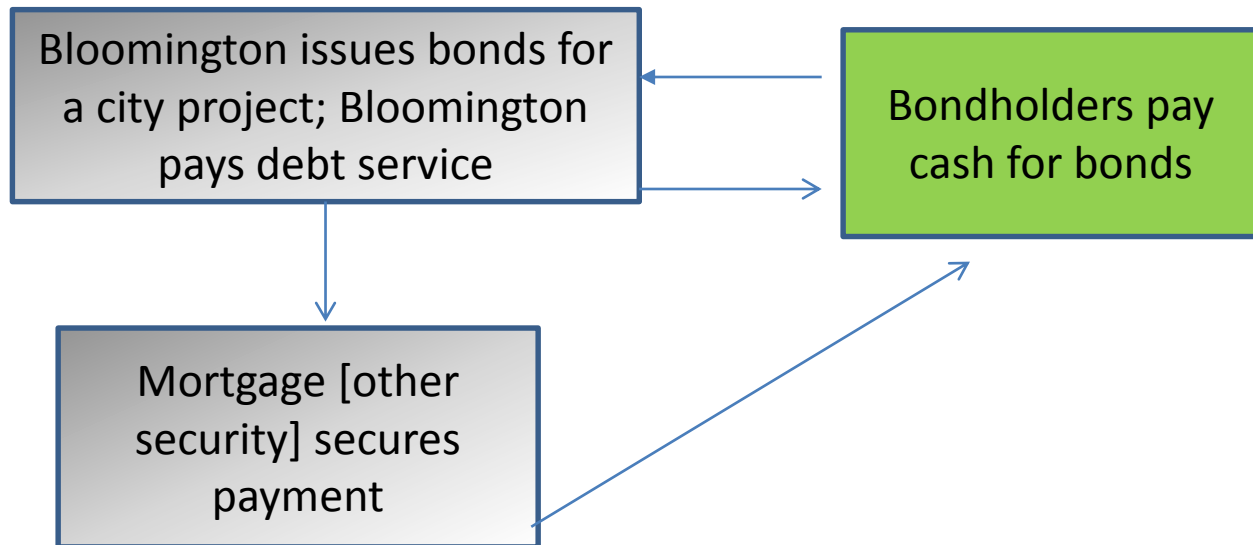
# Bond and Credit Structure



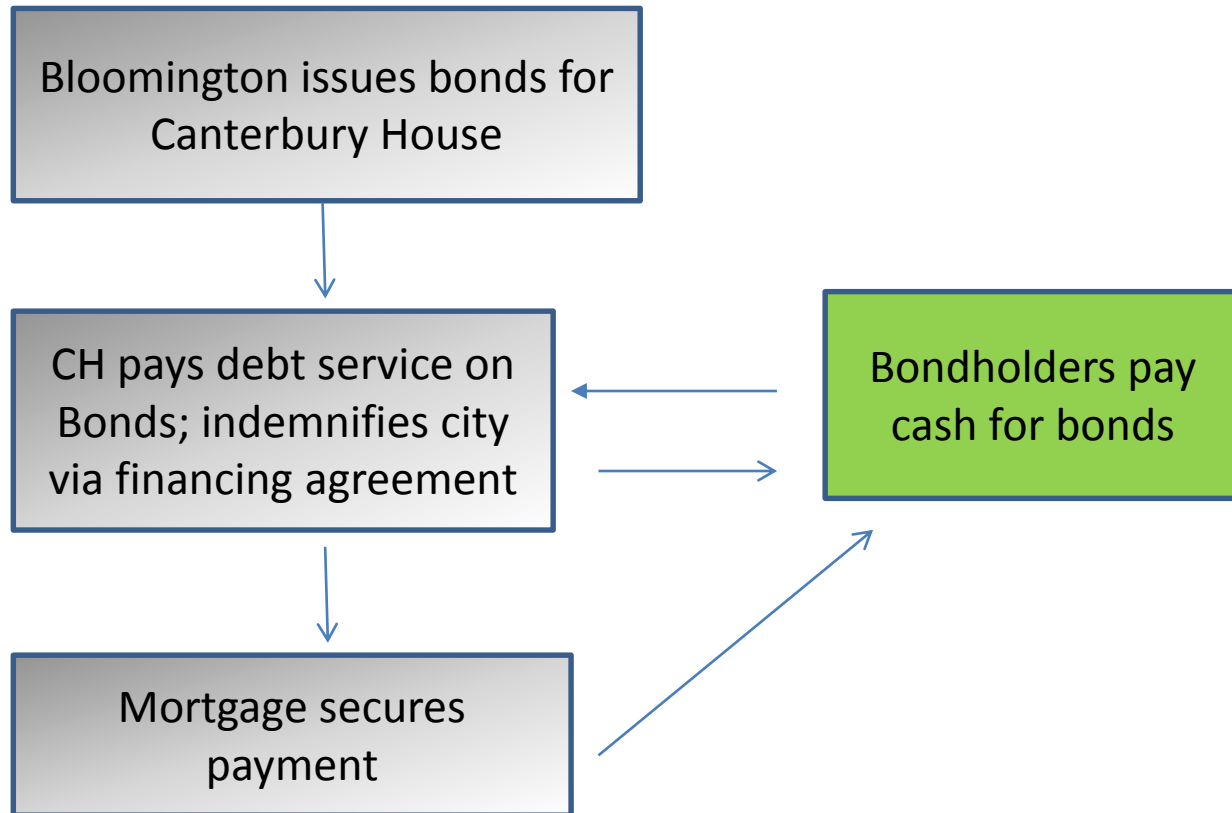
# Bond and Tax Credit Process



# Basic Bond Issuance (Governmental – TIF, GO, Sewer)



# Basic Bond Issuance (Conduit – Housing, Manufacturing)



# Bond Characteristics

- ➔ Issued pursuant to IC 36-7-12
  - Requires EDC to render project report, hold public hearing, approve ordinance authorizing bonds
- ➔ Bonds will not be payable from taxes or be a general obligation of the city; payable solely from revenues of the project; no effect on the city's constitutional debt limit or bank qualified limit
- ➔ City acts only as a “conduit” – allowing the borrower to access capital at a tax-exempt rate and receive equity for the project in the form of tax credits
  - No ongoing obligations or administration by the city – borrower is responsible for all tax covenants, payments and indemnifies city in all respects

