

**Board Action Summary**  
**Real Estate Analysis Division**  
August 19, 2004

**Action Item**

Underwriting appeals for:

04012 Tyler Square  
01018 College Station Terrace Pines  
04032 Los Milagros  
04036 Villa Del Sol  
04079 Baybrook  
04098 Copperwood  
04101 Pleasant Hill  
04107 Whitefield  
04147 Shiloh Village  
04149 Seton Home Center for Teen Moms  
04160 The Village Hobbs Road  
04194 Lexington Court  
04228 Stone Hearst  
04246 Wildwood Trail  
04268 Lansborough

**Required Action**

Issue a determination on these appeals.

**Background**

The Department received appeal requests for the above. Due to timing of receipt and response some of these appeals will have been granted and resolved prior to the Board meeting. For each of those that remain outstanding, a copy of the Executive Director's letter will be provided under separate cover as a supplement to this request.

**Recommendation**

Deny the appeal for any appeals that remain unresolved or not granted by the Executive Director.

04012 Tyler Square



**Doug Gurkin**  
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Spicewood, TX 78669  
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RECEIVED  
JUL 27 2004  
EXECUTIVE  
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LIHTC

July 26, 2004

Ms. Edwina Carrington  
Texas Department of Housing and Community Affairs  
507 Sabine, Suite 400  
Austin, Texas 78701

RE: Underwriting Analysis Appeal for Tyler Square Apartments  
TDHCA Number 04012

Dear Ms. Carrington

While we are grateful to be recommended for an allocation of tax credits, we request an immediate reconsideration of the conditions placed on the credit award being recommended by the Department's underwriting staff. We respectfully request the elimination of conditions #1 and #4 cited in the Underwriting Analysis from the Underwriter's recommended conditions to the tax credit award. We also request that these changes take effect without delaying the issuance of the reservation notice given the August 31, 2004 deadline to acquire the property. At the recommendation of Brooke Boston we wish to "appeal simultaneously to the Executive Director, and in the event we are not satisfied with the response from the Executive Director, we wish to appeal to the Board of Directors."

The underwriting conditions recommend a cut in requested tax credits because the amount of rehab proposed was higher than the Physical Condition Assessment's (the "PCA") estimate. However, the underwriting conditions also recommend \$51/unit more in replacement reserves than the PCA's estimate. These conditions are inconsistent and result from conclusions drawn from the Underwriter's assumption that the PCA's estimate of rehabilitation needs is the actual amount of needed rehabilitation costs despite the fact that the PCA is only a survey of 25% of the units on the property and does not take into consideration the requirements of the Agency and the investor and the contractor's recommendations..

A PCA is an inspection of a representative sample (usually 25%) of the property units to estimate rehabilitation costs for the entire property. A PCA is engaged to serve as a guide to rehabilitation issues discovered based on a partial inspection of the units. A PCA does not and cannot take into account the Department's, the lender's and the syndicator's additional rehabilitation requirements. It is not useful, nor is it typical or appropriate, to try to reconcile a PCA's estimate of rehabilitation needs exactly to the owner's proposed Work Write-up in an attempt to determine the reasonableness of rehabilitation costs. However, the Underwriter's conclusions are drawn from an attempt to do so and are

further evidenced by the Underwriter's request to require the PCA analyst to reconcile their report to the contractor's Work Write-up

For example, the Underwriter referenced a discrepancy between the exterior wall replacement required by the PCA and the Scope of Work and Work Write-Up submitted by the contractor. The PCA did not account for higher rehabilitation costs due to our commitment to the Department to convert 75% of the exterior from T-111 siding in the breezeways to masonry.

It is also understandable that the Underwriter found it difficult to reconcile the PCA to the Work Write-up given that, because the PCA and the contractor work independently to arrive at rehabilitation needs, the cost categories are not practical to cross reference. The Underwriter cited several examples of "inconsistencies" between the PCA, the revised PCA requested by the Department, and the contractor's Work Write-up, which illustrates the difficulties of trying to reconcile these reports. Of course it should be expected that the initial PCA will have discrepancies against the revised PCA that considered the contractor's Work Write-up and actual bids. It should also be understood that contractors in general use the Construction Standards Institute cost categories which are not entirely consistent with the Department's cost categories or the PCA's cost categories. Therefore the Underwriter's comments regarding the changes in door replacement costs and interior wall repairs not only prove that the comparisons among the reports does not make sense, but also leads to incorrect assumptions that the property suffers from economic or functional obsolescence. The Underwriter suggests that "the Applicant is attempting to step in the shoes of the current owner's recent rehabilitation costs...", when in fact the property has been in bankruptcy for the last two years and has suffered serious deferred maintenance. Such a statement is without basis and is an inappropriate conclusion without substantiation. If the Underwriter suspects that to be the case the facts should be determined before making such an allegation. We spoke with the Department's staff member who conducted the site review. He agreed wholeheartedly that significant rehabilitation was needed for this property.

Our rehab costs take into account the additional rehab requirements of the Department and other financing sources and are based on an inspection of 100% of the units with an independent third party contractor. The Underwriter recommended a significant cut in requested tax credits because our rehabilitation costs are higher than the PCA's estimate even though our rehabilitation cost estimate is a much more realistic and a complete understanding of what needs to be done to the property. The Underwriter further recommends \$391/unit in replacement reserves which is \$50 higher than the PCA's estimate of reserves when in fact, because we are proposing more work be done than the PCA due to our 100% review of the property's needs, the required reserves should be less than the PCA's estimated reserves of \$340/unit.

We understand the Department's desire to limit tax credit awards given the scarcity of the 9% credit, and we could accept the proposed reduction in tax credits if necessary. However, the Department should understand that by doing so, they are significantly cutting funding to preserve affordable housing and are encouraging substandard rehabs.

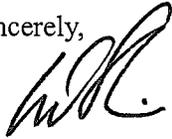
The Underwriter's request to obtain a new or completely revised PCA (Condition #1 of the Underwriting Analysis) is unnecessary, not useful, and not timely because the purchase of the property must occur by August 31, 2004. We will have an executed

construction contract fixing the construction cost before the Department even issues its reservation letter.

The Underwriter's request to increase the replacement reserves to \$391/unit (Condition #4 of the Underwriting Analysis) is absolutely unnecessary given the Underwriter's logic to cut tax credits and even by the PCA's estimate. Because the property must incur more debt to compensate for the loss in tax credits, the property is less economically viable long term in the event of rising future expenses. We believe that the Department's \$300/unit standard requirement is sufficient and does not harm long term viability. The Underwriting Guidelines state that "Higher levels of reserves may be used if they are documented in the financing commitment letters." The permanent lender will be Community Development Trust and they require reserves of \$250 per unit, per year. Based on the amount of rehabilitation being performed, Related Capital, the syndicator will require \$300 per unit per year. Therefore our financing sources only require the maximum the Underwriting Guidelines require of \$300 per unit per year.

In summary, the Underwriter's recommended conditions #1 and #4 in the Underwriting Analysis are inconsistent with the Department's rehabilitation requirements, misrepresent the scope of a PCA , ignore the Scope of Work and Work Write-up presented and the replacement reserve requirement is logically inconsistent with other conclusions about excessive rehabilitation costs.

Sincerely,

A handwritten signature in black ink, appearing to read 'DG', with a stylized flourish at the end.

Doug Gurkin  
President

01018 College Station  
Terrace Pines

**College Station Terrace Pines Apartment Homes, LP**

Tuesday, August 10, 2004

Jennifer Joyce  
Texas Department of Housing and Community Affairs  
507 Sabine, Suite 400  
Austin, Texas 78701

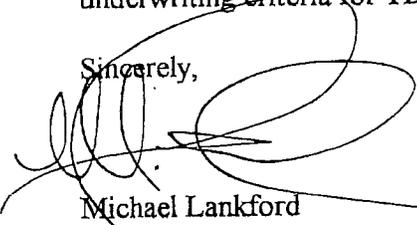
Re: TDHCA #04018 Notice of Appeal Timeline

Dear Jennifer:

As you know I contacted you Thursday, August 5<sup>th</sup>, 2004 regarding the above referenced issue. Subsequently, on Friday, August 6<sup>th</sup>, 2004 I spoke to and received an-email from Lisa Vecchietti from the department stating that based on notification, which was faxed on July 22<sup>nd</sup>, 2004 the deadline for submitting an underwriting appeal, was July 29<sup>th</sup>, 2004. Today, Monday August 9<sup>th</sup>, 2004 I requested a copy of the July 22<sup>nd</sup> fax and transmission confirmation; upon receipt I realized I had never seen the faxed document. However, upon further internal investigation it was determined that the fax had, in fact been received by an individual in my office, who inadvertently placed the document on my desk without my knowledge. No one in my office received a follow up call from the Department confirming receipt, as is normally the case with such an important document. Furthermore, it would seem that the "Notice of Appeal" would/should be triggered by the "actual allocation" of the Tax Credits on July 28<sup>th</sup>, 2004 rather than the "recommended" list, especially in light of the fact that the recommended list was a very dynamic (changing) document. The bottom line is that until today I was never aware of this very important document. I understand the Department has and must enforce rules, however as the past several months have taught us rules change constantly. I would request that I be allowed to appeal my underwriting criteria. With all the turmoil with regard to the changing recommendations and the critical nature of this issue, I do not see that a few days should interfere with the ability to clarify/appeal my underwriting.

Please find attached a summary of my position for appealing the reduction in Tax Credits and the underwriting criteria for TDHCA # 04018.

Sincerely,



Michael Lankford  
College Station Terrace Pines Apartment Homes, L.P.  
Manager, General Partner

4900 Woodway, Suite 750  
Houston, Texas 77056  
713-626-9655 ~ 713-621-4947 fax

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LHHC

As per the TDHCA Multifamily Underwriting Analysis dated July 20, 2004, File Number: 04018  
I would like to address two areas.

## OPERATING PROFORMA ANALYSIS

### Expenses:

The underwriter states the Applicant's estimate of total operating expenses is more than 5% lower than the underwriter's "database-derived" **estimate**. I underline and bold the word "estimate" because by the very definition the Department is acknowledging that this is a best guess scenario. Please find attached (Exhibit 1) Section 1.32 (d) Operating Feasibility (5) Expenses Page 5 of 22 of the TDHCA 2004 "*Final Real Estate Analysis Rules and Guidelines*", where it is acknowledged "Evaluating the relative weight or importance of the expense data points is **one of the most subjective** elements of underwriting. It is also noted that "... the Department's database of properties in the same location or region as the proposed Development provides the **most heavily relied upon** data points". First of all the Applicant's annual operating expense of \$3,411 is 94.57% of the Department's estimate of \$3,607, if rounded (as is the Department's rule) is within the 5% requirement. Please find attached (Exhibit 2) an annualized summary of the **actual** 2004 operating expenses for TDHCA # 99053, The Veranda @ Twin Creek Apartments, an 88 unit elderly development located in Region 8, owned and managed by the applicant. On June 18<sup>th</sup>, the applicant received a notification of the operating expense discrepancy and spoke with the Department's analysis and submitted additional documentation supporting the application operating expenses. The Department did not respond back to the Applicant to discuss the additional documents. In addition, another 2004 recommended smaller elderly development in Region 8 is underwritten at less than a \$200 per unit annual expense difference (\$3,393 vs. \$3,607).

Due to the difference in expenses the underwriters NOI was used to determine a debt coverage ratio of 1.08. Therefore, the actual debit service was capped at \$259,068. This results in a loss of approximately \$110,000 in debt available to the property.

**THEREFORE THE APPLICANT IS RESPECTFULLY REQUESTING THAT THE APPLICATION OPERATING EXPENSES OF \$3,411 BE USED IN THE CALCULATION OF NOI AND \$259,068 DEBIT SERVICE CAP BE REMOVED.**

## CONSTRUCTION COST ESTIMATE EVALUATION

### Direct Construction Cost:

The underwriter states that the Applicants costs are more than 5% different than the Underwriter's Marshall & Swift *Residential Cost Handbook* **estimate**. I have attached an **actual** G702 Budget (Exhibit 3) for TDHCA # 03068, Killeen Stone Ranch Apartment Homes (currently under construction) for your review. This is an identical development to TDHCA 04018, architect, same engineers, same region, etc. This is **NOT** an estimate, but the actual cost. As you can see when adjustments are made for the sales tax exemption and small 3% annual cost increase it is almost exactly the per dollar cost in the application of \$67.27. The underwriter's use of Marshall and Swift does not make any adjustments for the additional slabs and roofing associated with single story construction. The subsequent reduction of \$336,750 in hard construction costs resulted in a reduction of \$426,266 in eligible basis or a reduction of \$440,620 in total qualified basis. Applicant is accepting the underwriter's statement that 79.51% rather than 80% should be used as an applicable fraction.

**THEREFORE APPLICANT IS REPESTFULLY REQUESTING THAT THE TOTAL AMOUNT OF TAX CREDITS ALLOCATED TO TDCHA # 04018 BE \$576,972.**

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04032 Los Milagros

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**LOS MILAGROS APARTMENTS**  
**17336 W. Little York Road**  
**Houston, Texas 77084**  
**(281) 550-7111**  
**(281) 550-1941**

August 4, 2004

Ms. Brook Boston  
TDHCA  
507 Sabine, Suite 400  
Austin, TX 78701

Re: **Los Milagros Apartments, TDHCA # 04032**

Dear Ms. Boston:

This letter is in response to the letter dated August 2, 2004 regarding the Real Estate Analysis Division Financial Feasibility Report.

We are attaching to this letter exhibits that will support our response to the HTC Feasibility Report. In addition if this information is not determined to be insufficient to increase the Tax Credits for this project as determined by the HTC report we would like to give notice with this letter that we will appeal this determination simultaneously with this information to the Executive Director and in the event that we are not satisfied with the results of the appeal then we will appeal to the Board.

**1. Operating Expenses:**

The underwriter has noted that the database-derived expenses are \$3,085 per unit. In a similar project, The Arbor Cove Apartments, TDHCA # 04226, the TDHCA underwriter states that the database shows operating expenses of \$3,444 per unit. This project is located in Donna, Texas which is a small town adjacent to Weslaco, Texas where the Los Milagros project is located. In addition last years 2003 allocation underwriting reports for the Galilean Apartments and the Rio de Vida Apartments show a database operating expense for projects in this region of 3,245/per unit.

I own Texas Regional Asset Management which manages over 1,800 units located in Hidalgo County. Our Data which we supplied to the Market Analyst supports our estimates of operating expenses for projects located in Hidalgo County. We used your operating expenses from the 2003 reports to trend our expenses for 2004 and the Los Milagros Apartments. Are you saying that since 2003 expenses have gone down in Hidalgo County by \$200 per unit? Why did the Arbor Cove report show \$3,445/per unit?

We feel that our expenses are in line with costs in Hidalgo County and based on your own information, we request that you re-address this issue.

## **2. Market Rate Rents**

We are attaching rent rolls from existing projects located in Donna, Weslaco, and Pharr that support our estimated Market Rate Rents. Although we would like very much to charge more rent it is not marketable based on the history of three projects in the area of Los Milagros Apartments.

## **3. Interim Interest Expense**

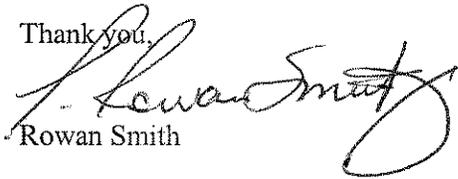
We feel that the interest expense in our application is reasonable. To clarify the costs we are submitting a letter from the interim lender, JP Morgan Chase Bank for your consideration in re-evaluating this cost.

In closing we are requesting that the underwriter re-evaluate the Los Milagros project based on the additional clarifying information and make the appropriate upward adjustments in the Tax Credit Allocation.

If you have any more questions please feel free to contact me.

Thank you,

Rowan Smith

A handwritten signature in cursive script, appearing to read "Rowan Smith", written in black ink. The signature is positioned to the right of the typed name "Rowan Smith".



