NEFF AVENUE DEVELOPMENT AGREEMENT

This Development Agreement ("Agreement") is entered into as of this _____ day of ___________, 2026 by and between the CITY OF HARRISONBURG, a Virginia municipal corporation (the "City") and PENNROSE, LLC a Pennsylvania limited liability company with a principal place of business at 230 Wyoming Avenue, Kingston, PA 18704 (together with its permitted transferees, "Developer") regarding the proposed development of the Neff Avenue Site as described herein (the "Property").

RECITALS:

1. The City is the owner in fee simple of certain real property along Neff Avenue, identified as an undeveloped portion of Tax Map 078-G-2, consisting of approximately 8.2645 acres of land and shown in Attachment A ("Property").
2. A focus of the Harrisonburg City Council vision is Available Housing for All, which includes expanding the supply of available high-quality housing. In line with the City's Housing Study recommendation to make suitable City-owned land available for residential development, the Property was identified for study and evaluation and determined to be a good fit for multifamily affordable housing.
3. The City issued a Development Opportunity (the "RFP") seeking proposals for development of the Neff Avenue Site, dated July 2, 2025.
4. Pennrose, LLC, a Pennsylvania limited liability company ("Developer"), submitted a response to the RFP date September 9, 2025 ("Proposal"), seeking to own, develop, construct, and manage a project consisting of a maximum of 220 affordable rental units ("Development"), anticipated in the Proposal to be developed in two separate phases (each, a "Phase") on separate portions of the Property.
5. The City evaluated all submissions and selected the Developer as its "intended awardee" pursuant to the RFP, as reflected in a Letter of Intent issued by the City on October 28, 2025.
6. The purchase of the Property by Developer is contingent upon Developer successfully securing necessary land use approvals for the Property to allow for the proposed use, receipt of appropriate financing, and completion of other due diligence, all as more particularly provided below in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and conditions herein set forth, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. <u>PURCHASE AND SALE OF PROPERTY</u>

   A. The City hereby agrees to sell, and Developer agrees to purchase, the Property, subject to the terms and conditions set forth in this Agreement. The City shall convey the Property to Developer by special warranty deed for the site of each Phase at the "Closing" (as defined below) of such Phase.

B. The Harrisonburg City Council approved the execution of this Agreement and sale of the Property by City following a duly advertised public hearing in compliance with Virginia law.

C. The purchase price for each Phase of the Property shall be One Dollar ($1.00) payable in cash or certified check from Developer to City at closing. The parties acknowledge and agree that this purchase price represents a below market price intended to facilitate the development of affordable housing on the Property in accordance with this Agreement.

D. To facilitate the development of the Property, the City shall waive any fees associated with rezoning the site and acquiring any requisite special use permits.

2. CONDITIONS PRIOR TO CLOSING

A. The purchase of each Phase of the Property by Developer is contingent upon Developer, as contract purchaser of the Property, applying for and receiving any and all land use approvals as further provided in Section 3 of this Agreement.

B. The sale and purchase of each Phase of the Property (each, a "Closing") shall take place no fewer than fifteen (15) days prior notice to the City and shall be conditioned upon receipt by the City of evidence that the Developer has, or at closing will have:

i. Zoning approval for the Development; and

ii. All necessary funds available that Developer reasonably considers necessary to finance and complete the Development (which may be evidenced by commitment letters, executed equity and/or loan documents).

3. DEVELOPER'S COMMITMENTS

A. Developer acknowledges and agrees that part of the consideration for the City is the Developer's commitment to develop the Project in substantial accordance with the Developer's Proposal, as it may be adjusted subject to the terms of this Agreement as applicable.

B. Developer agrees to devise a development plan consistent with the RFP, the Proposal, and this Agreement, and is solely responsible for arranging financing, permitting, closing, construction, and management of the Development.

C. Developer agrees that the Development will consist solely of affordable housing, together with associated ancillary or supporting uses. For purposes of this Agreement, and pursuant to the RFP, "affordable housing" is defined as income-restricted housing set at area median income (AMI) limits established by the U.S. Department of Housing and Urban Development (HUD), with rents corresponding to the applicable income level. Developer commits to working in good faith to achieve an AMI mix consistent with the Proposal. Developer may adjust the income mix, in consultation with the City, provided that each Phase satisfies the minimum affordability requirements of the RFP by providing a maximum AMI of 80% and an overall average limit that does not exceed 60% AMI. Developer agrees that restrictive covenants, binding upon the property for the duration of the affordability term will be recorded against each Phase at Closing in the form required by Virginia Housing Development Authority ("VHDA") and reasonably determined by the City to be consistent with the foregoing affordability requirements.

