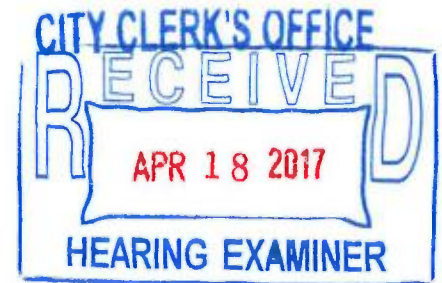


April 17, 2017

Ms. Phyllis Macleod
Hearing Examiner
City of Tacoma
747 Market Street, Room 720
Tacoma WA 98402

RECEIVED

APR 18 2017



Re: **Notice of Supplemental Objections to LID Assessment**

LID Number: 8645
Assessment Number: 00130
Assessment Amount: \$557,861.00
The Winthrop, LP

Dear Examiner Macleod:

Pursuant to your order authorizing the submission of additional exhibits and arguments following the hearing on March 29th, we are writing to supplement The Winthrop, LP's objections to the proposed LID Assessment. Both the exhibits placed into the record, particularly Exhibit 6, which is the Valbridge Broadway LID Special Benefits Study, and the testimony regarding the study provided by Mr. Shedd, provided additional support for the argument advanced by The Winthrop, LP in its March 28th objection letter (Exhibit 17) that its property received no economic benefit from the work performed.

The testimony of Mr. Rodriguez further supported The Winthrop LP's argument that the LID project was poorly managed. First, the volume of staff hours billed to the project demonstrated an attempt to move as much of the cost of general fund-position employee time to a specially assessed project. Second, the testimony established that the City is asking the property owners to pay tens of thousands of dollars in interest that has accrued between substantial completion in 2011 and now because the City chose to work on other LID projects rather than completing work on this one. We believe the City should be required to absorb these costs. Please find below a more in depth discussion of these issues.

There Is No Evidence In The Record That The Winthrop Received Any Economic Benefit From The LID Work.

The Valbridge Special Benefits Study purports to "...have conducted extensive property research and multiple property inspections." Exhibit 6 at P. 3. It purports to have based its analysis on "...an application of the Income Approach with market rents and expenses applied for each property and capitalized into a value indication." *Id.* at 4. Both the report and Mr. Shedd's testimony demonstrated that neither of those statements were true with respect to The Winthrop.

First, the Valbridge report admits its conclusion that multi-family properties in the LID area experienced superior performance in higher rent and reduced vacancy rates following completion

COPY ORIGINAL

EXHIBIT 52

of the work in 2011 did not apply to subsidized apartment complexes. The statement from the report says it all:

It is important to note that these statistics take into account market rate products only, with subsidized apartment complexes left out of the overall analysis.

Id. at 10.

Second, the following admissions were made during the hearing:

- Mr. Shedd admitted that The Winthrop was a subsidized apartment complex both before and after the LID improvements were completed.
- He admitted that he did not recall reviewing any information about the rents charged at The Winthrop in preparing his study.
- He admitted The Winthrop was one of the largest multi-family structures with subsidized units in the LID study area.
- Finally, he admitted that he did not ask The Winthrop for any information about either the number of rental units subject to subsidy or the rental rates charged before or after the improvements were completed.

These admissions and evidence establish that there are no facts in the record to support a conclusion that The Winthrop received any special benefit from the LID.

Ninety percent of the 194 units in The Winthrop were subsidized through the relevant period in the LID study. Given this high percentage it was not feasible for the remainder of the 10% of units to charge above subsidized rents. The attached exhibits are contracts with the Department of Housing and Urban Development that precluded The Winthrop from charging higher rents in 2010 and 2011. These documents further support The Winthrop's position that Valbridge's study and conclusion that the property benefited by an increase in value is clearly erroneous.

The Charges For City Employee Time And For Interest Accruing Since Project Completion Are Unreasonable And Should Not Be Passed On To The Private Property Owners.