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Ken L. Overshiner  
Vice President  
Community  
Development Real  
Estate Lending Group

August 4, 2004

Ms. Brooke Boston  
TDHCA  
507 Sabine, Suite 400  
Austin, TX 78701

Re: Los Milagros Apartments, TDHCA # 04032

Dear Ms. Boston:

At the request of the applicant, I am responding to the multi-family underwriting report for the referenced project regarding the interim financing fees. Based on the size of this project and possible delays during the construction, I have underwritten the construction loan period interest reserve for 18 months. The anticipated structure for this loan is a FNMA "cash forward" whereby the permanent loan amount of approximately \$4.2 million is funded to Chase as the construction lender, and Chase posts a letter of credit in the same amount to FNMA. Current cash forward interest rates are around 7% and the bank will charge an origination fee of 1% on the letter of credit, as well as ongoing fees of 1% per year. Based on that minimum underwritten interest of 8% (7% base plus 1% letter of credit) for 18 months, interest reserve would need to be at least \$504,000, based on today's rates. At 9%, allowing for an underwriting cushion, interest reserve would be \$567,000.

In addition there will likely be a bridge loan provided by Chase that will be priced at prime floating interest during this 18 month period. This could add another \$25,000 to the interest reserve needed.

There could be some cash flow from lease up to offset the interest expense. However this amount is not easily evaluated due to the risk of lease up, and generally not underwritten. Based on the developer's estimate of lease up during construction, we feel that the interest expense for the 18 month period could be reduced possibly by another \$25,000 if that income were taken into consideration.

If you have any more questions please feel free to contact me at 713-216-0129

Sincerely,

Ken Overshiner  
Vice President  
Community Development Real Estate Lending

"Exhibit A"

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
MULTIFAMILY UNDERWRITING ANALYSIS**

**DATE:** May 27, 2003

**PROGRAM:** 9% LIHTC

**FILE NUMBER:** 03036

**DEVELOPMENT NAME**

Galilean Apartments

**APPLICANT**

**Name:** The Galilean Apartments, LP **Type:** For Profit  
**Address:** 17336 W. Little York Road **City:** Houston **State:** TX  
**Zip:** 77084 **Contact:** Rowan Smith **Phone:** (281) 550-7111 **Fax:** (281) 550-1941

**PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS**

**Name:** The Galilean Apartments I, LLC **(%):** 0.10 **Title:** Managing General Partner  
**Name:** P. Rowan Smith, Jr. **(%):** N/A **Title:** 51% Owner of MGP  
**Name:** Charissa Seipp Smith **(%):** N/A **Title:** 49% Owner of MGP

**PROPERTY LOCATION**

**Location:** 700 Feet north of Trenton on I Road  **QCT**  **DDA**  
**City:** Edinburg **County:** Hidalgo **Zip:** 78539

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
1) \$1,200,000	N/A	N/A	N/A

**Other Requested Terms:** 1) Annual ten-year allocation of low-income housing tax credits

**Proposed Use of Funds:** New Construction **Property Type:** Multifamily

**Set-Aside(s):**  General  Rural  TX RD  Non-Profit  Elderly  At Risk

**RECOMMENDATION**

**RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$1,200,000 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.**

**CONDITIONS**

1. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
MULTIFAMILY UNDERWRITING ANALYSIS**

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**DEVELOPMENT SPECIFICATIONS**

**IMPROVEMENTS**

<b>Total Units:</b> <u>208</u>	<b># Rental Buildings:</b> <u>13</u>	<b># Common Area Bldgs:</b> <u>3</u>	<b># of Floors:</b> <u>2</u>	<b>Age:</b> <u>N/A</u> yrs
<b>Net Rentable SF:</b> <u>208,000</u>	<b>Av Un SF:</b> <u>1,000</u>	<b>Common Area SF:</b> <u>6,920</u>	<b>Gross Bldg SF:</b> <u>214,920</u>	

**STRUCTURAL MATERIALS**

Wood frame on a post-tensioned concrete slab on grade, 5% Stucco/95% Hardiplank siding exterior wall covering, drywall interior wall surfaces, composite shingle roofing.

**APPLIANCES AND INTERIOR FEATURES**

Carpeting & tile flooring, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, tile tub/shower, washer & dryer connections, ceiling fans, laminated counter tops, individual water heaters.

**ON-SITE AMENITIES**

A 3,211 square foot community building with activity room, management offices, TV room and restrooms will be located at the front of the property. Adjacent to this club house, a mail-kiosk, swimming pool and equipped children's play area will be located. In addition a 2,889 square foot daycare facility will be located at the entrance of this property. The entire property will be surrounded with perimeter fencing with a limited access gate. An 820 square foot centrally located laundry room is also planned.

**Uncovered Parking:** 244 spaces    **Carports:** 208 spaces    **Garages:** N/A spaces

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** The Galilean is a relatively dense disbursed multifamily with 16 units per acres new construction development of 208 units of mixed income housing located in southeast Edinburg. The development is comprised of 13 evenly distributed medium garden style walk-up low-rise residential buildings as follows:

- (13) Building Type A with 8 two-bedroom/ two-bath units, 8 three- bedroom/ two-bath units;

**Architectural Review:** The building elevations and unit floor plans are attractive and functional. The units all have covered balconies with storage closets.

**Supportive Services:** Supportive Services will be free and optional to the tenants and a cost for them has been included in the operating expenses. These services will be provided by Hidalgo County Head Start Program and will consist of: Daycare/School Facility.

**Schedule:** The Applicant anticipates construction to begin in March of 2004, to be completed in March of 2005, to be placed in service in March of 2005, and to be substantially leased-up in December of 2005.

**SITE ISSUES**

**SITE DESCRIPTION**

<b>Size:</b> <u>13.24</u> acres	<u>576,734</u> Square Feet:	<b>Zoning/ Permitted Uses:</b> <u>R-3 Multi-Family</u>
<b>Flood Zone Designation:</b> <u>Zone B</u>	<b>Status of Off-Sites:</b> <u>Partially Improved</u>	

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** Edinburg is located in the lower valley, approximately four miles north of McAllen in Hidalgo County. The site is an irregularly-shaped parcel located in the southeast area of Edinburg, situated on the west side of "I" Road. The rear of this site is approximately 200 feet from US Highway 281 frontage road through direct access to the frontage road does not appear to be planned.

**Adjacent Land Uses:**

- **North:** a residential home and a commercial building currently under construction

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
MULTIFAMILY UNDERWRITING ANALYSIS**

- **South:** open land being used for agricultural property
- **East:** I Road and residential area and small park beyond
- **West:** open land being used for agricultural property and US Highway 281

**Site Access:** Access to the property is from the north or south along I Road. The development is to have one main entry from the east side of the property. Access to the property is good. The subject site has excellent access to major transportation corridors via both I Road and Trenton. From these two thoroughfares one can easily connect to Highway 281, leading to Edinburg to the north or McAllen, Pharr and other surrounding communities to the south.

**Public Transportation:** The availability of public transportation is unknown.

**Shopping & Services:** According to the Market Analyst, the site convenient to all parts of the local trade area, as well as to major employers and downtown areas. In the neighborhood is a mix of uses, but primarily vacant tracts of land and single family homes.

**Site Inspection Findings:** TDHCA staff performed a site inspection on May 22, 2003 and found the location to be acceptable for the proposed development.

**HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)**

A Phase I Environmental Site Assessment report dated March 11, 2003 was prepared by Melden & Hunt, Inc. and contained the following findings and recommendations:

**Findings:** The assessment has revealed no evidence of recognized environmental conditions in connection with the property.

**Recommendations:** Based on these findings and conclusions, Melden & Hunt, Inc. recommends no further environmental assessment of the subject site.

**POPULATIONS TARGETED**

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. 208 of the units (100% of the total) will be reserved for low-income/elderly tenants. 104 of the units (50%) will be reserved for households earning 50% or less of AMGI, 104 units (50%) will be reserved for households earning 60% or less of AMGI.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
<b>60% of AMI</b>	\$17,280	\$19,800	\$22,260	\$24,720	\$26,700	\$28,680

**MARKET HIGHLIGHTS**

A market feasibility study dated March 11, 2003 was prepared by MarketData Research Services, LLC and highlighted the following findings:

**Definition of Market/Submarket:** "For this analysis we utilized a primary market area comprising an 129 square mile trade area within Hidalgo County. The trade area is inclusive of the McAllen MSA and was drawn to include a population of 250,000, while also including areas with higher renter tenure. This was done because the county has large agricultural tracts from which the property is not expected to draw residents." (p. 3) The site is located in the far north eastern portion of the trade area approximately three miles from the nearest eastern boundary and over 15 miles from the southwestern boundary of the trade area.

**Population:** The estimated 2000 population of the market area was 240,202 and is expected to increase by 14% to approximately 274,762 by 2007. Within the primary market area there were estimated to be 71,559 households in 2000.

**Total Local/Submarket Demand for Rental Units:** "Based on our analysis, it can be seen that the McAllen MSA is growing at a substantial rate. With continued job formation, the employment base and household formation will continue to be positive, resulting in the need for additional rental housing." (p. 75)

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
MULTIFAMILY UNDERWRITING ANALYSIS**

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY				
Type of Demand	Market Analyst		Underwriter	
	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	82	2%	89	3%
Resident Turnover	4,674	98%	3,335	97%
Pent-up Demand	40	1%		
<b>TOTAL ANNUAL DEMAND</b>	<b>4,796</b>	<b>100%</b>	<b>3,424</b>	<b>100%</b>

Ref. p. 45

**Inclusive Capture Rate:** The Market Analyst concluded a capture rate of 15.95% using an additional 557 units of unstablized supply coming from four development allocated credits in the past year in Pharr, McAllen and Mission. A fifth development in McAllen, El Patrimonio Apartments was awarded credits in 2000 for 144 restricted, 180 total units. This development was completed in 2001. The Market Analyst does not indicate precisely when El Patrimonio achieved stabilized occupancy but did indicate current occupancy at well over 95%. The Market Analyst also discussed but did not include 160 tax credit, 200 total 2003 proposed units 10 miles south in Pharr (Casa Aguila Apartments) or 176 tax credit, 208 total proposed units 13 miles southwest in Mission (Rio De Vida Apartments). Including only the tax credit portion of these developments raised the capture rate to 23%. The Underwriter calculated an inclusive capture rate of 22% based upon a supply of unstablized comparable affordable units of 765 divided by a revised demand of 3,424. When all proposed units restricted and unrestricted, are included, the Underwriter's calculated capture rate exceeds 25%. However unrestricted units are not included in the inclusive capture rate rule.

**Market Rent Comparables:** "The market analyst surveyed 618 existing income restricted units and 845 conventional units within the Primary Trade Area." (p. 88)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Market	Differential
2-Bedroom (50%)	\$374	\$429	-\$55	\$785	-\$411
2-Bedroom (60%)	\$455	\$522	-\$67	\$785	-\$330
3-Bedroom (50%)	\$430	\$490	-\$60	\$874	-\$444
3-Bedroom (60%)	\$524	\$597	-\$73	\$874	-\$350

(NOTE: Differentials are amount of difference between proposed rents and program limits and average market rents, e.g., proposed rent = \$500, program max = \$600, differential = -\$100) Proposed units were based upon 2002 rent limits. The Applicant has revised rent projections to be consistent with the program measures.

**Submarket Occupancy Rates:** "The occupancy rate for the income restricted one bedrooms is 99.0%, for income restricted two bedrooms it is 98.9%, the occupancy for the income restricted three bedroom units 99.4%, and the overall average occupancy for income restricted units is 99.1%" (p. 88)

**Absorption Projections:** "Absorption in the Mission/McAllen Area has been limited over the past decade, due to the financial infeasibility of conventionally financed market rate units. However, with the absorption rate has increased considerably over the last few years with the construction of several LIHTC projects."

(p. 11)

**Known Planned Development:** Padre de Vida is a 180 unit development to be built in McAllen that was awarded a 2003 forward commitment tax credit allocation of \$1,025,408. The Market Analyst also identified two other tax credit applications in this trade area, Rio De Vida and Casa Aguila consisting of a total of 408 additional units.

Despite the unusually large market area, the Underwriter found the market study to provide sufficient information to make a funding recommendation.

**OPERATING PROFORMA ANALYSIS**

**Income:** At the time of application, the 2003 rent limits had not been released and thus the Applicant used estimated 2002 rent limits in setting rents. The Applicant subsequently submitted a revised rent schedule utilizing the new maximums. Based on the Applicant's intention to charge maximum program rents and the

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Market Analyst's confirmation that these rents are achievable in this market, the Underwriter used the 2003 maximum rents in this analysis, which results in an increase of \$159.7K in potential gross rent. The Applicant's reused potential gross rent is \$9k higher than the Underwriter's due to the use of slightly lower utility allowances. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines.

**Expenses:** The Applicant's total expense estimate of \$3,023 per unit is within 6% of a TDHCA database-derived estimate of \$3,232 per unit for comparably-sized developments. The Applicant's budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly general and administrative (\$31.8K lower), payroll (\$13.8K lower). The Underwriter discussed these differences with the Applicant but was unable to reconcile though the Applicant submitted a revised proforma along with the revised rent schedule that reflected expenses of \$3,210 per unit with modest increases in five categories, however, additional detail or explanation of this increase was not provided.

**Conclusion:** The Applicant's estimated income and total estimated operating expense is inconsistent with the Underwriter's expectations and the Applicant's net operating income is not within 5% of the Underwriter's estimate. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity. Due primarily to the difference in gross rents, the Underwriter's estimated debt coverage ratio (DCR) of 1.35 exceeds the program maximum standard of 1.30. This suggests that the project could support additional debt service of \$14,910 annually. This results in an additional potential \$177,700 in serviceable debt based on proposed debt terms, and may reduce the need for other funds. It should be noted that using the Applicant's revised income but original expenses results in a DCR of 1.50. The Applicant realized this is the revised proforma that was provided and adjusted the debt service amount up by \$106,875 to utilize this additional debt service capacity. While a revised financing commitment was not provided to verify this debt service level, utilizing the existing terms would suggest the revised debt service proposed by the Applicant would support an additional \$1.1m in debt.

**ACQUISITION VALUATION INFORMATION**

**ASSESSED VALUE**

Land: 21.96 acres	\$329,400	Assessment for the Year of:	2003
Prorated 1 acre:	\$15,000	Valuation by:	Hidalgo County Appraisal District
Prorated 13.24 acres:	\$198,600	Tax Rate:	3.039

**EVIDENCE of SITE or PROPERTY CONTROL**

Type of Site Control:	Farm and Ranch contract						
Contract Expiration Date:	10/	15/	2003	Anticipated Closing Date:	10/	15/	2003
Acquisition Cost:	\$430,000			Other Terms/Conditions:	13 acres only, \$100 earnest money		
Seller:	Marissa Iselda Vega			Related to Development Team Member:	No		

**CONSTRUCTION COST ESTIMATE EVALUATION**

**Acquisition Value:** The acquisition price is assumed to be reasonable since the acquisition is an arm's-length transaction.

**Sitework Cost:** The Applicant's claimed sitework costs of \$7,500 per unit are at the 2003 underwriting maximum threshold to avoid further detailed documentation requirements.

**Direct Construction Cost:** The Applicant's direct construction cost estimate is \$420K or 5% higher than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate.

**Interim Financing Fees:** The Underwriter reduced the Applicant's eligible interim financing fees by \$102.2K to reflect an apparent overestimation of eligible construction loan interest, to bring the eligible interest expense down to one year of fully drawn interest expense. This results in an equivalent reduction to the Applicant's eligible basis estimate.

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**Fees:** The Applicant's contractor's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines. The Applicant's developer fees exceed 15% of the Applicant's adjusted eligible basis and therefore the eligible portion of the Applicant's developer fee must be reduced by \$14.3K.

**Conclusion:** The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown, as adjusted, is used to calculate eligible basis and determine the LIHTC allocation. As a result an eligible basis of \$14,593,257 before reductions for grants or below market rate loans are considered is used to determine a credit allocation in excess of \$1,200,000 thus the credit amount will be based on the Applicant's original credit requested.