D. Developer acknowledges that it will lead the entitlement process to rezone the site and acquire any other approvals for each Phase from the City and from other permitting bodies as applicable. Notwithstanding the phased development, Developer agrees to submit a single, comprehensive rezoning application encompassing all Phases of the Development and to use commercially reasonable efforts to complete any Neff Avenue infrastructure improvements reasonably required in order to support the Development – inclusive, at minimum, of all planned entrances and street connections – prior to the issuance of any Certificate of Occupancy associated with either phase in order to avoid repeated disruptions to the public right-of-way. The City shall, if requested by the Developer, cause the Property to be subdivided as reflected in Exhibit A (as such plan may be revised through the entitlement process), and further to create a separate parcel for each Phase. As referenced in Recital D above, to facilitate the development of the Property, the City shall waive any fees associated with rezoning the site and acquiring any requisite special use permits. The City will further take reasonable actions as are necessary to support the Development, consistent with the terms of this Agreement, including interfacing with other public agencies and assisting with community engagement. Once zoning and other entitlements are received from the City for a given Phase, then any deviations between the Proposal or other applicable terms of this Agreement shall be considered approved by the City for purposes of this Agreement.

E. Developer is responsible for securing any and all permits and approvals required for the Development.

F. Developer and the City mutually commit to working cooperatively and in good faith to design and implement a community engagement process that will help inform the Development.

G. Developer will use commercially reasonable efforts to accomplish all tasks necessary to achieve Closing within the time limits set forth herein.

H. Developer shall have sole discretion over the selection, hiring, contracting with, directing and discharging all employees, agents, and contractors that Developer uses in accomplishing its duties under this Agreement.

I. Developer agrees to commence construction of Phase I within 60 days of Closing, and commits to completing Phase I, commencing Phase II, and completing Phase II in substantial compliance with the schedule set forth in Attachment B. Developer reserves the right to adjust the schedule as may reasonably be required as a result of delays in receipt of funding awards or funding commitments, zoning and other entitlements, or other events beyond the reasonable control of Developer despite the exercise of commercially reasonable efforts. Notwithstanding the foregoing, the terms of this Agreement (the "Term") shall extend until the earliest to occur of:

   i. Closing of the last Phase;

   ii. Termination by either party pursuant to the terms of this Agreement;

   iii. December 31, 2029, if by such date the first Phase has not reached Closing; or

   iv. December 31, 2031, if by such date the second Phase has not reached Closing.

J. Developer agrees to provide the City with all information related to Developer's activities under this Agreement that the City reasonably requests.

K. Developer will provide normal and customary guarantees of construction and operation of the Development to the investors at the Closing of each Phase, and at the Closing of each Phase will provide a guaranty of construction completion to the City.

L. Developer shall, during site work and construction, undertake commercially reasonable measures to minimize disruptions to the surrounding area, related to scheduling and notifications, access and parking, screening and equipment, storage and cleanup.

M. The City acknowledges that the Development will evolve relative to the specific details and assumptions reflected in the Proposal. The Developer will maintain communication with the City and share actual or proposed changes to the Development in a timely manner. The City reserves the right to review and approve material changes to design and affordability as referenced in the preceding elements of this Section 3 if applicable. Without limiting the generality of the foregoing, should the Developer determine that the Development or a Phase thereof is no longer financially feasible due to unforeseen market changes, loss of anticipated funding, increased costs, or other reasons, the Developer shall promptly notify the City. The City and the Developer agree to negotiate in good faith to determine mutually agreeable modifications to the Development, including the unit count, affordability mix, or scope of construction.

N. Developer accepts full responsibility for all associated costs and risks of the Development, including infrastructure and utility upgrades.