The City charged an extraordinary amount of staff time to the project. In addition to the project management charges of City project management staff and its consultant/owner's representative, the City allocated \$70,259 in additional labor and equipment costs directly to The Winthrop and \$16,679 in interest charges that accrued because City staff elected to work on completing other LID projects rather than this one. Furthermore, as stated in the March 28th objection letter, there is an erroneous calculation that added back a "discount", which should be reversed due to error.

Ms. Phyllis Macleod, Hearing Examiner
April 17, 2017
Page 3

The City ought to absorb these costs rather than passing them on with weak and unsubstantiated logic.

Given the arguments made in the March 28th objection letter, combined with this notice of supplemental objections, we respectfully request that you reduce the proposed assessment against The Winthrop as follows:

Proposed Assessment	\$557,861
Reduction for lack of benefit	(\$181,724)
Reduction of excess city labor costs	(\$70,259)
Reduction of interest charge	(\$ 16,680)
Reduction for discount error	(\$11,875)
Revised Assessment	\$277,323

Sincerely,

The Winthrop, LP

By: 

Ryan Fuson
Managing Director, Redwood Housing Partners, LLC

Attachments _____

EXHIBIT A

U.S. Department of Housing and Urban Development

Office of Housing

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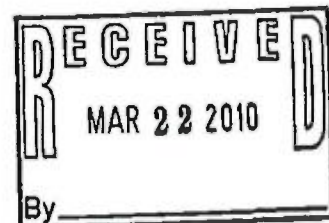
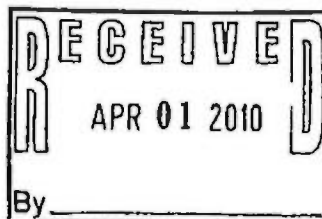
HUD - Seattle Regional Office
Region X MF Hub

Project-based Section 8

**HOUSING ASSISTANCE PAYMENTS
BASIC RENEWAL CONTRACT
ONE-YEAR TERM**

PREPARATION OF CONTRACT

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



Basic Renewal Contract
One-Year Term
REV 11-05-2007

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10 STATUTORY CHANGES DURING TERM	7
11 PHA DEFAULT	7

12 EXCLUSION OF THIRD-PARTY RIGHTS

Attachment 11-1

7

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

Project-based Section 8

HOUSING ASSISTANCE PAYMENTS

BASIC RENEWAL CONTRACT¹

ONE-YEAR TERM

1 CONTRACT INFORMATION²

PROJECT

Section 8 Project Number: WA19M000086

Section 8 Project Number of Expiring Contract: WA19M000086

FHA Project Number (If applicable): N/A

Project Name: Winthrop Apartments

Project Description:³

776 Commerce St., Tacoma, Pierce County, WA 98402

TYPE OF RENEWAL

- ☒ Check this box for a project renewed under Section 524(a) of MAHRA (not including a Mark-Up-To-Market renewal).
- ☐ Check this box for a project renewed at exception rents under Section 524(b)(1) of MAHRA.

PARTIES TO RENEWAL CONTRACT

Name of Contract Administrator⁴

Housing Authority of the City Bremerton

Address of Contract Administrator

P O Box 4640
Bremerton, WA 98312-0409
345 - 6th Street, Suite 200
Bremerton, WA 98337-1860

Name of Owner⁵

Winthrop Hotel, LLC

Address of Owner

820 A Street, Suite 300
Tacoma, WA 98402-5221

2 TERM AND FUNDING OF RENEWAL CONTRACT

- a** The Renewal Contract begins on 02/01/2010⁶ and shall run for a period of one year.
- b** Execution of the Renewal Contract by the Contract Administrator is an obligation by HUD of \$ 80,000,⁷ an amount sufficient to provide housing assistance payments for approximately one (1)⁸ months of the Renewal Contract term.
- c** HUD will provide additional funding for the remainder of the Renewal Contract term subject to the availability of sufficient appropriations. When such appropriations are available, HUD will

obligate additional funding and provide the Owner written notification of (i) the amount of such additional funding, and (ii) the approximate period of time within the Renewal Contract term to which it will be applied.