**FINANCING STRUCTURE**

**INTERIM CONSTRUCTION or GAP FINANCING**

Source: JP MorganChase Contact: Ken Overshiner  
 Principal Amount: \$6,046,005 Interest Rate: Prime Rate  
 Additional Information: JP MorganChase Prime rate floating (Estimated rate of 5.5%)  
 Amortization: N/A yrs Term: 2 yrs Commitment:  LOI  Firm  Conditional

**LONG TERM/PERMANENT FINANCING**

Source: Stearns Bank Contact: Dennis Hanson  
 Principal Amount: \$4,760,000 Interest Rate: 7.50%  
 Amortization: 30 yrs Term: 15 yrs Commitment:  LOI  Firm  Conditional  
 Annual Payment: \$394,947 Lien Priority: 1st Commitment Date 1/ 22/ 2003  
 Additional Information: A commitment from GCC Group on behalf of Massachusetts Mutual Life Insurance Company with comparable terms was also provided.

**C.D.B.G. FUNDS**

Source: City of Edinburg Principal Amount: \$50,000

**LIHTC SYNDICATION**

Source: The Richman Group Capital Corporation Contact: Phil Corbett  
 Address: 8 Forge Pond Road City: Canton  
 State: MA Zip: 02021 Phone: (781) 828-6800 Fax: (781) 828-6807  
 Net Proceeds: \$9,421,090 Net Syndication Rate (per \$1.00 of 10-yr LIHTC) 79¢  
 Commitment  LOI  Firm  Conditional Date: 1/ 17/ 2003  
 Additional Information: Based upon credits of \$1,109,430 percentage of purchase may be reduced down to 90% if investor cannot fund additional credits.

**APPLICANT EQUITY**

Amount: \$1,349,988 Source: Deferred Developer Fee

**FINANCING STRUCTURE ANALYSIS**

**Permanent Financing:** The permanent financing commitments are consistent with the terms reflected in the sources and uses listed in the application. Two potential primary permanent sources have been identified. As a result of the additional debt service of at least \$14,910, the Applicant will likely secure significantly more debt for the proposed property. The syndication commitment reflects a first lien mortgage not to exceed \$6,046,005, which is \$1,108,305 more than the Applicant indicated on the other documentation provided in the application but consistent with the revised proforma submitted subsequently. The Underwriter recommends and has completed the analysis assuming that at least another \$177,700 in debt

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over the \$4.76M indicated in the application is achieved. This increase does little to reduce the anticipated deferred developer fee; however, the maximum debt of \$6,046M would fund nearly the entire anticipated developer fee leaving little to be deferred. Thus an increase in debt of more than the \$1.35M deferred developer fee anticipated by the Applicant would result in an excess gap and require a reduction of the credit allocation amount. Since the \$177,700 amount of additional debt required to absorb the excess debt coverage ratio is already included as deferred developer fee this report does not need to be conditioned upon a requirement to increase debt in order to maximize the credit amount.

**CDBG Funds:** The Applicant indicated that a \$50,000 application was made to the City of Edinburg Community Development Department. The documentation provided however does not identify the type of financing or the purpose of the funds. Any below market federal funds would be required to be deducted from eligible basis, with few exceptions. One exception is CDBG funds provided as a grant for infrastructure development. It is unknown if the CDBG funds requested will meet this requirement, but it is also uncertain if the Applicant will be successfully awarded these funds, however, the development is feasible without these \$50,000 funds and would still be eligible for the \$1.2 credit allocation even if the \$50K is removed from basis.

**LIHTC Syndication:** The Richman Group Capital Corporation has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be \$9,421,090 based on a syndication factor of 79%. The funds would be disbursed in a four-phased pay-in schedule:

1. 60% paid in monthly installments on a draw basis as needed for development costs incurred;
2. 22.5% paid upon the latest of the following: (i) completion of construction, (ii) preliminary low-income housing tax credit certification, (iii) receipt of a payoff letter from the contractor, (iv) receipt of an estoppel letter from each lender, (v) receipt of certificates of insurance complying with the requirements described herein;
3. 7.5% paid upon achievement of 50%, 75%, and 100% occupancy;
4. 10% paid upon achievement of breakeven and receipt of an estoppel letter and receipt of form 8609

The syndicator anticipated \$1,109,430 in allocated credits and indicated acquisition of any amount over this is subject to the availability of investor funds. The syndicator further indicated that the acquisition percentage could be reduced from 99.9% to 90% if insufficient investor funds were available to absorb an increase in credits up to the requested \$1.2M level. The ultimate potential effect to the development would be a reduction in the syndication rate as some of the credit would need to be absorbed by the general partner, which is not anticipating making an additional equity contribution. The reduction in equity contribution that could be caused by this shortage of investor funds could be absorbed with additional deferred developer fees.

**Deferred Developer's Fees:** The Applicant's proposed deferred developer's fees of \$1,349,988 amounts to 70% of the total fees. While the Underwriter's estimate is slightly lower based on full acquisition of the entire credit allocation by the purchaser and a slightly higher debt amount, deferred developer fees could quickly be absorbed by additional achievable first mortgage debt.

**Financing Conclusions:** Based on the Applicant's estimate of eligible basis, the LIHTC allocation should not exceed \$1,200,000 annually for ten years, resulting in syndication proceeds of approximately \$9,470,520. Based on the underwriting analysis, the Applicant will have a deferred developer fee of \$1,122,858 which is repayable within ten years. Should the Applicant's final direct construction cost exceed the cost estimate used to determine credits in this analysis or should the \$50,000 CDBG funds not be awarded to the development, deferred developer's fee will be available to maintain feasibility.

**DEVELOPMENT TEAM  
IDENTITIES of INTEREST**

The Applicant, Developer, General Contractor and Property Manager firms are all related entities. These are common relationships for LIHTC-funded developments.

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MULTIFAMILY UNDERWRITING ANALYSIS**

**APPLICANT'S/PRINCIPALS' FINANCIAL HIGHLIGHTS, BACKGROUND, and EXPERIENCE**

**Financial Highlights:**

- The Applicant and General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- The principals of the General Partner, P. Rowan Smith and Charissa Smith, submitted unaudited financial statements as of February 14, 2003 and are anticipated to be guarantors of the development.

**Background & Experience:**

- The Applicant and General Partner are new entities formed for the purpose of developing the project. The General Partner, P. Rowan Smith has completed seven LIHTC/affordable housing developments totaling 1,162 units since 1996.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- The Applicant's estimated income/operating expenses/operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
  - The development could potentially achieve an excessive profit level (i.e., a DCR above 1.30) if the maximum tax credit rents can be achieved in this market.
  - The Applicant's direct construction costs are more than 5% outside of the underwriter's verifiable range.
- The significant financing structure changes being proposed have not been reviewed and accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

**Underwriter:**

\_\_\_\_\_  
*Carl Hoover*

**Date:** May 27, 2003

**Director of Real Estate Analysis:**

\_\_\_\_\_  
*Tom Gouris*

**Date:** May 27, 2003

**MULTIFAMILY COMPARATIVE ANALYSIS**

The Galilean Apartments, Edinburg, LIHTC #03036

Type of Unit	Number	Bedrooms	No. of Baths	Size in Sq Ft	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Incl Pd Util	Wtr, Swr, Trsh
TC (50%)	48	2	2	900	\$463	\$429	\$20,601	\$0.48	\$33.81	\$25.88
TC (60%)	56	2	2	900	556	522	29,243	0.58	33.81	25.88
TC (50%)	56	3	2	1,100	535	490	27,456	0.45	44.71	27.73
TC (60%)	48	3	2	1,100	642	597	28,670	0.54	44.71	27.73
<b>TOTAL:</b>	<b>208</b>		<b>AVERAGE:</b>	<b>1,000</b>	<b>\$549</b>	<b>\$509</b>	<b>\$105,970</b>	<b>\$0.51</b>	<b>\$39.26</b>	<b>\$26.81</b>

INCOME				TDHCA		APPLICANT		USS Region		
Total Net Rentable Sq Ft: 208,000										11
<b>POTENTIAL GROSS RENT</b>				\$1,271,639	\$1,281,024					
Secondary Income	Per Unit Per Month:	\$15.00		37,440	37,440	\$15.00				
Other Support Income:				0	0					
<b>POTENTIAL GROSS INCOME</b>				\$1,309,079	\$1,318,464					
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%		(98,181)	(98,880)	-7.50%				of Potential Gross Rent
Employee or Other Non-Rental Units or Concessions				0	0					
<b>EFFECTIVE GROSS INCOME</b>				\$1,210,898	\$1,219,584					
<b>EXPENSES</b>								PER SQ FT	PER UNIT	% OF EGI
General & Administrative	6.32%	\$368	2.5%	0.37	76,562	\$44,800	\$0.22	\$215	3.67%	
Management	5.00%	291		0.29	60,545	\$53,161	0.26	256	4.36%	
Payroll & Payroll Tax	10.80%	629		0.63	130,756	\$117,000	0.56	563	9.59%	
Repairs & Maintenance	5.86%	341		0.34	71,015	\$64,000	0.31	308	5.25%	
Utilities	2.06%	120		0.12	24,988	\$28,000	0.13	135	2.30%	
Water, Sewer, & Trash	7.62%	444	3.0%	0.44	92,291	\$82,000	0.39	394	6.72%	
Property Insurance	3.55%	207		0.21	42,961	\$63,000	0.30	303	5.17%	
Property Tax	3.039	10.44%		0.61	126,422	\$130,000	0.63	625	10.66%	
Reserve for Replacements	3.44%	200		0.20	41,600	\$41,600	0.20	200	3.41%	
Other Expenses; Supportive Services	0.43%	25		0.03	5,200	\$5,200	0.03	25	0.43%	
<b>TOTAL EXPENSES</b>				\$3,232	\$3,233	\$672,339	\$628,761	\$3.02	\$3,023	51.56%
<b>NET OPERATING INC</b>				\$2,589	\$2,59	\$538,559	\$590,823	\$2.84	\$2,840	48.44%
<b>DEBT SERVICE</b>										
Stearns Bank	32.98%	\$1,920		\$1.92	\$399,391	\$394,947	\$1.90	\$1,899	32.38%	
C.D.B.G.	0.00%	\$0		\$0.00	0	0	\$0.00	\$0	0.00%	
LIHTC Syndication Proceeds	0.00%	\$0		\$0.00	0	0	\$0.00	\$0	0.00%	
<b>NET CASH FLOW</b>				\$669	\$0.67	\$139,167	\$195,876	\$0.94	\$942	16.06%
<b>AGGREGATE DEBT COVERAGE RATIO</b>						1.35	1.50			
<b>RECOMMENDED DEBT COVERAGE RATIO</b>						1.30				

<b>CONSTRUCTION COST</b>					TDHCA		APPLICANT		PER SQ FT	PER UNIT	% of TOTAL
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT							
Acquisition Cost (site or bidg)		2.87%	\$2,077	\$2.08	\$432,000	\$432,000	\$2.08	\$2,077	2.77%		
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%		
Sitework		10.36%	7,500	7.50	1,560,000	1,560,000	7.50	7,500	10.01%		
Direct Construction		52.33%	37,882	37.88	7,879,533	8,300,000	39.90	39,904	53.27%		
Contingency	4.24%	2.66%	1,924	1.92	400,088	400,088	1.92	1,924	2.57%		
General Req'ts	6.00%	3.76%	2,723	2.72	566,372	591,600	2.84	2,844	3.80%		
Contractor's G & A	2.00%	1.25%	908	0.91	188,791	197,200	0.95	948	1.27%		
Contractor's Profit	6.00%	3.76%	2,723	2.72	566,372	591,600	2.84	2,844	3.80%		
Indirect Construction		3.78%	2,737	2.74	569,224	569,224	2.74	2,737	3.65%		
Ineligible Costs		2.27%	1,642	1.64	341,569	341,569	1.64	1,642	2.19%		
Developer's G & A	2.00%	1.62%	1,174	1.17	244,209	325,000	1.56	1,563	2.09%		
Developer's Profit	13.00%	10.54%	7,632	7.63	1,587,359	1,592,788	7.66	7,658	10.22%		
Interim Financing		3.19%	2,308	2.31	480,077	480,077	2.31	2,308	3.08%		
Reserves		1.60%	1,159	1.16	241,096	199,932	0.96	961	1.28%		
<b>TOTAL COST</b>				\$72,388	\$72.39	\$15,056,691	\$15,581,078	\$74.91	\$74,909	100.00%	
<b>Recap-Hard Construction Costs</b>				\$53,659	\$53.66	\$11,161,156	\$11,640,488	\$55.96	\$55,964	74.71%	

<b>SOURCES OF FUNDS</b>				TDHCA		APPLICANT		RECOMMENDED		
Stearns Bank	31.61%	\$22,885	\$22.88	\$4,760,000	\$4,760,000	\$4,937,700		Developer Fee Available		
C.D.B.G.	0.33%	\$240	\$0.24	50,000	50,000	50,000		\$1,831,569		
LIHTC Syndication Proceeds	62.57%	\$45,294	\$45.29	9,421,090	9,421,090	9,470,520		% of Dev. Fee Deferred		
Deferred Developer Fees	8.97%	\$6,490	\$6.49	1,349,988	1,349,988	1,122,858		61%		
Additional (excess) Funds Required	-3.48%	(\$2,521)	(\$2.52)	(524,387)	0	0		15-Yr Cumulative Cash Flow		
<b>TOTAL SOURCES</b>				\$15,056,691	\$15,581,078	\$15,581,078		\$2,879,067.02		

**MULTIFAMILY COMPARATIVE ANALYSIS (continued)**

*The Galilean Apartments, Edinburg, LIHTC #03036*

**DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook  
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$41.78	\$8,690,240
<b>Adjustments</b>				
Exterior Wall Finish	0.95%		\$0.40	\$82,557
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(1.01)	(210,080)
Floor Cover			1.92	399,360
Porches/Balconies	\$24.67	38,247	4.54	943,553
Plumbing	\$615	624	1.85	383,760
Built-In Appliances	\$1,625	208	1.63	338,000
Stairs/Fireplaces	\$1,625	52	0.41	84,500
Floor Insulation			0.00	0
Heating/Cooling			1.47	305,760
Garages/Carports	\$7.83	33,696	1.27	263,840
Comm &/or Aux Bldgs	\$59.01	3,211	0.91	189,489
DayCare & Laundry	\$58.46	3,709	1.04	216,824
<b>SUBTOTAL</b>			<b>56.19</b>	<b>11,687,798</b>
Current Cost Multiplier	1.03		1.69	350,634
Local Multiplier	0.80		(11.24)	(2,337,560)
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>			<b>\$46.64</b>	<b>\$9,700,872</b>
Plans, specs, survy, bid prn	3.90%		(\$1.82)	(\$378,334)
Interim Construction Interest	3.38%		(1.57)	(327,404)
Contractor's OH & Profit	11.60%		(5.36)	(1,115,600)
<b>NET DIRECT CONSTRUCTION COSTS</b>			<b>\$37.88</b>	<b>\$7,879,533</b>

**PAYMENT COMPUTATION**

<b>Primary</b>	\$4,760,000	Term	360
Int Rate	7.50%	DCR	1.35
<b>Secondary</b>	\$50,000	Term	
Int Rate	0.00%	Subtotal DCR	1.35
<b>Additional</b>	\$9,421,090	Term	
Int Rate		Aggregate DCR	1.35

**RECOMMENDED FINANCING STRUCTURE:**

Primary Debt Service	\$414,301
Secondary Debt Service	0
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$124,257</b>

<b>Primary</b>	\$4,937,700	Term	360
Int Rate	7.50%	DCR	1.30
<b>Secondary</b>	\$50,000	Term	0
Int Rate	0.00%	Subtotal DCR	1.30
<b>Additional</b>	\$9,421,090	Term	0
Int Rate	0.00%	Aggregate DCR	1.30

**OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE**

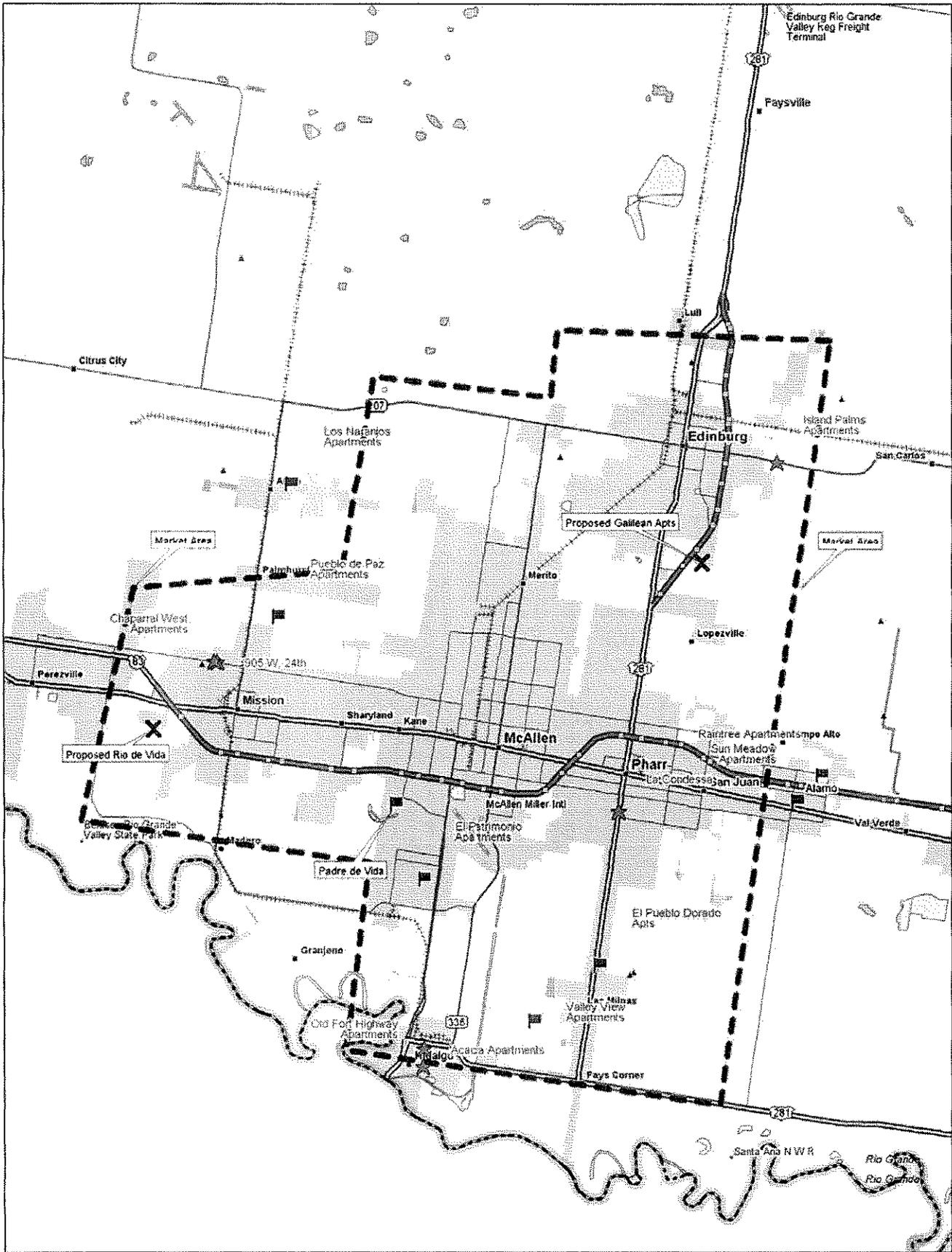
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$1,271,639	\$1,309,788	\$1,349,082	\$1,389,554	\$1,431,241	\$1,659,201	\$1,923,468	\$2,229,827	\$2,996,701
Secondary Income	37,440	38,563	39,720	40,912	42,139	48,851	56,631	65,651	88,230
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,309,079	1,348,351	1,388,802	1,430,466	1,473,380	1,708,051	1,980,100	2,295,478	3,084,931
Vacancy & Collection Loss	(98,183)	(101,126)	(104,160)	(107,285)	(110,503)	(128,194)	(148,507)	(172,161)	(231,370)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$1,210,898	\$1,247,225	\$1,284,642	\$1,323,181	\$1,362,876	\$1,579,947	\$1,831,592	\$2,123,317	\$2,853,561
<b>EXPENSES at 4.00%</b>									
General & Administrative	\$76,562	\$79,624	\$82,809	\$86,122	\$89,567	\$108,971	\$132,580	\$161,304	\$238,770
Management	60,545	62,361	64,232	66,159	68,144	78,997	91,580	106,166	142,678
Payroll & Payroll Tax	130,756	135,986	141,426	147,082	152,966	186,106	226,427	275,483	407,781
Repairs & Maintenance	71,015	73,855	76,810	79,882	83,077	101,076	122,975	149,617	221,470
Utilities	24,988	25,988	27,027	28,108	29,233	35,566	43,271	52,646	77,930
Water, Sewer & Trash	92,291	95,983	99,822	103,815	107,967	131,359	159,818	194,443	287,824
Insurance	42,961	44,679	46,466	48,325	50,258	61,146	74,394	90,512	133,979
Property Tax	126,422	131,479	136,738	142,208	147,896	179,938	218,923	266,353	394,267
Reserve for Replacements	41,600	43,264	44,995	46,794	48,666	59,210	72,038	87,645	129,736
Other	5,200	5,408	5,624	5,849	6,083	7,401	9,005	10,956	16,217
TOTAL EXPENSES	\$672,339	\$698,628	\$725,949	\$754,345	\$783,857	\$949,772	\$1,151,010	\$1,395,125	\$2,050,652
NET OPERATING INCOME	\$538,559	\$548,597	\$558,693	\$568,836	\$579,020	\$630,176	\$680,582	\$728,193	\$802,909
<b>DEBT SERVICE</b>									
First Lien Financing	\$414,301	\$414,301	\$414,301	\$414,301	\$414,301	\$414,301	\$414,301	\$414,301	\$414,301
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$124,257	\$134,296	\$144,391	\$154,535	\$164,718	\$215,874	\$266,281	\$313,891	\$388,607
DEBT COVERAGE RATIO	1.30	1.32	1.35	1.37	1.40	1.52	1.64	1.76	1.94

**LIHTC Allocation Calculation - The Gallean Apartments, Edinburg, LIHTC #03036**

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
<b>(1) Acquisition Cost</b>				
Purchase of land	\$432,000	\$432,000		
Purchase of buildings				
<b>(2) Rehabilitation/New Construction Cost</b>				
On-site work	\$1,560,000	\$1,560,000	\$1,560,000	\$1,560,000
Off-site improvements				
<b>(3) Construction Hard Costs</b>				
New structures/rehabilitation hard costs	\$8,300,000	\$7,879,533	\$8,300,000	\$7,879,533
<b>(4) Contractor Fees &amp; General Requirements</b>				
Contractor overhead	\$197,200	\$188,791	\$197,200	\$188,791
Contractor profit	\$591,600	\$566,372	\$591,600	\$566,372
General requirements	\$591,600	\$566,372	\$591,600	\$566,372
<b>(5) Contingencies</b>				
	\$400,088	\$400,088	\$400,088	\$400,088
<b>(6) Eligible Indirect Fees</b>				
	\$569,224	\$569,224	\$569,224	\$569,224
<b>(7) Eligible Financing Fees</b>				
	\$480,077	\$480,077	\$480,077	\$480,077
<b>(8) All Ineligible Costs</b>				
	\$341,569	\$341,569		
<b>(9) Developer Fees</b>				
			\$1,903,468	
Developer overhead	\$325,000	\$244,209		\$244,209
Developer fee	\$1,592,788	\$1,587,359		\$1,587,359
<b>(10) Development Reserves</b>				
	\$199,932	\$241,096		
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$15,581,078</b>	<b>\$15,056,691</b>	<b>\$14,593,257</b>	<b>\$14,042,025</b>

<b>Deduct from Basis:</b>				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis			\$50,000	\$50,000
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
<b>TOTAL ELIGIBLE BASIS</b>			<b>\$14,543,257</b>	<b>\$13,992,025</b>
High Cost Area Adjustment			100%	100%
<b>TOTAL ADJUSTED BASIS</b>			<b>\$14,543,257</b>	<b>\$13,992,025</b>
Applicable Fraction			100%	100%
<b>TOTAL QUALIFIED BASIS</b>			<b>\$14,543,257</b>	<b>\$13,992,025</b>
Applicable Percentage			8.34%	8.34%
<b>TOTAL AMOUNT OF TAX CREDITS</b>			<b>\$1,212,908</b>	<b>\$1,166,935</b>

Syndication Proceeds	0.7892	\$9,572,389	\$9,209,567
<b>Total Credits (Eligible Basis Method)</b>		<b>\$1,212,908</b>	<b>\$1,166,935</b>
Syndication Proceeds		\$9,572,389	\$9,209,567
Requested Credits		\$1,200,000	
Syndication Proceeds		\$9,470,520	
<b>Gap of Syndication Proceeds Needed</b>		<b>\$10,593,378</b>	
Credit Amount		\$1,342,276	



**DE LORME**

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 Zoom Level: 10-1 Datum: WGS84



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"Exhibit B"

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
MULTIFAMILY UNDERWRITING ANALYSIS

DATE: May 27, 2003

PROGRAM: 9% LIHTC

FILE NUMBER: 03035

DEVELOPMENT NAME

Rio De Vida Apartments

APPLICANT

Name: Rio De Vida Apartments, L.P. Type: For Profit  
Address: 17336 W. Little York Road City: Houston State: TX  
Zip: 77084 Contact: Kim Hatfield Phone: (281) 550-7111 Fax: (281) 550-1941

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	(%)	Title:
Rio De Vida Apartments I, LLC	0.10	Managing General Partner
PRS Housing Corporation	N/A	75% Owner of MGP
Bozrah International Minisities	N/A	25% Owner of MGP
Perry R. Smith	N/A	100% Owner of PRS Corp.
John Pitts	N/A	President of Bozrah
Emma Hall	N/A	Board Member of Bozrah
James Gasaway	N/A	Treasurer of Bozrah
Ethel Dunn	N/A	Secretary of Bozrah

PROPERTY LOCATION

Location: Inspiration Road Approximately 1,000 feet north of Mile 1 Road  QCT  DDA  
City: Mission County: Hidalgo Zip: 78582

REQUEST

Amount	Interest Rate	Amortization	Term
1) \$1,044,231	N/A	N/A	N/A

Other Requested Terms: 1) Annual ten-year allocation of low-income housing tax credits

Proposed Use of Funds: New Construction Property Type: Multifamily

Set-Aside(s):  General  Rural  TX RD  Non-Profit  Elderly  At Risk

RECOMMENDATION

RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$1,004,228 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt review and acceptance by commitment execution of a revised commitment for syndicator reflecting the syndicator's willingness to acquire at least 99% of the allocation of credits for at least \$.79 per credit acquired.
2. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
MULTIFAMILY UNDERWRITING ANALYSIS**

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**DEVELOPMENT SPECIFICATIONS**

**IMPROVEMENTS**

Total Units: 208 # Rental Buildings: 13 # Common Area Bldgs: 3 # of Floors: 2 Age: N/A yrs Vacant: N/A at / /  
 Net Rentable SF: 208,000 Av Un SF: 1,000 Common Area SF: 6,920 Gross Bldg SF: 214,920

**STRUCTURAL MATERIALS**

Wood frame on a post-tensioned concrete slab on grade, 5% Stucco/95% Hardiplank siding exterior wall covering, drywall interior wall surfaces, composite shingle roofing.

**APPLIANCES AND INTERIOR FEATURES**

Carpeting & tile flooring, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, tile tub/shower, washer & dryer connections, ceiling fans, laminated counter tops, individual water heaters.

**ON-SITE AMENITIES**

A 3,211 square foot community building with activity room, management offices, TV room and restrooms will be located at the front of the property. Adjacent to this clubhouse a mail-kiosk, swimming pool, equipped children's play area will be located. In addition a 2,889 square foot daycare facility will be located at the entrance to the property. The entire property will be surrounded by perimeter fencing with a limited access gate. An 820 square foot centrally located laundry facility is also planned.

Uncovered Parking: 244 spaces Carports: 208 spaces Garages: N/A spaces

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Rio De Vida is a relatively dense disbursed multifamily with 16 units per acres new construction development of 208 units of mixed income housing located in southwest Mission. The development is comprised of 13 evenly distributed medium garden style walk-up low-rise residential buildings as follows:

- (13) Building Type A with 8 two-bedroom/ two-bath units, 8 three- bedroom/ two-bath units;

**Architectural Review:** The building elevations and unit floor plans are attractive and functional. The units all have covered balconies with storage closets.

**Supportive Services:** Supportive Services will be free and optional to the tenants and a cost for this has been included in the operating expenses. These services will be provided by Hidalgo County Head Start Program and will consist of: Daycare/School Facility.

**Schedule:** The Applicant anticipates construction to begin in February of 2004, to be completed in February of 2005, to be placed in service in February of 2005, and to be substantially leased-up in August of 2005.

**SITE ISSUES**

**SITE DESCRIPTION**

Size: 13.79 acres 600,692 square feet Zoning/ Permitted Uses: R-3  
 Flood Zone Designation: Zone: B Status of Off-Sites: Partially Improved

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** Mission is located in the lower valley, approximately six miles west of McAllen in Hidalgo County. The site is an irregularly-shaped parcel located in the west area of Mission, situated on the east side of Inspiration Road Street.

**Adjacent Land Uses:**

- north: generally residential
- south: vacant land

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
MULTIFAMILY UNDERWRITING ANALYSIS**

- **east:** vacant land and residential
- **west:** Inspiration Road and vacant land beyond

**Site Access:** Access to the property is along Inspiration Road. The subject site has access to major thoroughfares via both Inspiration Road (north) and Mile One South Road (south and east). From these two thoroughfares one can easily connect to Business 83 and Expressway 83, leading to downtown Mission, McAllen, Pharr, Edinburg and other surrounding communities.

**Public Transportation:** The availability of public transportation is unknown.

**Site Inspection Findings:** TDHCA staff performed a site inspection on May 22, 2003 and found the location to be acceptable for the proposed development.

**HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)**

A Phase I Environmental Site Assessment report dated March 14, 2003 was prepared by Melden & Hunt, Inc. and contained the following findings and recommendations:

**Findings:** The assessment has revealed no evidence of recognized environmental conditions in connection with the property.

**Recommendations:** Based on these findings and conclusions, Melden & Hunt, Inc. recommends no further environmental assessment of the subject site.

**POPULATIONS TARGETED**

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. 176 of the units (85% of the total) will be reserved for low-income/elderly tenants. 36 of the units (17%) will be reserved for households earning 50% or less of AMGI, 140 units (67%) will be reserved for households earning 60% or less of AMGI, and the remaining 32 (15%) units will be offered at market rents.

**MAXIMUM ELIGIBLE INCOMES**

	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	\$17,280	\$19,800	\$22,260	\$24,720	\$26,700	\$28,680

**MARKET HIGHLIGHTS**

A market feasibility study dated March 11, 2003 was prepared by Apartment Market Data Research Services and highlighted the following findings:

**Definition of Market/Submarket:** "For this analysis we utilized a primary market area comprising an 129 square mile trade area within Hidalgo County. The trade area is inclusive of the McAllen MSA and was drawn to include a population of 250,000, while also including areas with higher renter tenure. This was done because the county has large agricultural tracts from which the property is not expected to draw residents." (p. 3) The site is located in the far southwest corner of the trade area approximately two and a half miles from the nearest western boundary and even 17 miles from the northeastern most boundary of the trade area.

**Population:** The estimated 2000 population of the market area was 240,202 and is expected to increase by 14% to approximately 274,762 by 2007. Within the primary market area there were estimated to be 71,559 households in 2000.