O. The City shall, within 30 days of the date of this Agreement, deliver any and all existing environmental assessments, geotechnical reports, notices, and material correspondence with any public agency regarding the Property of which the City has actual knowledge. Any additional documentation of this nature received by the City during the term of this Agreement will be forwarded to the Developer in a timely fashion, anticipated to be no more than twenty-four (24) hours, after receipt of said information by the City. Subject only to the preceding two sentences, Developer accepts responsibility for environmental due diligence.

P. Developer agrees to accept the Property "as is" at closing.

4. <u>TITLE INSPECTION AND CLOSING DOCUMENTS</u>

The Developer will cause title to the Property to be examined within one hundred twenty (120) days from the date of this Agreement (the "<u>Title Inspection Period</u>"). On or before the end of the Title Inspection Period, the Developer will notify the City (the "<u>Developer's Title Defect Notice</u>") of any claimed defect in title revealed by any such examination. As used in this Agreement, the phrase "defect in title" shall mean any liens, encumbrances or other matters of record that may in Developer's sole determination prohibit or interfere with the use of the Property and the financing and development of the Development. The City shall use reasonable efforts to cure such defect in title. If the City, despite reasonable efforts, is unable to (i) cure any defect in title within one hundred twenty (120) days after receipt of the Developer's Title Defect Notice, or (ii) provide reasonable assurances that such defect will be released, discharged or terminated of record on or prior to the Closing, then the City shall so notify Developer. On or before ten (10) days after receiving notice of the City's inability to cure a defect in title or inability to provide reasonable assurances that such defect will be released, discharged or terminated of record on or prior to the Closing Date, or if in the Developer's determination that the City is not likely to cure such defect, regardless of the City's notification to Developer to that effect, or, in the event the City shall fail to give such notice on or before one hundred twenty (120) days after the City's receipt of the Developer's Title Defect Notice, Developer shall notify the City that it has elected to either (i) waive all rights to refuse to close on account of such defect in record title (each, a "Waived Title Defect") and proceed to closing, or (ii) terminate this Agreement for infeasibility as provided in Section 8. Any liens, encumbrances or other matters of record as of the date of the Developer's Title Defect Notice, and any Waived

Title Defect shall collectively be referenced in this Agreement as "Permitted Encumbrances."

At each Closing, the City shall convey each Phase of the Property by a good and sufficient Special Warranty deed running to the Developer that shall warrant the City is lawfully seized of the premises in fee simple and that it has good right and lawful authority to sell and convey and shall warrant and defend the same against the lawful claims of all persons claiming by, through or under the City and shall convey subject to Permitted Encumbrances. At Closing, the City shall (upon request from Developer) further provide or execute one or more cross-easements across different Phases or other portions of the Property.

Developer may assign its rights and delegate its duties under this Agreement to one or more single purpose limited partnerships or liability companies controlled by Developer or its affiliates (each, an "Owner Entity"), pursuant to an assignment and assumption agreement that will satisfy the requirements of Virginia's Housing qualified allocation plan for the allocation of low-income housing tax credits.

The City shall also provide evidence of the authority of the City to deliver the deed and of the party executing the deed to do same on behalf of the City, an affidavit verifying that there are no parties in possession or other persons entitled to rights of possession of the Property and any other documentation reasonably requested or as shall be reasonably necessary or desirable to carry out the terms of this Agreement.

The acceptance of the deed by the Developer and the Closing Payment by the City shall be deemed to be the full performance and discharge of every agreement and obligation of the parties under this Agreement relative to the Phase subject to such deed, except such agreements and obligations which are expressly intended to survive after the Closing as specified in Section 3 above and Section 6 below.

Any and all actions undertaken by the Developer in accordance with this Agreement shall be done in full compliance with all applicable local, state and federal laws, rules and regulations.

5. RIGHT OF ENTRY AND INSPECTION PERIOD

A. The City hereby grants Developer and its agents a license to enter the Property to conduct all inspections and testing it deems necessary or desirable (including, as applicable, environmental samples, geotechnical borings, and associated activities) provided (1) that the City is given at least 48 hours advance notice (via email) where feasible, or such shorter oral notice as it reasonably consents to, including a description of any testing, and (2) that all inspections and testing will be conducted in compliance with all applicable laws and regulations.

B. Developer shall, at its expense, restore any land disturbances or otherwise provide remediation for the activities of Developer or its agents, consultants, or contractors on the Property in the event Developer fails to take title to the Property. The foregoing obligation shall survive the termination of this Agreement if such termination is not the result of a Closing.