3 DEFINITIONS

ACC. Annual contributions contract.

Contract rent. The total monthly rent to owner for a contract unit, including the tenant rent (the portion of rent to owner paid by the assisted family).

Contract units. The units in the Project which are identified in Exhibit A by size and applicable contract rents.

HAP contract. A housing assistance payments contract between the Contract Administrator and the Owner.

HUD. The United States Department of Housing and Urban Development.

HUD requirements. HUD regulations and other requirements, including changes in HUD regulations and other requirements during the term of the Renewal Contract.

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

PHA. Public housing agency (as defined and qualified in accordance with the United States Housing Act of 1937. 42 U.S.C. 1437 et seq.).

Project. The housing described in section 1 of the Renewal Contract.

Renewal Contract. This contract, including applicable provisions of the Expiring Contract (as determined in accordance with section 5 of the Renewal Contract).

Section 8. Section 8 of the United States Housing Act of 1937 (42 U.S.C. 1437f)

4 RENEWAL CONTRACT**a Parties**

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

b Statutory authority

The Renewal Contract is entered pursuant to section 8 of the United States Housing Act of 1937 (42 U.S.C. 1437f), and section 524 of MAHRA.

c Expiring Contract

Previously, the Contract Administrator and the Owner had entered into a HAP Contract ("expiring contract") to make Section 8 housing assistance payments to the Owner for eligible families living in the Project. The term of the expiring contract will end prior to the beginning of the term of the Renewal Contract.

d Purpose of Renewal Contract

- (1) The purpose of the Renewal Contract is to renew the expiring contract for a one-year term. During the term of the Renewal Contract, the Contract Administrator shall make housing assistance payments to the Owner in accordance with the provisions of the Renewal Contract.
- (2) Housing assistance payments shall only be paid to the Owner for contract units occupied by eligible families leasing

decent, safe and sanitary units from the Owner in accordance with statutory requirements, and with all HUD regulations and other requirements. If the Contract Administrator determines that the Owner has failed to maintain one or more contract units in decent, safe and sanitary condition, and has abated housing assistance payments to the Owner for such units, the Contract Administrator may use amounts otherwise payable to the Owner pursuant to the Renewal Contract for the purpose of relocating or rehousing assisted residents in other housing.

e Contract units

The Renewal Contract applies to the Contract units.

5 EXPIRING CONTRACT – PROVISIONS RENEWED

- a** Except as specifically modified by the Renewal Contract, all provisions of the Expiring Contract are renewed (to the extent such provisions are consistent with statutory requirements in effect at the beginning of the Renewal Contract term).
- b** All provisions of the Expiring Contract concerning any of the following subjects are not renewed, and shall not be applicable during the renewal term:
 - (1) Identification of contract units by size and applicable contract rents;
 - (2) The amount of the monthly contract rents;
 - (3) Contract rent adjustments; and
 - (4) Project account (sometimes called "HAP reserve" or "project reserve") as previously established and maintained by HUD pursuant to former Section 8(c)(6) of the United States Housing Act of 1937 (currently Section 8(c)(5) of the Act, 42 U.S.C. 1437f(c)(5)). Section 8(c)(5) does not apply to the Renewal Contract, or to payment of housing assistance payments during the Renewal Contract term.
- c** The Renewal Contract includes those provisions of the Expiring Contract that are renewed in accordance with this section 5.

6 CONTRACT RENT**a Contract rents**

Throughout the Renewal Contract term, the contract rent for each bedroom size (number of bedrooms) shall be the contract rent amount listed in Exhibit A of the Renewal Contract.

b No rent adjustments

There shall be no adjustment of the contract rents during the term of the Renewal Contract. Special adjustments shall not be granted.