**Total Local/Submarket Demand for Rental Units:** "Based on our analysis, it can be seen that the McAllen MSA is growing at a substantial rate. With continued job formation, the employment base and household formation will continue to be positive, resulting in the need for additional rental housing." (p. 77)

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS**  
**MULTIFAMILY UNDERWRITING ANALYSIS**

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY				
Type of Demand	Market Analyst		Underwriter	
	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	82	2%	80	2%
Resident Turnover	4,674	97%	3,335	98%
Other Sources: pent-up demand	40	1%		
<b>TOTAL ANNUAL DEMAND</b>	<b>4,796</b>	<b>100%</b>	<b>3,415</b>	<b>100%</b>

Ref: p. 47

**Inclusive Capture Rate:** The Market Analyst concluded a capture rate of 15.28% using an additional 557 units of unstablized supply coming from four developments allocated credits in the past year in Pharr, McAllen and Mission. A fifth development in McAllen, El Patrimonio Apartments was awarded credits in 2000 for 144 restricted 180 total units. This development was completed in 2001. The Market Analyst does not indicate precisely when El Patrimonio achieved stabilized occupancy but did indicate current occupancy at well over 95%. The Market Analyst also discussed but did not include 160 tax credit, 200 total proposed units seven miles southeast in Pharr (Casa Aguila Apartments) or 176 tax credit, 208 total proposed units 13 miles northeast in Edinburg (Gallelian Apartments). Including only the tax credit portion of these developments raises the Market Analysts Capture rate to 23%. The Underwriter calculated an inclusive capture rate of 21% based upon a supply of unstabilized comparable affordable units of 733 divided by a revised demand of 3,415. When all proposed units, restricted and unrestricted, are included, the underwriter's calculated capture rate exceeds 25%. However unrestricted units are not included in the inclusive capture rate rule.

**Market Rent Comparables:** The Market Analyst surveyed comparable apartment projects totaling 618 income restricted units in the market area. (p. 106)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Market	Differential
2-Bedroom (50%)	\$430	\$430	\$0	\$756	-\$326
2-Bedroom (60%)	\$523	\$523	\$0	\$756	-\$233
2-Bedroom (MR)	\$650	N/A		\$756	-\$106
3-Bedroom (50%)	\$495	\$495	\$0	\$874	-\$379
3-Bedroom (60%)	\$602	\$602	\$0	\$874	-\$272
3-Bedroom (MR)	\$750	N/A		\$874	-\$124

(NOTE: Differentials are amount of difference between proposed rents and program limits and average market rents, e.g., proposed rent = \$500, program max = \$600, differential = -\$100)

**Submarket Occupancy Rates:** "The current occupancy of the market area is 96.9%, as a result of ever increasing demand." (p. 10)

**Absorption Projections:** "Absorption in the Mission/McAllen Area has been limited over the past decade, due to the financial infeasibility of conventionally financed market rate units. However, with the absorption rate has increased considerably over the last few years with the construction of several LIHTC projects." (p. 108)

**Known Planned Development:** Four know developments have not reached a stabilized occupancy of 90% for the previous 12 months totaling 557 units in addition to the 176 units of Rio de Vida. (p. 47) The Market Analyst also identified two other tax credit applications in this trade area, the Gallelian Apartments and Casa Aguila Apartments consisting of a total of 408 additional units.

Despite the unusually large trade area (primary market area) the Underwriter found the market study to provide sufficient information to make a funding recommendation.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
MULTIFAMILY UNDERWRITING ANALYSIS**

**OPERATING PROFORMA ANALYSIS**

**Income:** The 2003 rent limits were used by the Applicant in setting the rents. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines.

**Expenses:** The Applicant's total expense estimate of \$3,063 per unit is within 6% of a TDHCA database-derived estimate of \$3,245 per unit for comparably-sized developments. The Applicant's budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly general and administrative (\$22.8K lower), insurance (\$8K lower). The Underwriter discussed these differences with the Applicant but was unable to reconcile them with the limited additional information provided by the Applicant.

**Conclusion:** The Applicant's estimated operating expense is inconsistent with the Underwriter's expectations and the Applicant's net operating income is not within 5% of the Underwriter's estimate. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity. In both the Applicant's and the Underwriter's income and expense estimates there is sufficient net operating income to service the proposed first lien permanent mortgage at a debt coverage ratio that is above the recommended acceptable TDHCA underwriting guidelines of 1.10. The Applicant's estimate is greater than 1.30 suggesting that additional debt may be achievable.

**ACQUISITION VALUATION INFORMATION**

**ASSESSED VALUE**

Land: 25.47 acres	\$127,350	Assessment for the Year of:	2003
Prorated 1 acre:	\$5,000	Valuation by:	Hidalgo County Appraisal District
Prorated 13.79 acres:	\$68,950	Tax Rate:	2.9865

**EVIDENCE of SITE or PROPERTY CONTROL**

Type of Site Control:	Farm and Ranch Contract		
Contract Expiration Date:	10/ 15/ 2003	Anticipated Closing Date:	10/ 15/ 2003
Acquisition Cost:	\$400,000	Other Terms/Conditions:	\$100 earnest money
Seller:	Estate of Donald R. Deck	Related to Development Team Member:	No

**CONSTRUCTION COST ESTIMATE EVALUATION**

**Acquisition Value:** The acquisition price is assumed to be reasonable since the acquisition is an arm's-length transaction.

**Sitework Cost:** The Applicant's claimed sitework costs of \$7,500 per unit are at the 2003 underwriting maximum threshold to avoid further detailed documentation requirements.

**Direct Construction Cost:** The Applicant's direct construction cost estimate is \$120K or 2% higher than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.

**Interim Financing Fees:** The Underwriter reduced the Applicant's eligible interim financing fees by \$56.2K to reflect an apparent overestimation of eligible construction loan interest, to bring the eligible interest expense down to one year of fully drawn interest expense. This results in an equivalent reduction to the Applicant's eligible basis estimate.

**Fees:** The Applicant's contractor's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines. The Applicant's developer fees exceed 15% of the Applicant's adjusted eligible basis and therefore the eligible portion of the Applicant's developer fee must be reduced by \$6.8K.

**Conclusion:** The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
MULTIFAMILY UNDERWRITING ANALYSIS**

projected costs to a reasonable margin, the Applicant's total cost breakdown, as adjusted, is used to calculate eligible basis and determine the LIHTC allocation. As a result an eligible basis of \$14,232,978 before reductions for grants or below market rate loans are considered is used to determine a credit allocation of \$1,004,228 from this method. The resulting syndication proceeds will be used to compare to the gap of need using the Applicant's costs to determine the recommended credit amount.

**FINANCING STRUCTURE**

**INTERIM CONSTRUCTION or GAP FINANCING**

Source: JP MorganChase Contact: Ken Overshiner  
 Principal Amount: \$7,113,313 Interest Rate: 5.5%  
 Additional Information: \_\_\_\_\_  
 Amortization: N/A yrs Term: 2 yrs Commitment:  LOI  Firm  Conditional

**LONG TERM/PERMANENT FINANCING**

Source: GCC Group of Companies, Inc. Contact: Steven Boughner  
 Principal Amount: \$6,104,000 Interest Rate: 7.5%  
 Additional Information: \_\_\_\_\_  
 Amortization: 30 yrs Term: 15 yrs Commitment:  LOI  Firm  Conditional  
 Annual Payment: \$513,295 Lien Priority: 1st Commitment Date 1/ 23/ 2003

**C.D.B.G FUNDS**

Source: City of Mission Principal Amount: \$50,000

**LIHTC SYNDICATION**

Source: The Richman Group Capital Corporation Contact: Phil Corbett  
 Address: 8 Forge Pond Road City: Canton  
 State: MA Zip: 02021 Phone: (781) 828-6800 Fax: (781) 828-6807  
 Net Proceeds: \$8,090,993 Net Syndication Rate (per \$1.00 of 10-yr LIHTC) 79¢  
 Commitment  LOI  Firm  Conditional Date: 1/ 17/ 2003

**Additional information:** based upon credit allocation of \$851,125, percentage of purchase may be reduced down to 90% if investor can not fund additional credits.

**APPLICANT EQUITY**

Amount: \$1,009,313 Source: Deferred Developer Fee

**FINANCING STRUCTURE ANALYSIS**

**Permanent Financing:** The permanent financing commitment is consistent with the terms reflected in the sources and uses listed in the application. Based upon the Applicant's estimated NOI it is likely that additional debt will be available to the development.

**CDBG Funds:** The Applicant indicated that a \$50,000 application was made to the City of Mission's Community Development Block Grant. The documentation provided, however, does not identify the type of financing or the purpose of the funds. Any below market federal funds would be required to be deducted from eligible basis, with few exceptions. One exception is CDBG funds provided as a grant for infrastructure development. It is unknown if the CDBG funds required will meet this requirement, but it is also uncertain if the Application will be successfully awarded these funds. The underwriter removed the funds from basis which resulted in a small decline in the recommended credit amount. If the funds are ultimately not awarded to benefit this development, it will still be feasible without such funds and the difference will be made up with additional deferred develop fees.

**LIHTC Syndication:** The Richman Group Capital Corporation has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be \$8,090,993 based on a syndication

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
MULTIFAMILY UNDERWRITING ANALYSIS**

factor of 79%. The funds would be disbursed in a four-phased pay-in schedule:

1. 60% paid in monthly installments on a draw basis as needed for development costs incurred;
2. 22.5% paid upon the latest of the following: (i) completion of construction, (ii) preliminary low-income housing tax credit certification, (iii) receipt of a payoff letter from the contractor, (iv) receipt of an estoppel letter from each lender, (v) receipt of certificates of insurance complying with the requirements described herein;
3. 7.5% paid upon achievement of 50%, 75%, and 100% occupancy;
4. 10% paid upon achievement of breakeven and receipt of an estoppel letter and receipt of form 8609

The syndicator anticipated only \$851,125 in allocated credits and has indicated acquisition of any amount over this is subject to the availability of investor funds. The syndicator further indicated that the acquisition percentage could be reduced from 99.9% to 90% if insufficient investor funds were available to absorb additional credits. The effect on the development would be a reduction in the syndication proceeds and possibly insufficient funds to complete the development. The Applicant submitted a revised commitment letter that corrected the syndicator amount and thus implied a syndicator rate of \$.95 per credit while stating a \$.79 per credit rate. Receipt review and acceptance of a revised commitment for syndicator reflecting the syndicator's willingness to acquire at least 99% of the allocation of credits for at least \$.79 per credit acquired is a condition of this report.

**Deferred Developer's Fees:** The Applicant's proposed deferred developer's fees of \$1,009,313 amounts to 54% of the total fees. While the Underwriter's anticipated deferred developer fee is slightly higher at 64% it is still repayable within the first 10 years of stabilized operations.

**Financing Conclusions:** Based on the Applicant's estimate of eligible basis, the LIHTC allocation should not exceed \$1,004,228 annually for ten years, resulting in syndication proceeds of approximately \$7,925,465. Based on the underwriting analysis, the Applicant will have a deferred developer fee of \$1,174,841. Should the Applicant's final direct construction cost exceed the cost estimate used to determine credits in this analysis, or should the \$50,000 CDBG funds not be awarded to the development, deferred developer's fee will be available to maintain feasibility.

**DEVELOPMENT TEAM**

**IDENTITIES of INTEREST**

The Applicant, Developer and Property Manager are all related entities. These are common relationships for LIHTC-funded developments.

**APPLICANT'S/PRINCIPALS' FINANCIAL HIGHLIGHTS, BACKGROUND, and EXPERIENCE**

**Financial Highlights:**

- The Applicant and General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- The 75% owner of the General Partner, PRS Housing Corporation, submitted an unaudited financial statement reporting total assets of \$575K and consisting of \$197K in cash, \$40K in receivables, and \$338K in long term assets. Liabilities totaled \$2K, resulting in a net worth of \$575K.
- The 25% co-owner of the General Partner, Bozrah International Ministries, Inc., submitted an unaudited financial statement as of February 14, 2003 reporting total assets of \$1.4M and consisting of \$4K in cash, \$1.2M in receivables, \$2K in other assets, and \$222.5K in real property. No liabilities were reported resulting in a net worth of \$1.4M.
- The principal of the General Partner, Perry R. Smith, submitted an unaudited financial statement as of January 30, 2003 and is anticipated to be guarantor of the development.

**Background & Experience:**

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- Perry Smith, the principal of PRS Housing Corporation which owns 75% of the General Partner, has completed three conventional housing developments totaling 390 units since 1981.
- Bozrah International Ministries, Inc., which owns 25% of the General Partner, has completed two LIHTC affordable housing developments totaling 204 units since 2000.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
MULTIFAMILY UNDERWRITING ANALYSIS**

**SUMMARY OF SALIENT RISKS AND ISSUES**

The Applicant's estimated income, operating expenses, and operating proforma are more than 5% outside of the Underwriter's verifiable ranges.

<b>Underwriter:</b>	_____ <i>Carl Hoover</i>	<b>Date:</b>	_____ May 27, 2003
<b>Director of Real Estate Analysis:</b>	_____ <i>Tom Gouris</i>	<b>Date:</b>	_____ May 27, 2003

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis**

**Rio De Vida Apartments, Mission, LIHTC #03035**

Type of Unit	Number	Bedrooms	No. of Baths	Size in Sq Ft	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per Sq Ft	Int Pd Unit	Wtr, Swr, Trsh
TC (50%)	12	2	2	900	\$463	\$430	\$5,162	\$0.48	\$32.85	\$20.73
TC (60%)	76	2	2	900	556	523	39,759	0.58	32.85	20.73
MR	16	2	2	900		650	10,400	0.72	32.85	20.73
TC (50%)	24	3	2	1,100	535	495	11,875	0.45	40.21	24.35
TC (60%)	64	3	2	1,100	642	602	38,515	0.55	40.21	24.35
MR	16	3	2	1,100		750	12,000	0.68	40.21	24.35
<b>TOTAL:</b>	<b>208</b>		<b>AVERAGE:</b>	<b>1,000</b>	<b>\$489</b>	<b>\$566</b>	<b>\$117,711</b>	<b>\$0.57</b>	<b>\$36.53</b>	<b>\$22.54</b>

**INCOME**

Total Net Rentable Sq Ft: 208,000

POTENTIAL GROSS RENT			
Secondary Income	Per Unit Per Month:	\$15.00	
Other Support Income:			
POTENTIAL GROSS INCOME			
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%	
Employee or Other Non-Rental Units or Concessions			
<b>EFFECTIVE GROSS INCOME</b>			

TDHCA	APPLICANT
\$1,412,529	\$1,411,536
37,440	37,440
0	0
\$1,449,969	\$1,448,976
(108,748)	(108,672)
0	0
\$1,341,221	\$1,340,304

USS Region	11
IREM Region	
Per Unit Per Month	
-7.50%	of Potential Gross Rent

**EXPENSES**

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	5.71%	\$368 <sup>2.5%</sup>	0.37
Management	5.00%	322 <sup>2.5%</sup>	0.32
Payroll & Payroll Tax	9.75%	629	0.63
Repairs & Maintenance	5.29%	341	0.34
Utilities	1.73%	112	0.11
Water, Sewer, & Trash	6.88%	444 <sup>3.0%</sup>	0.44
Property Insurance	3.20%	207	0.21
Property Tax	2.9865%	597	0.60
Reserve for Replacements	3.10%	200	0.20
Other Expenses: Comp. Fees	0.39%	25	0.03
<b>TOTAL EXPENSES</b>	<b>50.32%</b>	<b>\$3,245</b>	<b>\$3.24</b>
<b>NET OPERATING INC</b>	<b>49.68%</b>	<b>\$3,203</b>	<b>\$3.20</b>

TDHCA	APPLICANT
76,562	\$53,800
67,061	\$67,015
130,756	\$132,000
71,015	\$70,000
23,251	\$28,000
92,291	\$82,000
42,961	\$35,000
124,238	\$121,500
41,600	\$41,600
5,200	\$6,200
\$674,934	\$637,115
\$666,287	\$703,189

PER SQ FT	PER UNIT	% OF EGI
\$0.26	\$259	4.01%
0.32	322	5.00%
0.63	635	9.85%
0.34	337	5.22%
0.13	135	2.09%
0.39	394	6.12%
0.17	168	2.61%
0.58	584	9.07%
0.20	200	3.10%
0.03	30	0.46%
\$3.06	\$3,063	47.54%
\$3.38	\$3,381	52.46%

**DEBT SERVICE**

GCC Group of Companies, Inc.	38.19%	\$2,462	\$2.46
C.D.B.G	0.00%	\$0	\$0.00
C.D.B.G	0.00%	\$0	\$0.00
<b>NET CASH FLOW</b>	<b>11.49%</b>	<b>\$741</b>	<b>\$0.74</b>