# Conclusion

Any Questions?

Thank you!



**RESOLUTION 18-05  
OF THE  
ECONOMIC DEVELOPMENT COMMISSION  
OF THE  
CITY OF BLOOMINGTON, INDIANA**

**WHEREAS,** the Bloomington Economic Development Commission (the "Commission"), is authorized by IC 36-7-11.9 and 12 (collectively, the "Act") to approve and recommend to the Bloomington Common Council the issuance of revenue bonds by the City of Bloomington, Indiana (the "Issuer"), for the financing of economic development facilities, the funds from said financing to be used for the acquisition, renovation, improvement and equipping of said facilities, and said facilities to be either sold or leased to a company or directly owned by a company; and

**WHEREAS,** Herman & Kittle Properties, Inc., an Indiana corporation, on behalf of itself or a to-be-formed Indiana limited partnership or limited liability company (the "Applicant"), has advised the Commission and the Issuer that it proposes that the Issuer lend proceeds of an economic development financing to the Applicant for the acquisition, renovation, improvement and equipping of a multifamily housing facility consisting of an apartment complex known as Canterbury House, containing approximately 208 apartment units, together with functionally related and subordinate facilities such as carports, garages and parking areas, located at 540 S. Basswood Drive in the City of Bloomington, Indiana (the "Project"); and

**WHEREAS,** the diversification of industry and increase in or retention of job opportunities (approximately 5 existing jobs to be retained) to be achieved by the acquisition, renovation, improvement and equipping of the Project will be of public benefit to the health, safety and general welfare of the Issuer and its citizens; and

**WHEREAS,** the Commission has considered whether the Project will have an adverse competitive effect on any similar facility already constructed or operating in Bloomington, Indiana.

**NOW, THEREFORE, BE IT RESOLVED BY THE ECONOMIC  
DEVELOPMENT COMMISSION OF THE CITY OF BLOOMINGTON THAT:**

1. The Commission finds, determines, ratifies, and confirms that the promotion of diversification of economic development and job opportunities in and near Bloomington, Indiana, is desirable to preserve the health, safety, and general welfare of the citizens of the Issuer; and that it is in the public interest that the Commission and the Issuer take such action as they lawfully may to encourage economic development, diversification of industry, and promotion of job opportunities in and near the Issuer.

1. The Commission approves, determines, ratifies, and confirms that the issuance and sale of economic development revenue bonds in an amount not to exceed \$26,000,000 under the Act for the lending of the proceeds of the revenue bonds to the Applicant, for the acquisition, renovation, improvement, and equipping of the Project will serve the public purposes referred to above, in accordance with the Act.
2. In order to induce the Applicant to proceed with the acquisition, renovation, improvement, and equipping of the Project, and subject to the further final approval of the Common Council of the City of Bloomington, Indiana, the Commission hereby approves, determines, ratifies, and confirms that (i) it will take or cause to be taken such actions pursuant to the Act as may be required to implement the aforesaid financing, or as it may deem appropriate in pursuance thereof; and (ii) if the Commission deems it appropriate, it will adopt such resolutions and authorize the execution and delivery of such instruments and the taking of such action as may be necessary and advisable for the authorization, issuance and, sale of said economic development revenue bonds; and that the aforementioned purposes comply with the provisions of the Act; and (iii) it will use its best efforts at the request of Applicant to authorize the issuance of additional bonds for refunding and refinancing the outstanding principal amount of the bonds, for completion of the Project and for additions to the Project, including the costs of issuance (providing that the financing of such addition or additions to the Project is found to have a public purpose at the time of authorization of such additional bonds), and that the aforementioned purposes comply with the provisions of the Act; provided that all of the foregoing shall be mutually acceptable to the Issuer and the Applicant.
3. All costs of the Project incurred after the date permitted by applicable federal tax and state laws, including reimbursement or repayment to the Applicant of moneys expended by the Applicant for planning, engineering, a portion of the interest paid during acquisition, improvement and equipping, underwriting expenses, attorney and bond counsel fees, acquisition, improvement and equipping of the Project will be permitted to be included as part of the bond issue to finance the Project, and the Issuer will lend the proceeds from the sale of the bonds to the Applicant for the same purposes. Also, certain indirect expenses, including but not limited to, planning, architectural work and engineering incurred prior to this inducement resolution will be permitted to be included as part of the bond issue to finance the Project.

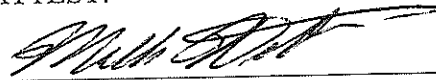
Adopted this 20 day of November, 2018.

**BLOOMINGTON ECONOMIC  
DEVELOPMENT COMMISSION**



KURT ZORN, President  
(Print Name and Title)

ATTEST:



MALCOLM WEBB, Commissioner  
(Print Name and Title)