7 OWNER WARRANTIES

- a** The Owner warrants that it has the legal right to execute the Renewal Contract and to lease dwelling units covered by the contract.
- b** The Owner warrants that the rental units to be leased by the Owner under the Renewal Contract are in decent, safe and sanitary condition (as defined and determined in accordance with HUD regulations and procedures), and shall be maintained in such condition during the term of the Renewal Contract.

8 OWNER TERMINATION NOTICE

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

9 HUD REQUIREMENTS

The Renewal Contract shall be construed and administered in accordance with all statutory requirements, and with all HUD regulations and other requirements, including changes in HUD regulations and other requirements during the term of the Renewal Contract. However, any changes in HUD requirements that are inconsistent with the provisions of the Renewal Contract, including the provisions of section 6 (contract rent), shall not be applicable.

10 STATUTORY CHANGES DURING TERM

If any statutory change during the term of the Renewal Contract is inconsistent with section 6 of the Renewal Contract, and if HUD determines, and so notifies the Contract Administrator and the Owner, that the Contract Administrator is unable to carry out the provisions of section 6 because of such statutory change, then the Contract Administrator or the Owner may terminate the Renewal Contract upon notice to the other party.

11 PHA DEFAULT

- a** This section 11 of the Renewal Contract applies if the Contract Administrator is a PHA acting as Contract Administrator pursuant to an annual contributions contract ("ACC") between the PHA and HUD. This includes a case where HUD has assigned the Renewal Contract to a PHA Contract Administrator, for the purpose of PHA administration of the Renewal Contract.
- b** If HUD determines that the PHA has committed a material and substantial breach of the PHA's obligation, as Contract Administrator, to make housing assistance payments to the Owner in accordance with the provisions of the Renewal Contract, and that the Owner is not in default of its obligations under the Renewal Contract, HUD shall take any action HUD determines necessary for the continuation of housing assistance payments to the Owner in accordance with the Renewal Contract.

12 EXCLUSION OF THIRD-PARTY RIGHTS

- a** The Contract Administrator does not assume any responsibility for injury to, or any liability to, any person injured as a result of the Owner's action or failure to act in connection with the Contract Administrator's implementation of the Renewal Contract, or as a result of any other action or failure to act by the Owner.
- b** The Owner is not the agent of the Contract Administrator or HUD, and the Renewal Contract does not create or affect any relationship between the Contract Administrator or HUD and any lender to the Owner or any suppliers, employees, contractors or subcontractors used by the Owner in connection with implementation of the Renewal Contract.

- c** If the Contract Administrator is a PHA acting as Contract Administrator pursuant to an annual contributions contract ("ACC") between the PHA and HUD, the Contract Administrator is not the agent of HUD, and the Renewal Contract does not create any relationship between HUD and any suppliers, employees, contractors or subcontractors used by the Contract Administrator to carry out functions or responsibilities in connection with contract administration under the ACC.

13 WRITTEN NOTICES

- a** Any notice by the Contract Administrator or the Owner to the other party pursuant to the Renewal Contract shall be given in writing.
- b** A party shall give notice at the other party's address specified in section 1 of the Renewal Contract, or at such other address as the other party has designated by a contract notice. A party gives notice to the other party by taking steps reasonably required to deliver the notice in ordinary course of business. A party receives notice when the notice is duly delivered at the party's designated address.

SIGNATURES

Contract administrator (HUD or PHA)

Name of Contract Administrator

Housing Authority of the City of Bremerton

By: 

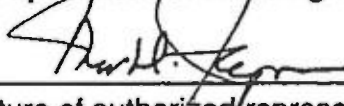
Signature of authorized representative

Clarence Nelson, Director

Name and official title

Date 3.25.2010

U.S. Department of Housing and Urban Development

By: 

Signature of authorized representative

Mark A. Flynn, Director, Seattle Multifamily Program Management Center


Name and official title

Date MAR 30 2010

Owner

Name of Owner

Winthrop Hotel, LLC

By: 