TDHCA	APPLICANT
\$512,161	\$513,295
0	0
0	0
\$154,126	\$189,894

\$2.47	\$2,468	38.30%
\$0.00	\$0	0.00%
\$0.00	\$0	0.00%
\$0.91	\$913	14.17%

AGGREGATE DEBT COVERAGE RATIO  
RECOMMENDED DEBT COVERAGE RATIO

1.30	1.37
1.30	

**CONSTRUCTION COST**

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
ACQUISITION COST (site or bldg)		2.66%	\$1,933	\$1.93
Off-Sites		0.00%	0	0.00
Sitework		10.32%	7,500	7.50
Direct Construction		52.13%	37,882	37.88
Contingency	4.24%	2.65%	1,924	1.92
General Req'ts	6.00%	3.75%	2,723	2.72
Contractor's G & A	2.00%	1.25%	908	0.91
Contractor's Profit	6.00%	3.75%	2,723	2.72
Indirect Construction		3.77%	2,737	2.74
Ineligible Costs		2.12%	1,539	1.54
Developer's G & A	2.42%	1.97%	1,431	1.43
Developer's Profit	12.58%	10.22%	7,427	7.43
Interim Financing		3.65%	2,655	2.66
Reserves		1.78%	1,290	1.29
<b>TOTAL COST</b>		<b>100.00%</b>	<b>\$72,670</b>	<b>\$72.67</b>
<b>Recap-Hard Construction Costs</b>		<b>73.84%</b>	<b>\$53,659</b>	<b>\$53.66</b>

TDHCA	APPLICANT
\$402,000	\$402,000
0	0
1,560,000	1,560,000
7,879,533	8,000,000
400,088	400,088
566,372	573,600
188,791	191,200
566,372	573,600
569,224	569,224
320,082	320,082
297,623	325,000
1,544,774	1,544,774
552,269	552,269
268,308	242,469
\$15,115,437	\$15,254,306

PER SQ FT	PER UNIT	% of TOTAL
\$1.93	\$1,933	2.64%
0.00	0	0.00%
7.50	7,500	10.23%
38.46	38,462	52.44%
1.92	1,924	2.62%
2.76	2,758	3.76%
0.92	919	1.25%
2.76	2,758	3.76%
2.74	2,737	3.73%
1.54	1,539	2.10%
1.56	1,563	2.13%
7.43	7,427	10.13%
2.66	2,655	3.62%
1.17	1,166	1.59%
\$73.34	\$73,338	100.00%
\$54.32	\$54,320	74.07%

**SOURCES OF FUNDS**

GCC Group of Companies, Inc.	40.38%	\$29,346	\$29.35
C.D.B.G	0.33%	\$240	\$0.24
LIHTC Syndication Proceeds	53.53%	\$38,899	\$38.90
Deferred Developer Fees	6.68%	\$4,852	\$4.85
Additional (excess) Funds Required	-0.92%	(\$668)	(\$0.67)
<b>TOTAL SOURCES</b>			

TDHCA	APPLICANT
\$6,104,000	\$6,104,000
50,000	50,000
8,090,993	8,090,993
1,009,313	1,009,313
(138,869)	0
\$15,115,437	\$15,254,306

<b>RECOMMENDED</b>	
\$6,104,000	Developer Fee Available
50,000	\$1,842,397
7,925,465	% of Dev. Fee Deferred
1,174,841	64%
(0)	15-Yr Cumulative Cash Flow
\$15,254,306	\$3,770,314.68

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)**

*Rio De Vida Apartments, Mission, LIHTC #03035*

**DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$41.78	\$8,690,240
<b>Adjustments</b>				
External Wall Finish	0.95%		\$0.40	\$82,557
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(1.01)	(210,080)
Floor Cover			1.92	399,360
Porches/Balconies	\$24.67	38,247	4.54	943,553
Plumbing	\$615	624	1.85	383,760
Built-In Appliances	\$1,625	208	1.63	338,000
Stairs/Fireplaces	\$1,625	52	0.41	84,500
Floor Insulation			0.00	0
Heating/Cooling			1.47	305,760
Garages/Carports	\$7.83	33,696	1.27	263,840
Comm &/or Aux Bldgs	\$59.01	3,211	0.91	189,483
Daycare & Laundry	\$58.46	3,709	1.04	216,824
<b>SUBTOTAL</b>			<b>56.19</b>	<b>11,687,798</b>
Current Cost Multiplier	1.03		1.69	350,634
Local Multiplier	0.80		(11.24)	(2,337,560)
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>			<b>\$46.64</b>	<b>\$9,700,872</b>
Plans, specs, survy, bid prm	3.90%		(\$1.82)	(\$378,334)
Interim Construction Interest	3.38%		(1.57)	(327,404)
Contractor's OH & Profit	11.50%		(5.35)	(1,115,600)
<b>NET DIRECT CONSTRUCTION COSTS</b>			<b>\$37.88</b>	<b>\$7,879,533</b>

**PAYMENT COMPUTATION**

<b>Primary</b>	\$6,104,000	Term	360
Int Rate	7.50%	DCR	1.30
<b>Secondary</b>	\$50,000	Term	0
Int Rate	0.00%	Subtotal DCR	1.30
<b>Additional</b>	\$8,090,993	Term	0
Int Rate		Aggregate DCR	1.30

**RECOMMENDED FINANCING STRUCTURE:**

Primary Debt Service	\$512,161
Secondary Debt Service	0
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$154,126</b>

<b>Primary</b>	\$6,104,000	Term	360
Int Rate	7.50%	DCR	1.30
<b>Secondary</b>	\$50,000	Term	0
Int Rate	0.00%	Subtotal DCR	1.30
<b>Additional</b>	\$8,090,993	Term	0
Int Rate	0.00%	Aggregate DCR	1.30

**OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE**

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$1,412,529	\$1,454,904	\$1,498,552	\$1,543,508	\$1,589,813	\$1,843,029	\$2,136,576	\$2,476,878	\$3,328,716
Secondary Income	37,440	38,563	39,720	40,912	42,139	48,851	56,631	65,651	88,230
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,449,969	1,493,468	1,538,272	1,584,420	1,631,952	1,891,880	2,193,208	2,542,529	3,416,946
Vacancy & Collection Loss	(108,748)	(112,010)	(115,370)	(118,831)	(122,396)	(141,891)	(164,491)	(190,690)	(256,271)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
<b>EFFECTIVE GROSS INCOME</b>	<b>\$1,341,221</b>	<b>\$1,381,458</b>	<b>\$1,422,901</b>	<b>\$1,465,588</b>	<b>\$1,509,556</b>	<b>\$1,749,989</b>	<b>\$2,028,717</b>	<b>\$2,351,839</b>	<b>\$3,160,675</b>
<b>EXPENSES at 4.00%</b>									
General & Administrative	\$76,562	\$79,624	\$82,809	\$86,122	\$89,567	\$108,971	\$132,580	\$161,304	\$238,770
Management	67,061	69,073	71,145	73,279	75,478	87,499	101,436	117,592	158,034
Payroll & Payroll Tax	130,756	135,986	141,425	147,082	152,966	186,106	226,427	275,483	407,781
Repairs & Maintenance	71,015	73,855	76,810	79,882	83,077	101,076	122,975	149,617	221,470
Utilities	23,251	24,181	25,148	26,154	27,200	33,093	40,263	48,986	72,511
Water, Sewer & Trash	92,291	95,983	99,822	103,815	107,967	131,359	159,818	194,443	287,824
Insurance	42,961	44,679	46,466	48,325	50,258	61,146	74,394	90,512	133,979
Property Tax	124,238	129,208	134,376	139,751	145,341	176,830	215,141	261,752	387,456
Reserve for Replacements	41,600	43,264	44,995	46,794	48,666	59,210	72,038	87,645	129,736
Other	5,200	5,408	5,624	5,849	6,083	7,401	9,005	10,956	16,217
<b>TOTAL EXPENSES</b>	<b>\$674,934</b>	<b>\$701,261</b>	<b>\$728,620</b>	<b>\$757,054</b>	<b>\$786,603</b>	<b>\$952,692</b>	<b>\$1,154,075</b>	<b>\$1,398,289</b>	<b>\$2,053,778</b>
<b>NET OPERATING INCOME</b>	<b>\$666,287</b>	<b>\$680,197</b>	<b>\$694,281</b>	<b>\$708,535</b>	<b>\$722,953</b>	<b>\$797,297</b>	<b>\$874,642</b>	<b>\$953,551</b>	<b>\$1,106,898</b>
<b>DEBT SERVICE</b>									
First Lien Financing	\$512,161	\$512,161	\$512,161	\$512,161	\$512,161	\$512,161	\$512,161	\$512,161	\$512,161
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
<b>NET CASH FLOW</b>	<b>\$154,126</b>	<b>\$168,036</b>	<b>\$182,120</b>	<b>\$196,374</b>	<b>\$210,792</b>	<b>\$285,136</b>	<b>\$362,481</b>	<b>\$441,390</b>	<b>\$594,737</b>
<b>DEBT COVERAGE RATIO</b>	<b>1.30</b>	<b>1.33</b>	<b>1.36</b>	<b>1.38</b>	<b>1.41</b>	<b>1.56</b>	<b>1.71</b>	<b>1.86</b>	<b>2.16</b>

**LIHTC Allocation Calculation - Rio De Vida Apartments, Mission, LIHTC #03035**

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
<b>(1) Acquisition Cost</b>				
Purchase of land	\$402,000	\$402,000		
Purchase of buildings				
<b>(2) Rehabilitation/New Construction Cost</b>				
On-site work	\$1,560,000	\$1,560,000	\$1,560,000	\$1,560,000
Off-site improvements				
<b>(3) Construction Hard Costs</b>				
New structures/rehabilitation hard costs	\$8,000,000	\$7,879,533	\$8,000,000	\$7,879,533
<b>(4) Contractor Fees &amp; General Requirements</b>				
Contractor overhead	\$191,200	\$188,791	\$191,200	\$188,791
Contractor profit	\$573,600	\$566,372	\$573,600	\$566,372
General requirements	\$573,600	\$566,372	\$573,600	\$566,372
<b>(5) Contingencies</b>				
	\$400,088	\$400,088	\$400,088	\$400,088
<b>(6) Eligible Indirect Fees</b>				
	\$569,224	\$569,224	\$569,224	\$569,224
<b>(7) Eligible Financing Fees</b>				
	\$552,269	\$552,269	\$552,269	\$552,269
<b>(8) All Ineligible Costs</b>				
	\$320,082	\$320,082		
<b>(9) Developer Fees</b>				
			\$1,862,997	
Developer overhead	\$325,000	\$297,623		\$297,623
Developer tee	\$1,544,774	\$1,544,774		\$1,544,774
<b>(10) Development Reserves</b>				
	\$242,469	\$268,308		
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$15,254,306</b>	<b>\$15,115,437</b>	<b>\$14,282,978</b>	<b>\$14,125,046</b>

<b>Deduct from Basis:</b>				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis			\$50,000	\$50,000
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
<b>TOTAL ELIGIBLE BASIS</b>			<b>\$14,232,978</b>	<b>\$14,075,046</b>
High Cost Area Adjustment			100%	100%
<b>TOTAL ADJUSTED BASIS</b>			<b>\$14,232,978</b>	<b>\$14,075,046</b>
Applicable Fraction			85%	85%
<b>TOTAL QUALIFIED BASIS</b>			<b>\$12,041,100</b>	<b>\$11,907,489</b>
Applicable Percentage			8.34%	8.34%
<b>TOTAL AMOUNT OF TAX CREDITS</b>			<b>\$1,004,228</b>	<b>\$993,085</b>

Syndication Proceeds	0.7892	\$7,925,465	\$7,837,523
Total Credits (Eligible Basis Method)		\$1,004,228	\$993,085
Syndication Proceeds		\$7,925,465	\$7,837,523
Requested Credits		\$1,044,231	
Syndication Proceeds		\$8,241,175	
Gap of Syndication Proceeds Needed		\$9,100,306	
Credit Amount		\$1,153,091	



"Exhibit C"

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
MULTIFAMILY UNDERWRITING ANALYSIS**

**DATE:** July 14, 2004      **PROGRAM:** 9% LIHTC      **FILE NUMBER:** 04226

**DEVELOPMENT NAME**

Arbor Cove Apartments

**APPLICANT**

<b>Name:</b> Arbor Cove, Ltd.	<b>Type:</b> For Profit
<b>Address:</b> 16118 University Oak	<b>City:</b> San Antonio <b>State:</b> TX
<b>Zip:</b> 78213 <b>Contact:</b> Anita Kegley	<b>Phone:</b> (210) 349-4994 <b>Fax:</b> (210) 349-4993

**PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS**

<b>Name:</b> Kegley, Inc.	<b>(%):</b> 0.004505	<b>Title:</b> Co-General Partner
<b>Name:</b> CDHM Group GP, LLC	<b>(%):</b> 0.004505	<b>Title:</b> Co-General Partner
<b>Name:</b> Kenneth R. Bray	<b>(%):</b> .00099	<b>Title:</b> Co-General Partner
<b>Name:</b> Michael Hartman	<b>(%):</b> N/A	<b>Title:</b> 50% owner of CDHM Group, LLC
<b>Name:</b> Donald Pace	<b>(%):</b> N/A	<b>Title:</b> 50% owner of CDHM Group, LLC
<b>Name:</b> Anita Kegley	<b>(%):</b> N/A	<b>Title:</b> 100% Owner of Kegley, Inc.

**PROPERTY LOCATION**

**Location:** 2805 Fordyce Avenue       QCT       DDA  
**City:** Donna      **County:** Hidalgo      **Zip:** 78537

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
1) \$1,152,552	N/A	N/A	N/A
<b>Other Requested Terms:</b> 1) Annual ten-year allocation of low-income housing tax credits			
<b>Proposed Use of Funds:</b> New Construction		<b>Property Type:</b> Single Family Rental	
<b>Set-Aside(s):</b> General Population			

**RECOMMENDATION**

RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED \$1,152,522 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

**CONDITIONS**

1. Receipt, review, and acceptance of documentation (Title Policy) verifying the resolution of the title issues identified on the title commitment prior to commitment;
2. Receipt, review, and acceptance of a satisfactory TDHCA site inspection report prior to Board approval;
3. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
MULTIFAMILY UNDERWRITING ANALYSIS**

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**DEVELOPMENT SPECIFICATIONS**

**IMPROVEMENTS**

<b>Total Units:</b>	<u>120</u>	<b># Rental Buildings:</b>	<u>120</u>	<b># Common Area Bldgs:</b>	<u>1</u>	<b># of Floors:</b>	<u>1</u>	<b>Age:</b>	<u>N/A</u> yrs	<b>Vacant:</b>	<u>N/A</u>
<b>Net Rentable SF:</b>	<u>154,080</u>	<b>Av Un SF:</b>	<u>1,284</u>	<b>Common Area SF:</b>	<u>3,300</u>	<b>Gross Bldg SF:</b>	<u>157,380</u>				

**STRUCTURAL MATERIALS**

The structures will be wood frame, with concrete slab on grade. According to the plans provided in the application the exterior will be comprised as follows: 100% brick veneer, with minimal cement fiber siding above doors and windows. The interior wall surfaces will be painted or papered drywall. The pitched roof will be finished with composite shingles.

**APPLIANCES AND INTERIOR FEATURES**

The interior flooring will be a combination of carpeting & vinyl flooring. Each unit will include: range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, fiberglass tub/shower, washer & dryer connections, ceiling fans, laminated counter tops, & individual water heaters.

**ON-SITE AMENITIES**

A 3,300-square foot community building will include: activity room, management offices, fitness & laundry facilities, kitchen, restrooms, computer center. A swimming pool, equipped children's play area and volleyball court are located at the entrance to/middle of the property. In addition, decorative and chain link perimeter fencing is also planned for the site.

**Uncovered Parking:** 30 spaces    **Carports:** 0 spaces    **Garages:** 120 spaces

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Arbor Cove is a disbursed single family (4-5 units per acre) new construction development of 120 units of mixed income housing located in east Donna. The development is comprised of 120 evenly distributed single family rental homes distinguished as follows:

- 6 House Type A with two-bedroom/two-baths;
- 30 House Type B with three-bedroom/two-baths;
- 27 House Type C with three-bedroom/two-baths;
- 30 House Type D with four-bedroom/two-baths;
- 27 House Type E with four-bedroom/two-baths

**Architectural Review:** The site map, floorplans, and elevations are attractive and functional, with gabled roofs, brick veneer exterior wall covering. Each home has a single-car garage, covered entry, and comfortable room layout. Typical single-family amenities are included in each housing design.