C. Developer waives in advance all claims for injury or damages and any work or action performed by the Developer, its agents and contractors on the Property related to the purchase of the Property is subject to the indemnification provisions set forth in Section 6 below.

D. Developer shall obtain and maintain, and have its contractors or representatives obtain and maintain, the insurance set forth below, with such insurance to be effective prior to the beginning of any work or other performance by Developer under this Section:

   i. Commercial General Liability insurance, written on an occurrence basis, shall insure against all claims, loss, cost, damage, expense or liability from loss of life or damage or injury to persons or property arising out of the acts or omissions of Developer, its contractors, employees, agents, and representatives. The minimum limits of liability for this coverage shall be $1,000,000 per occurrence and $2,000,000 general aggregate.

   ii. Workers' Compensation insurance covering the statutory obligations of the Developer, and its contractors and representatives under the law of the Commonwealth of Virginia and Employer's Liability insurance shall be maintained for all its employees engaged in work under this Section. Minimum limits of liability for Employer's Liability shall be $100,000 bodily injury by accident each occurrence; $500,000 bodily injury by disease (policy limit); and $100,000 bodily injury by disease (each employee). With respect to Workers' Compensation coverage, the insurance company shall waive rights of subrogation against the City, its officers, employees, agents, volunteers, and representatives. Automobile Liability insurance shall be $1,000,000 combined single limit applicable to owned or non-owned vehicles used in the performance of any work under this Section and shall be written on an occurrence basis.

   iii. The insurance coverages and amounts set forth above may be met by an umbrella liability policy following the form of the underlying primary coverage in a minimum amount of $1,000,000. Should an umbrella liability insurance coverage policy be used, such coverage shall be accompanied by a certificate of endorsement stating that it applies to the specific policy numbers indicated for the insurance providing the coverages required by this Section, and it is further agreed that such statement shall be made a part of the certificate of insurance furnished by Developer to the City.

6. INDEMNITY

Developer agrees to indemnify and hold harmless City and its officers, directors, and employees free and harmless for and from all claims, causes of action, damages, or any liability of any type, including reasonable attorney's fees, on account of any claims by or any injury or damage to any persons or property growing out of or directly or indirectly resulting or arising in any way out of any negligent actions, omissions, or activities of Developer or its agents, employees, contractors, or representatives arising out of or connected in any way to any of the matters involved in this Agreement or any performance thereunder. The foregoing indemnity shall survive the Closing of Phase solely in relation to claims arising in connection with such Phase (or on the site of such Phase) prior to the subject Closing.

7. COVENANTS AND WARRANTIES

In addition to any representations and warranties contained elsewhere in this Agreement, City warrants and represents that City will, in accordance with this Agreement, convey title to the Property in an AS IS condition and subject to any items of record. City further represents and warrants with respect to the Property (and shall affirm such representations at Closing as applicable) that:

i. Title. City has title to the Property subject to any restrictions of record. City is the sole owner of the Property and shall not market the Property or enter into any contract or option to sell the Property prior to the end of the Term.

ii. Condemnation. City has no knowledge of any pending or threatened proceedings for condemnation or the exercise of the right of eminent domain as to any part of the Property or the limiting or denying of any right of access thereto.

iii. Special Taxes. City has no knowledge of, nor has it received any notice of, any other special taxes or assessments relating to the Property or any part thereof.

iv. Hazardous Materials. City makes no warranties or representations of any type regarding hazardous materials of any type.

v. No Leases. There are no leases of the Property.

8. DEFAULT, RIGHT TO TERMINATE

A. Each of the following shall constitute Developer's default and grounds for City to terminate this Agreement:

i. Developer's refusal or failure to perform any material obligation imposed upon it by any provision of this Agreement provided that the City shall have given written notice to Developer and sixty (60) days have elapsed without Developer's taking remedial action reasonably satisfactory to City.

ii. Developer's filing for voluntary bankruptcy or reorganization, Developer's legal dissolution or formal cessation of business, the filing of an involuntary bankruptcy or other creditor's proceeding against Developer or Developer that is not dismissed stayed or vacated within ninety (90) days.