Signature of authorized representative

Winthrop Hotel, LLC Member

Name and title

Date 3/19/10

EXHIBIT A**IDENTIFICATION OF UNITS ("CONTRACT UNITS")
BY SIZE AND APPLICABLE CONTRACT RENTS****Section 8 Contract Number: WA19M000086****FHA Project Number (If applicable): N/A****Effective Date of the Rent Increase (If applicable): 02/01/2010**

<u>Number of Contract Units</u>	<u>Number of Bedrooms</u>	<u>Contract Rent</u>	<u>Utility Allowance</u>	<u>Gross Rent</u>
61	Studio	553	0	553
114	1 BR	741	0	741

Project Name: Winthrop Apartments**Contract Effective Date: February 1, 2010**

**Basic Renewal Contract
One-Year Term
REV 11-05-2007**

Comments:

EXHIBIT B**DISTRIBUTIONS LIMITATION****FOR PROJECT NOT SUBJECT TO DISTRIBUTIONS LIMITATION:**

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

FOR PROJECT SUBJECT TO DISTRIBUTIONS LIMITATION:

If the project is subject to any limitation on distributions of project funds pursuant to an FHA Regulatory Agreement or pursuant to the Expiring Contract, such limitation on distributions shall continue to be applicable during the term of the Renewal Contract, provided that the owner may take an increased distribution as calculated and approved by HUD in accordance with Chapter Three of the Section 8 Renewal Policy Guidance for Renewal of Project-Based Section 8 Contracts, issued January, 2001 (the "Guidebook").

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

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

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

INSTRUCTIONS FOR PREPARATION OF RENEWAL CONTRACT

The following instructions are not part of the Renewal Contract.

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

¹ This form of Renewal Contract is to be used for initial and subsequent renewals of an expiring Section 8 project-based HAP contract under the authority of Section 524(a) or 524(b)(1) of MAHRA for a one-year term. Attachment 11-2 is to be used for renewals under the authority of Section 524(a) or 524(b)(1) of MAHRA for a renewal term of two or more years.

This form may not be used for Mark-Up-To-Market Renewals. The HUD prescribed form of Mark-Up-To-Market Renewal Contract must be used for this purpose.

Section 2 of the Renewal Contract specifies the date on which the one-year renewal term begins.

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

³ Enter a description of the housing that will be covered by the Renewal Contract. The description must clearly identify the Project by providing the Project's name, street address, city, county, state and zip code, block and lot number (if known), and any other information necessary to clearly designate the covered Project.

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

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

⁵ Enter the full legal name of the Owner. For example: "ABC Corporation, Inc., a Maryland corporation."

⁶ The Renewal Contract must be entered before expiration of the Expiring Contract. Enter the date of the first day after expiration of the term of the Expiring Contract.

⁷ Enter the amount of funding obligated.

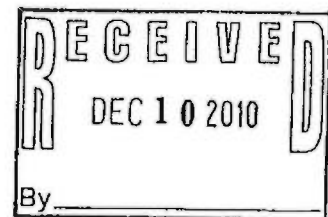
⁸ Enter a whole number of months.

EXHIBIT B

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

Project-based Section 8

HOUSING ASSISTANCE PAYMENTS
BASIC RENEWAL CONTRACT
ONE-YEAR TERM



PREPARATION OF CONTRACT

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

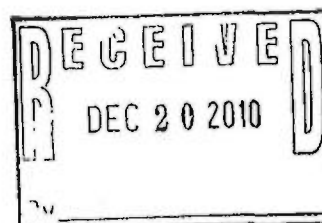


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11 PHA DEFAULT	7

12 EXCLUSION OF THIRD-PARTY RIGHTS

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13 WRITTEN NOTICES

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SIGNATURES

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

Project-based Section 8

HOUSING ASSISTANCE PAYMENTS

BASIC RENEWAL CONTRACT¹

ONE-YEAR TERM

1 CONTRACT INFORMATION²

PROJECT

Section 8 Project Number: WA19M000086

Section 8 Project Number of Expiring Contract: WA19M000086

FHA Project Number (if applicable): NA

Project Name: Winthrop Apartments

Project Description:³

776 Commerce St, Tacoma, Pierce County, Washington 98402

TYPE OF RENEWAL

- ☒ Check this box for a project renewed under Section 524(a) of MAHRA (not including a Mark-Up-To-Market renewal).
- ☐ Check this box for a project renewed at exception rents under Section 524(b)(1) of MAHRA.