**SITE ISSUES**

**SITE DESCRIPTION**

<b>Size:</b>	<u>28.19</u> acres	<u>1,227,956.4</u> square feet	<b>Zoning/ Permitted Uses:</b>	<u>R-1</u>
<b>Flood Zone Designation:</b>	<u>Zone B (between the limits of 100-yr and 500- yr flood areas)</u>		<b>Status of Off-Sites:</b>	<u>Partially Improved</u>

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** Donna is located in south Texas, approximately 12.7 miles east from McAllen in Hidalgo County. The site is a rectangularly-shaped parcel located in the eastern area of Donna, approximately one mile from the central business district. The site is situated on the south side of Fordyce Avenue.

**Adjacent Land Uses:**

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
MULTIFAMILY UNDERWRITING ANALYSIS**

- **North:** Fordyce Street with Green Acres Mobile and RV Park beyond;
- **South:** a large vacant grass covered lot towards the west and a canal which is overgrown with vegetation towards the east
- **East:** a canal which is overgrown with vegetation
- **West:** a large vacant grass covered lot, with single-family residences beyond

**Site Access:** Access to the property is from the east or west along Fordyce Avenue. The development is to have one main entry from the north from Fordyce Avenue. Access to nearby US Highway 83 Business provides connections to all other major roads serving the Hidalgo County area, including US Highway 281 and US Highway 77.

**Public Transportation:** No public transportation to the area is provided. The site is accessible to Valley International Airport and US Highways 281, 83, and 77.

**Shopping & Services:** The site is within 1.4 miles of a major grocery/pharmacy, 2.8 miles of Wal-Mart Department Store, and 12.1 miles from two malls. A public library, and a variety of retail establishments and restaurants can be found nearby. Schools, churches, hospitals, sports facilities, public parks, and health care facilities are located within a short driving distance from the site.

**Special Adverse Site Characteristics:** The title commitment lists two labor/mechanic's lien that must be cleared by the closing from the City of Donna for "Cleaning and Mowing" dated Oct 7<sup>th</sup> and July 16<sup>th</sup> of 2003. Receipt, review, and acceptance of documentation verifying the resolution of these title issues is a condition of this report.

- **Floodplain:** The site lies within Zone B, defined as between the limits of 100-yr and 500- yr flood areas.

**Site Inspection Findings:** The site is said to have been inspected by a TDHCA or ORCA staff member, however a copy of the inspection was not yet available at the time of this writing and receipt, review, and acceptance of an acceptable site inspection report is a condition of this report.

**HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)**

A Phase I Environmental Site Assessment report dated February 13, 2004 was prepared by AD Environmental Services and contained the following findings and recommendations:

**Findings:** "The Phase I Environmental Site Assessment for Arbor Cove property revealed no evidence of any recognized Environmental Conditions at the time of the report." p.12

"The review of the Environmental Data Search report showed eight findings located within the standard ASTM Guidelines for area of review... No recognized environmental condition within the boundaries of the Subject Property have been filed by Federal, state, or city regulatory authorities." p.10

- **Radon:** According to the US EPA Map, the site lies within Zone 3, indicating a low potential of short-term radon measurement without using radon control methods.
- **Floodplain:** The site lies within Zone B, defined as between the limits of 100-yr and 500- yr flood areas.

The Department currently does not have a Radon restriction and restricts properties only with the 100-year flood zone.

**POPULATIONS TARGETED**

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. One hundred and eight of the units (90% of the total) will be reserved for low-income tenants. Four of the units (3%%) will be reserved for households earning 30% or less of AMGI, 12 units (10%) will be reserved for households earning 40% or less of AMGI, 28 units (23%) will be reserved for households earning 50% or less of AMGI, 64 units (53%) will be reserved for households earning 60% or less of AMGI, and the remaining 12 units will be offered at market rents.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
<b>60% of AMI</b>	\$17,820	\$20,340	\$22,920	\$25,440	\$27,480	\$29,520

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
MULTIFAMILY UNDERWRITING ANALYSIS**

**MARKET HIGHLIGHTS**

A market feasibility study dated February 18, 2004 was prepared by Apartment Market Data ("Market Analyst") and highlighted the following findings:

**Definition of Primary Market Area (PMA):** "For this analysis we utilized a 'primary market area' comprising a 294.88 square mile Trade Area encompassing a portion of County of Hidalgo. The following roads exemplify the major boundaries of the trade area." (p. 3).

**Population:** The estimated 2000 population of the primary market area was 182,372 and is expected to increase by 26% to approximately 229,789 by 2008. Within the primary market area there were estimated to be 54,521 households in 2003.

**Total Primary Market Demand for Rental Units:** The Market Analyst calculated a total demand of 6,297 qualified households in the PMA, based on the current estimate of 49,098 households, the projected annual growth rate of 4%, renter households estimated at 23.5% of the population, income-qualified households estimated at 40.3%, and an annual renter turnover rate of 64.7 %. (p. 46). The Market Analyst used an income band of \$5,000 to \$29,999.

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY				
Type of Demand	Market Analyst		Underwriter	
	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	283	4.5%	159	4%
Resident Turnover	5,976	94.9%	3,466	96%
Other Sources: pent-up demand	38	0.6%	N/A	%
<b>TOTAL ANNUAL DEMAND</b>	<b>6,297</b>	<b>100%</b>	<b>3,625</b>	<b>100%</b>

Ref: p. 46

**Inclusive Capture Rate:**

The Market Analyst calculated an inclusive capture rate of 1.72% based upon 6,297 units of demand and 108 unstabilized affordable housing in the PMA (including the subject) (p. 47). The Underwriter calculated an inclusive capture rate of 13% based upon a revised supply of unstabilized comparable affordable units of 472 divided by a revised demand of 3,625. The Underwriter included all three proposed comparables in the unstabilized supply calculation, Los Milagros (128 affordable 160 total units), Casa Korima (156 affordable 196 total units), and Harvest Apartments (80 affordable 100 total units).

**Market Rent Comparables:** The Market Analyst surveyed five comparable apartment projects totaling 973 units in the market area. "These projects were built primarily during the mid 1990's and early 2000's." (p. 106)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Est. Market	Differential
2-Bedroom (30%)	\$212	\$212	\$0	\$860	-\$648
2-Bedroom (40%)	\$308	\$308	\$0	\$860	-\$552
3-Bedroom (40%)	\$352	\$352	\$0	\$940	-\$588
3-Bedroom (50%)	\$462	\$462	\$0	\$940	-\$478
3-Bedroom (60%)	\$572	\$572	\$0	\$940	-\$368
3-Bedroom (MR)	\$629	N/A	-	\$940	-\$311
4-Bedroom (40%)	\$389	\$389	\$0	\$1,000	-\$611
4-Bedroom (50%)	\$512	\$512	\$0	\$1,000	-\$488
4-Bedroom (60%)	\$635	\$635	\$0	\$1,000	-\$365
4-Bedroom (MR)	\$699	N/A	-	\$1,000	-\$301

(NOTE: Differentials are amount of difference between proposed rents and program limits and average market rents, e.g., proposed rent =\$500, program max =\$600, differential = -\$100)

**Primary Market Occupancy Rates:** "La Estancia was the last affordable project to complete its lease-up."

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
MULTIFAMILY UNDERWRITING ANALYSIS**

The property manager reports that they achieved 90% occupancy in February 2003. And while this falls within the prior 12 months of this study, it would not need to be included according to the application deadline of March 2, 2004. Thus, we do not include La Estancia in the capture rate calculation." (p. 8, 47)

**Absorption Projections:** "We estimate that the project would achieve a lease rate of approximately 7% to 10% of its units per month as they come on line for occupancy from construction." (p. 81).

**Known Planned Development:** The Market Analyst identified two existing developments a Las Brisas a seniors development approved last year and La Estancia a 2001 development that has already reached stabilized occupancy. There were six proposed HTC transaction in the PMA which were not included in the market study. Of the six only three remain active as of the date of this report and the Underwriter has included all three in the inclusive capture rate calculation above.

**Effect on Existing Housing Stock:** "The current supply of affordable housing in this market is less than demand." (p. 81) The subject should not have a detrimental effect on any existing projects, as occupancies are strong throughout Hidalgo County, and especially at quality affordable housing communities." (p. 82).

**Conclusion:** The Underwriter found the market study provided sufficient information on which to base a funding recommendation.

**OPERATING PROFORMA ANALYSIS**

**Income:** The Applicant's rent projections are the maximum rents allowed under HTC guidelines, and are achievable according to the Market Analyst. The Applicant stated that tenants will pay water and sewer in this project, and rents and expenses were calculated accordingly. The Applicant does plan to pay trash expense. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines. As a result, the Applicant's effective gross income estimate is the same as the Underwriter's estimate (with only minor rounding variances).

**Expenses:** The Applicant's total expense estimate of \$3,672 per unit are 7% higher than the Underwriter's database-derived estimate of \$3,444 per unit for comparably-sized developments. The Applicant's budget shows several line item estimates that deviate significantly when compared to the database averages, particularly: repairs and maintenance (\$10K higher), utilities (\$9K lower), and property tax (\$23K higher). It should be noted that the units may have slightly higher than normal property taxes as a result of being all detached single family units.

**Conclusion:** The Applicant's estimated operating expense is inconsistent with the Underwriter's expectations, and the Applicant's net operating income (NOI) estimate is not within 5% of the Underwriter's estimate. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity. In both the Applicant's and the Underwriter's income and expense estimates there is sufficient net operating income to service the proposed first lien permanent mortgage at a debt coverage ratio that is within the TDHCA underwriting guidelines of 1.10 to 1.30.

**ACQUISITION VALUATION INFORMATION**

**ASSESSED VALUE**

Land: 28.19 acres	\$270,092	Assessment for the Year of:	2003
Building:	\$0	Valuation by:	Tax Assessor- City of Donna
Total Assessed Value:	\$270,092	Tax Rate:	2.98843

**EVIDENCE of SITE or PROPERTY CONTROL**

Type of Site Control:	Unimproved Commercial Property Contract/ Extension/ Settlement Statement		
Contract Expiration Date:	/ /	Anticipated Closing Date:	4/ 15/ 2004
Acquisition Cost:	\$440,000	Other Terms/Conditions:	The site control document has subsequently been extended twice and closed on June 18, 2004
Seller:	Hidalgo County Development Authority		Related to Development Team Member: No

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
MULTIFAMILY UNDERWRITING ANALYSIS**

**CONSTRUCTION COST ESTIMATE EVALUATION**

**Acquisition Value:** The site cost is \$440,000 (\$0.36/SF, \$15,608/acre, or \$3,667/unit). The acquisition price is assumed to be reasonable since the acquisition is an arm's-length transaction.

**Off-Site Costs:** The site plan reflects three interior streets providing access to each lot and a fence surrounding the entire property, but no limited access gate. Therefore it is difficult to determine if the streets will be private or will be dedicated to the city. To the extent that any of the streets or utility lines are dedicated to the city or county they would be considered offsite costs and should be excluded from eligible basis. The Applicant has claimed no offsite costs and the street infrastructure is not in place today. It would also appear that the site work costs contemplated below include the cost of the interior drives and utilities. Any change in these assumptions would result in a reduction of eligible basis and credits.

**Sitework Cost:** The Applicant claimed sitework costs of \$7,500 per unit at the maximum amount allowed without additional documentation. While it is likely that sitework costs will exceed this amount or that off-site costs will ultimately exist, the Applicant is claiming amounts within the departments tolerance limits at this time.

**Direct Construction Cost:** The Applicant's direct construction cost estimate is \$142K or 2% higher than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.

**Fees:** The Applicant's contractor's and developer's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines.

**Conclusion:** The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown is used to calculate eligible basis and determine the HTC allocation. As a result, an eligible basis of \$1,2136,921 is used to determine a credit allocation of \$1,157,136 from this method. This is more than the requested amount of \$1,152,552, and therefore the latter will be used. The resulting syndication proceeds will be used to compare to the gap of need using the Applicant's costs to determine the recommended credit amount.

**FINANCING STRUCTURE**

**INTERIM CONSTRUCTION FINANCING/ PERMANENT FINANCING**

<b>Source:</b> PNC Multifamily Capital	<b>Contact:</b> Robert Courtney
<b>Principal Amount (Interim Facility):</b> \$4,234,756	<b>Interest Rate:</b> 7%
<b>Principal Amount (Permanent Facility):</b> \$3,324,331	<b>Interest Rate:</b> 7%
<b>Additional Information:</b> The Interim Principal amount will be drawn down to the Permanent Principal amount during the two-year construction period.	
<b>Amortization:</b> 30 yrs	<b>Term:</b> 18 yrs
<b>Commitment:</b> <input type="checkbox"/> LOI <input checked="" type="checkbox"/> Firm <input type="checkbox"/> Conditional	
<b>Annual Payment (Permanent):</b> \$365,402	<b>Lien Priority:</b> 1
<b>Commitment Date:</b> 2/ 19/ 2004	

**GRANT**

<b>Source:</b> City of Donna	<b>Contact:</b> Juan Ortiz
<b>Principal Amount:</b> \$50,000	<b>Commitment:</b> <input type="checkbox"/> LOI <input checked="" type="checkbox"/> Firm <input type="checkbox"/> Conditional
<b>Additional Information:</b> Must have 4 units restricted at 30% of AMGI	
<b>Commitment Date:</b> 2/ 18/ 2004	

**TAX CREDIT SYNDICATION**

<b>Source:</b> PNC Multifamily Capital	<b>Contact:</b> Robert Courtney
<b>Address:</b> 500 W. Jefferson Street, Suite 400	<b>City:</b> Louisville
<b>State:</b> KY	<b>Zip:</b> 40202
<b>Phone:</b> (502) 581-3260	<b>Fax:</b> (502) 581-3209



**MULTIFAMILY COMPARATIVE ANALYSIS**

**Arbor Cove Apts., Donna, 9% HTC, 04226**

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Trash Only
TC 30%	4	2	2	980	\$286	\$212	\$848	\$0.22	\$74.35	\$6.00
TC 40%	2	2	2	980	382	308	616	0.31	74.35	6.00
TC 40%	5	3	2	1,240	441	352	1,760	0.28	89.10	6.00
TC 50%	14	3	2	1,240	551	462	6,468	0.37	89.10	6.00
TC 60%	32	3	2	1,240	661	572	18,304	0.46	89.10	6.00
MKT	6	3	2	1,240	629	629	3,774	0.51	89.10	6.00
TC 40%	5	4	2	1,360	492	389	1,945	0.29	103.00	6.00
TC 50%	14	4	2	1,360	615	512	7,168	0.38	103.00	6.00
TC 60%	32	4	2	1,360	738	635	20,320	0.47	103.00	6.00
MKT	6	4	2	1,360	699	699	4,194	0.51	103.00	6.00
<b>TOTAL:</b>	<b>120</b>		<b>AVERAGE:</b>	<b>1,284</b>	<b>\$630</b>	<b>\$545</b>	<b>\$65,397</b>	<b>\$0.42</b>	<b>\$94.97</b>	<b>\$6.00</b>

**INCOME**

Total Net Rentable Sq Ft: **154,080**

**POTENTIAL GROSS RENT**

Secondary Income Per Unit Per Month: \$15.00

Other Support Income: (describe)

**POTENTIAL GROSS INCOME**

Vacancy & Collection Loss % of Potential Gross Income: -7.50%

Employee or Other Non-Rental Units or Concessions

**EFFECTIVE GROSS INCOME**

**EXPENSES**

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	4.87%	\$302	0.24
Management	5.00%	311	0.24
Payroll & Payroll Tax	12.10%	752	0.59
Repairs & Maintenance	6.67%	415	0.32
Utilities	2.59%	161	0.13
Water, Sewer, & Trash	2.42%	150	0.12
Property Insurance	4.84%	301	0.23
Property Tax	11.54%	717	0.56
Reserve for Replacements	3.22%	200	0.16
Other Expenses:	2.17%	135	0.11
<b>TOTAL EXPENSES</b>	<b>55.41%</b>	<b>\$3,444</b>	<b>\$2.68</b>
<b>NET OPERATING INC</b>	<b>44.59%</b>	<b>\$2,772</b>	<b>\$2.16</b>