B. Developer may terminate this Agreement upon ninety (90) days prior written notice to City if Developer reasonably determines that the Development is not feasible. Developer shall meet and confer with City following delivery of any such notice to discuss the reasons for such determination and shall consider in good faith any proposed changes or alternative plans to preserve feasibility prior to the termination of this Agreement.

C. Notwithstanding anything to the contrary in this Agreement no officer, director, employee, agent, official or representative of either party shall have or be subject to personal liability with respect to any obligation or liability under this Agreement.

9. MISCELLANEOUS

Any and all notices shall be deemed given if (i) delivered by hand, or (ii) sent by certified or registered mail, postage pre-paid, or (iii) sent by Federal Express or other reputable overnight mail services, if delivered/addressed as follows:

To the City: City of Harrisonburg
ATTN: Ande Banks, City Manager
409 S Main Street
Harrisonburg, VA 22801

With a copy to sent via email to:

Liz Webb liz.webb@harrisonburgva.gov

To the Developer: Pennrose, LLC
One Brewery Park
1301 North 31st Street
Philadelphia, PA 19121
Attn: Maria Rodriguez, Vice President and Legal Counsel

With a copy sent via email to:

emailnotices@pennrose.com

and to

Patrick Stewart pstewart@pennrose.com

With a copy to: Klein Hornig LLP
101 Arch St., Suite 1101
Boston, MA 02110
Attn: Daniel M. Rosen

With a copy sent via email to:

drosen@kleinhornig.com

10. NONWAIVER

Each party agrees that any party's waiver or failure to enforce or require performance of any term or condition of this Contract or any party's waiver of any particular breach of this Contract by any other party extends to that instance only. Such waiver or failure is not and shall not be a waiver of any of the terms or conditions of this Contract or a waiver of any other breaches of the Contract by any party and does not bar the non-defaulting party from requiring the defaulting party to comply with all the terms and conditions of this Contract and does not bar the nondefaulting party from asserting any and all rights and/or remedies it has or might have against the defaulting party under this Contract or by law.

11. SEVERABILITY

If any term of this Agreement is found to be invalid, such invalidity shall not affect the remaining terms of this Agreement, which shall continue in full force and effect. The parties intend for the provisions of this Agreement to be enforced to the fullest extent permitted by Virginia law. Accordingly, the parties agree that if any provisions are deemed not enforceable by any court or agency of competent jurisdiction, they shall be deemed modified to the extent necessary to make them enforceable.

12. ENTIRE AGREEMENT

This Agreement, together with the exhibits hereto, contains all representations and the entire understanding between the parties hereto with respect to the subject matter hereof. Any prior correspondence, memoranda, or contracts are replaced in total by this Agreement and the exhibits hereto. No amendment to this Agreement shall be valid unless made in writing and signed by the appropriate parties.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the City of Harrisonburg, Virginia and Pennrose, LLC have executed this Agreement the date first above written.