PARTIES TO RENEWAL CONTRACT

Name of Contract Administrator⁴

Housing Authority of the City Bremerton

Address of Contract Administrator

P O Box 4640
Bremerton, WA 98312-0409
345 - 6th Street, Suite 200
Bremerton, WA 98337-1860

Name of Owner⁵

Winthrop Hotel, LLC

Address of Owner

820 A Street Suite 300
Tacoma, WA 98402

2 TERM AND FUNDING OF RENEWAL CONTRACT

- a** The Renewal Contract begins on February 1, 2011⁶ and shall run for a period of one year.
- b** Execution of the Renewal Contract by the Contract Administrator is an obligation by HUD of \$ 438,621,⁷ an amount sufficient to provide housing assistance payments for approximately six (6)⁸ months of the Renewal Contract term.
- c** HUD will provide additional funding for the remainder of the Renewal Contract term subject to the availability of sufficient appropriations. When such appropriations are available, HUD will

obligate additional funding and provide the Owner written notification of (i) the amount of such additional funding, and (ii) the approximate period of time within the Renewal Contract term to which it will be applied.

3 DEFINITIONS

ACC. Annual contributions contract.

Contract rent. The total monthly rent to owner for a contract unit, including the tenant rent (the portion of rent to owner paid by the assisted family).

Contract units. The units in the Project which are identified in Exhibit A by size and applicable contract rents.

HAP contract. A housing assistance payments contract between the Contract Administrator and the Owner.

HUD. The United States Department of Housing and Urban Development.

HUD requirements. HUD regulations and other requirements, including changes in HUD regulations and other requirements during the term of the Renewal Contract.

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

PHA. Public housing agency (as defined and qualified in accordance with the United States Housing Act of 1937. 42 U.S.C. 1437 et seq.).

Project. The housing described in section 1 of the Renewal Contract.

Renewal Contract. This contract, including applicable provisions of the Expiring Contract (as determined in accordance with section 5 of the Renewal Contract).

Section 8. Section 8 of the United States Housing Act of 1937 (42 U.S.C. 1437f)

4 RENEWAL CONTRACT**a Parties**

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

b Statutory authority

The Renewal Contract is entered pursuant to section 8 of the United States Housing Act of 1937 (42 U.S.C. 1437f), and section 524 of MAHRA.

c Expiring Contract

Previously, the Contract Administrator and the Owner had entered into a HAP Contract ("expiring contract") to make Section 8 housing assistance payments to the Owner for eligible families living in the Project. The term of the expiring contract will end prior to the beginning of the term of the Renewal Contract.

d Purpose of Renewal Contract

- (1) The purpose of the Renewal Contract is to renew the expiring contract for a one-year term. During the term of the Renewal Contract, the Contract Administrator shall make housing assistance payments to the Owner in accordance with the provisions of the Renewal Contract.
- (2) Housing assistance payments shall only be paid to the Owner for contract units occupied by eligible families leasing

decent, safe and sanitary units from the Owner in accordance with statutory requirements, and with all HUD regulations and other requirements. If the Contract Administrator determines that the Owner has failed to maintain one or more contract units in decent, safe and sanitary condition, and has abated housing assistance payments to the Owner for such units, the Contract Administrator may use amounts otherwise payable to the Owner pursuant to the Renewal Contract for the purpose of relocating or rehousing assisted residents in other housing.

e Contract units

The Renewal Contract applies to the Contract units.

5 EXPIRING CONTRACT – PROVISIONS RENEWED

- a** Except as specifically modified by the Renewal Contract, all provisions of the Expiring Contract are renewed (to the extent such provisions are consistent with statutory requirements in effect at the beginning of the Renewal Contract term).
- b** All provisions of the Expiring Contract concerning any of the following subjects are not renewed, and shall not be applicable during the renewal term:
 - (1) Identification of contract units by size and applicable contract rents;
 - (2) The amount of the monthly contract rents;
 - (3) Contract rent adjustments; and
 - (4) Project account (sometimes called "HAP reserve" or "project reserve") as previously established and maintained by HUD pursuant to former Section 8(c)(6) of the United States Housing Act of 1937 (currently Section 8(c)(5) of the Act, 42 U.S.C. 1437f(c)(5)). Section 8(c)(5) does not apply to the Renewal Contract, or to payment of housing assistance payments during the Renewal Contract term.
- c** The Renewal Contract includes those provisions of the Expiring Contract that are renewed in accordance with this section 5.

6 CONTRACT RENT

a Contract rents

Throughout the Renewal Contract term, the contract rent for each bedroom size (number of bedrooms) shall be the contract rent amount listed in Exhibit A of the Renewal Contract.

b No rent adjustments

There shall be no adjustment of the contract rents during the term of the Renewal Contract. Special adjustments shall not be granted.

7 OWNER WARRANTIES

- a** The Owner warrants that it has the legal right to execute the Renewal Contract and to lease dwelling units covered by the contract.
- b** The Owner warrants that the rental units to be leased by the Owner under the Renewal Contract are in decent, safe and sanitary condition (as defined and determined in accordance with HUD regulations and procedures), and shall be maintained in such condition during the term of the Renewal Contract.

8 OWNER TERMINATION NOTICE

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

9 HUD REQUIREMENTS

The Renewal Contract shall be construed and administered in accordance with all statutory requirements, and with all HUD regulations and other requirements, including changes in HUD regulations and other requirements during the term of the Renewal Contract. However, any changes in HUD requirements that are inconsistent with the provisions of the Renewal Contract, including the provisions of section 6 (contract rent), shall not be applicable.

10 STATUTORY CHANGES DURING TERM

If any statutory change during the term of the Renewal Contract is inconsistent with section 6 of the Renewal Contract, and if HUD determines, and so notifies the Contract Administrator and the Owner, that the Contract Administrator is unable to carry out the provisions of section 6 because of such statutory change, then the Contract Administrator or the Owner may terminate the Renewal Contract upon notice to the other party.

11 PHA DEFAULT

- a** This section 11 of the Renewal Contract applies if the Contract Administrator is a PHA acting as Contract Administrator pursuant to an annual contributions contract ("ACC") between the PHA and HUD. This includes a case where HUD has assigned the Renewal Contract to a PHA Contract Administrator, for the purpose of PHA administration of the Renewal Contract.
- b** If HUD determines that the PHA has committed a material and substantial breach of the PHA's obligation, as Contract Administrator, to make housing assistance payments to the Owner in accordance with the provisions of the Renewal Contract, and that the Owner is not in default of its obligations under the Renewal Contract, HUD shall take any action HUD determines necessary for the continuation of housing assistance payments to the Owner in accordance with the Renewal Contract.

12 EXCLUSION OF THIRD-PARTY RIGHTS

- a** The Contract Administrator does not assume any responsibility for injury to, or any liability to, any person injured as a result of the Owner's action or failure to act in connection with the Contract Administrator's implementation of the Renewal Contract, or as a result of any other action or failure to act by the Owner.
- b** The Owner is not the agent of the Contract Administrator or HUD, and the Renewal Contract does not create or affect any relationship between the Contract Administrator or HUD and any lender to the Owner or any suppliers, employees, contractors or subcontractors used by the Owner in connection with implementation of the Renewal Contract.