CITY OF HARRISONBURG, VIRGINIA

BY: ____
Alexander Banks, VI, City Manager

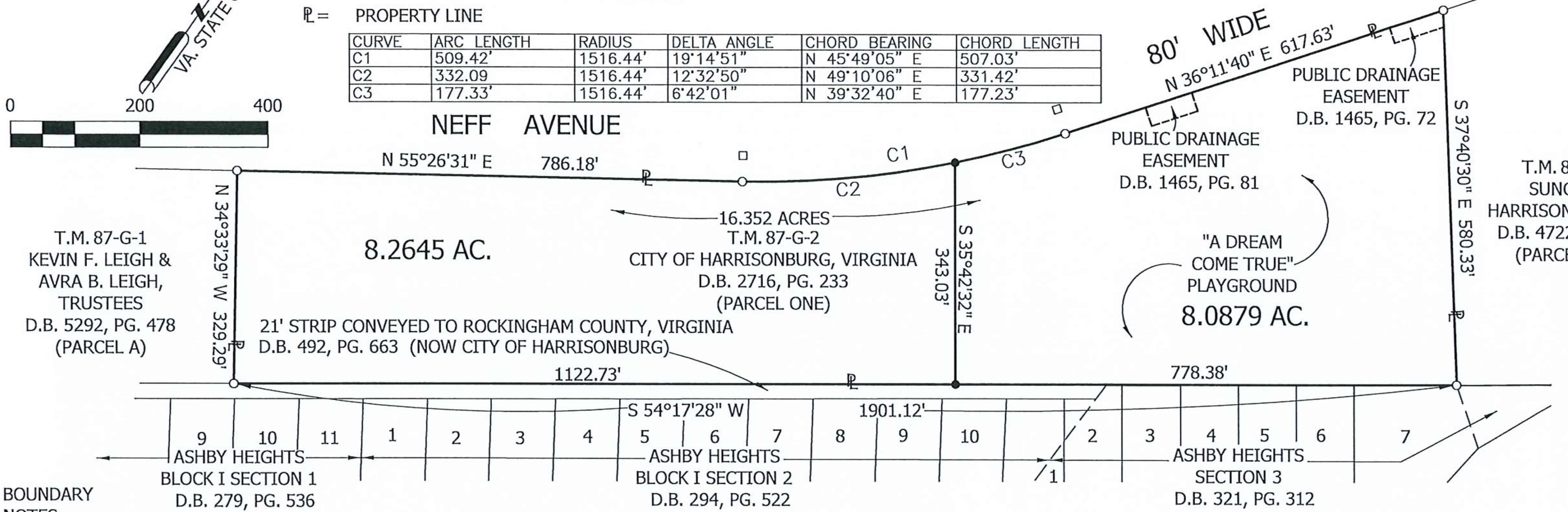
PENNROSE, LLC

BY: ____
Timothy I. Henkel, Chief Executive Officer

Attachment A: Neff Avenue Site "Property"
8.2645 ac

● = IRON PIN SET
○ = FOUND IRON PIN
□ = FOUND STREET CENTERLINE MONUMENT
℄ = PROPERTY LINE

CURVE	ARC LENGTH	RADIUS	DELTA ANGLE	CHORD BEARING	CHORD LENGTH
C1	509.42'	1516.44'	19°14'51"	N 45°49'05" E	507.03'
C2	332.09	1516.44'	12°32'50"	N 49°10'06" E	331.42'
C3	177.33'	1516.44'	6°42'01"	N 39°32'40" E	177.23'



BOUNDARY NOTES:

1.) FOUND REAR LOT CORNERS FOR LOTS 9 THROUGH 11 OF ASHBY HEIGHTS, BLOCK I, SECTION 1 AND FOR LOTS 1 THROUGH 6 OF BLOCK I, SECTION 2, ON AVERAGE MEASURE 23.5' FROM THE SURVEYED SOUTHEASTERN LINE.

2.) FOUND REAR LOT CORNERS FOR LOTS 7 THROUGH THE UN-NUMBERED LOT OF BLOCK I, SECTION 2, ON AVERAGE MEASURE 22.5' FROM THE SURVEYED LINE.

3.) FOUND REAR LOT CORNERS FOR LOTS 2 THROUGH 7 OF SECTION 3, ON AVERAGE MEASURE 1.5' SOUTHEAST FROM THE SURVEYED LINE.

4.) THE FOUND STREET CENTERLINE MONUMENTS MEASURE 39.8' NORTHWEST FROM THE FOUND IRON PINS AT THE BEGINNING AND END OF THE CURVED STREET LINE.

5.) THIS 16.352 ACRE BOUNDARY WAS ESTABLISHED BY MICHAEL W. MARS OF VALLEY ENGINEERING - SURVEYING - PLANNING BY A SURVEY DATED MAY 27, 2005, RECORDED IN D.B. 2716, PG. 233 AS PARCEL ONE.

REVISED JULY 21, 2026

COMMONWEALTH OF VIRGINIA
7/21/26
CHARLES E. WINGARD
Lic. No. 1768
Charles E. Wingard
LAND SURVEYOR

DIVISION SURVEY OF THE LAND OF CITY OF HARRISONBURG, VIRGINIA (D.B. 2716, PG. 233, PARCEL ONE)

CITY OF HARRISONBURG, VA

SCALE: 1" = 200'		
DRAWN BY	DATE	
JRS	OCT. 10, 2024	
SHEET	BLOCK	LOT
87	G	2

DIVISION OF ENGINEERING
CITY OF HARRISONBURG
409 SOUTH MAIN STREET
HARRISONBURG, VA 22801

CITY LAND ON NEFF AVENUE

PROJECT # 2413

CITY OF HARRISONBURG VIRGINIA ESTABLISHED 1780