- c** If the Contract Administrator is a PHA acting as Contract Administrator pursuant to an annual contributions contract ("ACC") between the PHA and HUD, the Contract Administrator is not the agent of HUD, and the Renewal Contract does not create any relationship between HUD and any suppliers, employees, contractors or subcontractors used by the Contract Administrator to carry out functions or responsibilities in connection with contract administration under the ACC.

13 WRITTEN NOTICES

- a** Any notice by the Contract Administrator or the Owner to the other party pursuant to the Renewal Contract shall be given in writing.
- b** A party shall give notice at the other party's address specified in section 1 of the Renewal Contract, or at such other address as the other party has designated by a contract notice. A party gives notice to the other party by taking steps reasonably required to deliver the notice in ordinary course of business. A party receives notice when the notice is duly delivered at the party's designated address.

SIGNATURES

Contract administrator (HUD or PHA)

Name of Contract Administrator

Housing Authority of the City of Bremerton

By: _____

Signature of authorized representative

Clarence Nelson, Director

Name and official title

Date 12-13-10

U.S. Department of Housing and Urban Development

By: _____

Signature of authorized representative

Mark A. Flynn, Director, Seattle Multifamily Program Management Center

Name and official title

Date DEC 16 2010

DEC 16 2010

Owner

Name of Owner

Winthrop Hotel, LLC

By: _____

Signature of authorized representative

Name and title

Date 12/8/10

M. E. H. B. C. R.

EXHIBIT A**IDENTIFICATION OF UNITS ("CONTRACT UNITS")
BY SIZE AND APPLICABLE CONTRACT RENTS****Section 8 Contract Number: WA19M000086****FHA Project Number (if applicable): NA****Effective Date of the Rent Increase (if applicable): February 1, 2011**

<u>Number of Contract Units</u>	<u>Number of Bedrooms</u>	<u>Contract Rent</u>	<u>Utility Allowance</u>	<u>Gross Rent</u>
61	Studio	567	NA	567
114	1 BR	760	NA	760

Project Name: Winthrop Apartments

Contract Effective Date: February 1, 2011

Comments:

EXHIBIT B

DISTRIBUTIONS LIMITATION

FOR PROJECT NOT SUBJECT TO DISTRIBUTIONS LIMITATION:

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

FOR PROJECT SUBJECT TO DISTRIBUTIONS LIMITATION:

If the project is subject to any limitation on distributions of project funds pursuant to an FHA Regulatory Agreement or pursuant to the Expiring Contract, such limitation on distributions shall continue to be applicable during the term of the Renewal Contract, provided that the owner may take an increased distribution as calculated and approved by HUD in accordance with Chapter Three of the Section 8 Renewal Policy Guidance for Renewal of Project-Based Section 8 Contracts, issued January, 2001 (the "Guidebook").

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

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

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

INSTRUCTIONS FOR PREPARATION OF RENEWAL CONTRACT

The following instructions are not part of the Renewal Contract.

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

¹ This form of Renewal Contract is to be used for initial and subsequent renewals of an expiring Section 8 project-based HAP contract under the authority of Section 524(a) or 524(b)(1) of MAHRA for a one-year term. Attachment 11-2 is to be used for renewals under the authority of Section 524(a) or 524(b)(1) of MAHRA for a renewal term of two or more years.

This form may not be used for Mark-Up-To-Market Renewals. The HUD prescribed form of Mark-Up-To-Market Renewal Contract must be used for this purpose.

Section 2 of the Renewal Contract specifies the date on which the one-year renewal term begins.

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

³ Enter a description of the housing that will be covered by the Renewal Contract. The description must clearly identify the Project by providing the Project's name, street address, city, county, state and zip code, block and lot number (if known), and any other information necessary to clearly designate the covered Project.

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

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

⁵ Enter the full legal name of the Owner. For example: "ABC Corporation, Inc., a Maryland corporation."

⁶ The Renewal Contract must be entered before expiration of the Expiring Contract. Enter the date of the first day after expiration of the term of the Expiring Contract.

⁷ Enter the amount of funding obligated.

⁸ Enter a whole number of months.