**DEBT SERVICE**

First Lien Mortgage	35.58%	\$2,212	\$1.72
Local Grant	0.00%	\$0	\$0.00
Local Grant	0.00%	\$0	\$0.00
<b>NET CASH FLOW</b>	<b>9.01%</b>	<b>\$560</b>	<b>\$0.44</b>

AGGREGATE DEBT COVERAGE RATIO

RECOMMENDED DEBT COVERAGE RATIO

**CONSTRUCTION COST**

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)		3.47%	\$3,687	\$2.86
Off-Sites		0.00%	0	0.00
Sitework		7.10%	7,500	5.84
Direct Construction		58.14%	59,288	46.17
Contingency	3.05%	1.93%	2,039	1.59
General Req'ts	6.00%	3.79%	4,007	3.12
Contractor's G & A	2.00%	1.26%	1,336	1.04
Contractor's Profit	6.00%	3.79%	4,007	3.12
Indirect Construction		4.78%	5,048	3.93
Ineligible Costs		0.98%	1,031	0.80
Developer's G & A	3.68%	3.18%	3,363	2.62
Developer's Profit	11.12%	9.12%	9,635	7.50
Interim Financing		3.24%	3,425	2.67
Reserves		1.19%	1,252	0.98
<b>TOTAL COST</b>		<b>100.00%</b>	<b>\$105,598</b>	<b>\$82.24</b>
<b>Recap-Hard Construction Costs</b>		<b>74.03%</b>	<b>\$78,177</b>	<b>\$60.89</b>

**SOURCES OF FUNDS**

First Lien Mortgage	28.23%	\$27,703	\$21.58
Local Grant	0.39%	\$417	\$0.32
HTC Syndication Proceeds	71.85%	\$75,869	\$59.09
Deferred Developer Fees	2.51%	\$2,652	\$2.07
Additional (excess) Funds Required	-0.99%	(\$1,043)	(\$0.81)
<b>TOTAL SOURCES</b>			

	TDHCA	APPLICANT
POTENTIAL GROSS RENT	\$784,764	\$784,764
Secondary Income	21,600	21,600
Other Support Income	0	0
POTENTIAL GROSS INCOME	\$806,364	\$806,364
Vacancy & Collection Loss	(60,477)	(60,480)
Employee or Other Non-Rental Units or Concessions	0	0
EFFECTIVE GROSS INCOME	\$745,887	\$745,884
General & Administrative	\$36,295	\$33,300
Management	37,294	37,294
Payroll & Payroll Tax	90,219	93,600
Repairs & Maintenance	49,741	60,000
Utilities	19,313	10,800
Water, Sewer, & Trash	18,059	20,520
Property Insurance	36,077	36,000
Property Tax	86,067	108,960
Reserve for Replacements	24,000	24,000
Other Expenses:	16,200	16,200
TOTAL EXPENSES	\$413,264	\$440,674
NET OPERATING INC	\$332,623	\$305,210
First Lien Mortgage	\$265,402	\$265,402
Local Grant	0	0
Local Grant	0	0
NET CASH FLOW	\$67,221	\$39,808
AGGREGATE DEBT COVERAGE RATIO	1.25	1.15
RECOMMENDED DEBT COVERAGE RATIO	1.25	

	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
POTENTIAL GROSS RENT	\$784,764	\$784,764	\$0.22	\$278	4.48%
Secondary Income	21,600	21,600	0.24	311	5.00%
Other Support Income	0	0	0.61	780	12.55%
POTENTIAL GROSS INCOME	\$806,364	\$806,364	0.39	500	8.04%
Vacancy & Collection Loss	(60,477)	(60,480)	0.07	90	1.45%
Employee or Other Non-Rental Units or Concessions	0	0	0.13	171	2.75%
EFFECTIVE GROSS INCOME	\$745,887	\$745,884	0.23	300	4.83%
General & Administrative	\$36,295	\$33,300	0.71	908	14.61%
Management	37,294	37,294	0.16	200	3.22%
Payroll & Payroll Tax	90,219	93,600	0.11	135	2.17%
Repairs & Maintenance	49,741	60,000	\$2.86	\$3,672	58.08%
Utilities	19,313	10,800	\$1.98	\$2,543	40.92%
Water, Sewer, & Trash	18,059	20,520			
Property Insurance	36,077	36,000			
Property Tax	86,067	108,960			
Reserve for Replacements	24,000	24,000			
Other Expenses:	16,200	16,200			
TOTAL EXPENSES	\$413,264	\$440,674			
NET OPERATING INC	\$332,623	\$305,210			
First Lien Mortgage	\$265,402	\$265,402			
Local Grant	0	0			
Local Grant	0	0			
NET CASH FLOW	\$67,221	\$39,808			

	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)	\$440,000	\$440,000	\$2.86	\$3,687	3.44%
Off-Sites	0	0	0.00	0	0.00%
Sitework	900,000	900,000	5.84	7,500	7.03%
Direct Construction	7,114,533	7,257,000	47.10	60,475	56.71%
Contingency	244,710	244,710	1.59	2,039	1.91%
General Req'ts	480,872	489,420	3.18	4,079	3.82%
Contractor's G & A	160,291	163,140	1.06	1,360	1.27%
Contractor's Profit	480,872	489,420	3.18	4,079	3.82%
Indirect Construction	605,750	605,750	3.93	5,048	4.73%
Ineligible Costs	123,745	123,745	0.80	1,031	0.97%
Developer's G & A	403,554	420,416	2.73	3,503	3.29%
Developer's Profit	1,156,144	1,156,144	7.50	9,635	9.03%
Interim Financing	410,961	410,961	2.67	3,425	3.21%
Reserves	150,293	96,150	0.62	801	0.75%
<b>TOTAL COST</b>	<b>\$12,671,725</b>	<b>\$12,796,856</b>	<b>\$83.05</b>	<b>\$106,640</b>	<b>100.00%</b>
<b>Recap-Hard Construction Costs</b>	<b>\$9,381,278</b>	<b>\$9,543,690</b>	<b>\$61.94</b>	<b>\$79,531</b>	<b>74.58%</b>

	TDHCA	APPLICANT	RECOMMENDED	
First Lien Mortgage	\$3,324,331	\$3,324,331	\$3,324,331	Developer Fee Available
Local Grant	50,000	50,000	50,000	\$1,559,698
HTC Syndication Proceeds	9,104,250	9,104,250	9,104,250	% of Dev. Fee Deferred
Deferred Developer Fees	318,275	318,275	318,275	20%
Additional (excess) Funds Required	(125,131)	0	0	15-Yr Cumulative Cash Flow
<b>TOTAL SOURCES</b>	<b>\$12,671,725</b>	<b>\$12,796,856</b>	<b>\$12,796,856</b>	<b>\$1,637,878.03</b>

**MULTIFAMILY COMPARATIVE ANALYSIS**(continued)

Arbor Cove Apts., Donna, 9% HTC, 04226

**DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook

Average Quality Single Family Residence Basit

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
<b>Base Cost</b>			\$ 63.57	\$9,795,168
<b>Adjustments</b>				
Exterior Wall Finish			\$0.00	\$0
Elderly/9-Ft. Ceilings			0.00	0
Roofing			0.00	0
Subfloor			(2.04)	(314,323)
Floor Cover			2.59	399,067
Porches/Balconies	\$16.05	3,630	0.38	58,262
Plumbing	\$845	0	0.00	0
Built-In Appliances	\$2,350	120	1.83	282,000
Stairs/Fireplaces			0.00	0
Floor Insulation			0.00	0
Heating/Cooling			1.61	248,069
Garages/Carports	\$19.79	36,950	4.75	731,438
Comm &/or Aux Bldgs	\$62.81	3,300	1.35	207,270
Subdivision Discount	-10.00%		(6.36)	(979,517)
<b>SUBTOTAL</b>			<b>67.68</b>	<b>10,427,433</b>
Current Cost Multiplier	1.03		2.03	312,823
Local Multiplier	0.81		(12.85)	(1,981,212)
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>			<b>\$66.85</b>	<b>\$8,759,044</b>
Plans, specs, survy, bld print	3.90%		(\$2.22)	(\$341,603)
Interim Construction Interest	3.38%		(1.92)	(295,618)
Contractor's OH & Profit	11.50%		(5.54)	(1,007,290)
<b>NET DIRECT CONSTRUCTION COSTS</b>			<b>\$46.17</b>	<b>\$7,114,533</b>

**PAYMENT COMPUTATION**

<b>Primary</b>	\$3,324,331	Amort	360
Int Rate	7.00%	DCR	1.25
<b>Secondary</b>		Amort	
Int Rate	0.00%	Subtotal DCR	1.25
<b>Additional</b>		Amort	
Int Rate		Aggregate DCR	1.25

**RECOMMENDED FINANCING STRUCTURE:**

Primary Debt Service	\$265,402
Secondary Debt Service	0
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$67,221</b>

<b>Primary</b>	\$3,324,331	Amort	360
Int Rate	7.00%	DCR	1.25

<b>Secondary</b>	\$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.25

<b>Additional</b>	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.25

**OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE**

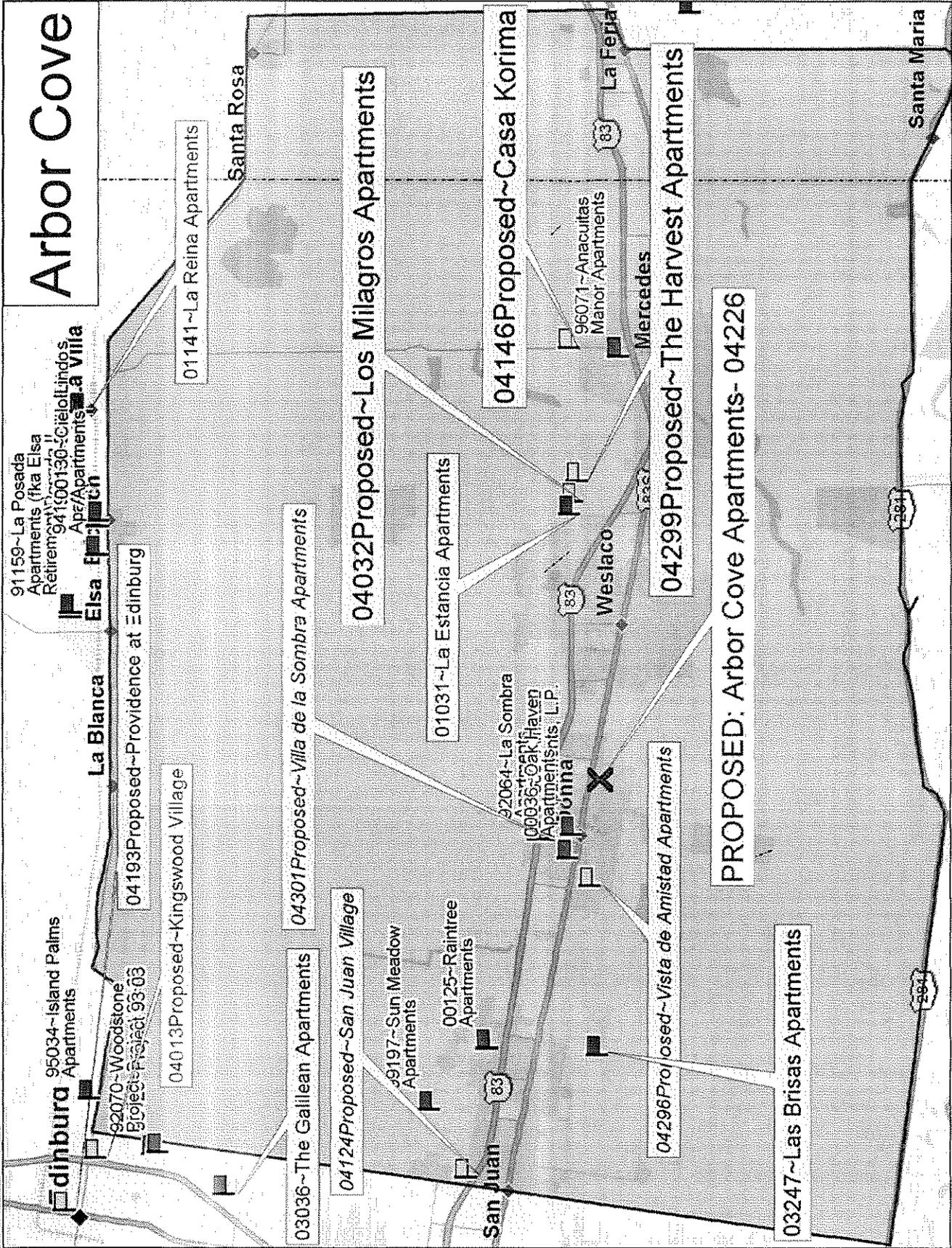
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$784,764	\$808,307	\$832,556	\$857,533	\$883,259	\$1,023,939	\$1,187,026	\$1,376,088	\$1,849,348
Secondary Income	21,600	22,248	22,915	23,603	24,311	28,183	32,672	37,876	50,902
Other Support Income: (describe)	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	806,364	830,555	855,472	881,136	907,570	1,052,122	1,219,698	1,413,964	1,900,250
Vacancy & Collection Loss	(60,477)	(62,292)	(64,160)	(66,085)	(68,068)	(78,809)	(91,477)	(106,047)	(142,519)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$745,887	\$768,263	\$791,311	\$815,051	\$839,502	\$973,213	\$1,128,221	\$1,307,917	\$1,757,731
<b>EXPENSES at 4.00%</b>									
General & Administrative	\$36,295	\$37,747	\$39,256	\$40,827	\$42,460	\$51,659	\$62,851	\$76,468	\$113,191
Management	37,294	38,413	39,586	40,753	41,975	48,661	56,411	65,396	87,887
Payroll & Payroll Tax	90,219	93,828	97,581	101,484	105,543	128,410	156,230	190,078	281,361
Repairs & Maintenance	49,741	51,731	53,800	55,952	58,190	70,797	86,135	104,797	155,125
Utilities	19,313	20,085	20,889	21,724	22,593	27,488	33,444	40,689	60,230
Water, Sewer & Trash	18,059	18,781	19,532	20,314	21,126	25,703	31,272	38,047	56,319
Insurance	36,077	37,520	39,020	40,581	42,204	51,346	62,473	76,008	112,510
Property Tax	88,067	89,509	93,080	96,813	100,696	122,500	149,040	181,330	268,412
Reserve for Replacements	24,000	24,960	25,958	26,997	28,077	34,159	41,560	50,564	74,848
Other	16,200	16,848	17,522	18,223	18,952	23,058	28,053	34,131	50,522
<b>TOTAL EXPENSES</b>	<b>\$413,264</b>	<b>\$429,421</b>	<b>\$446,214</b>	<b>\$463,667</b>	<b>\$481,806</b>	<b>\$583,783</b>	<b>\$707,469</b>	<b>\$857,507</b>	<b>\$1,260,404</b>
<b>NET OPERATING INCOME</b>	<b>\$332,623</b>	<b>\$338,842</b>	<b>\$345,097</b>	<b>\$351,383</b>	<b>\$357,696</b>	<b>\$389,430</b>	<b>\$420,752</b>	<b>\$450,410</b>	<b>\$497,326</b>
<b>DEBT SERVICE</b>									
First Lien Financing	\$265,402	\$265,402	\$265,402	\$265,402	\$265,402	\$265,402	\$265,402	\$265,402	\$265,402
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
<b>NET CASH FLOW</b>	<b>\$67,221</b>	<b>\$73,440</b>	<b>\$79,695</b>	<b>\$85,981</b>	<b>\$92,293</b>	<b>\$124,028</b>	<b>\$155,350</b>	<b>\$185,008</b>	<b>\$231,924</b>
<b>DEBT COVERAGE RATIO</b>	<b>1.25</b>	<b>1.28</b>	<b>1.30</b>	<b>1.32</b>	<b>1.35</b>	<b>1.47</b>	<b>1.59</b>	<b>1.70</b>	<b>1.87</b>

**LIHTC Allocation Calculation - Arbor Cove Apts., Donna, 9% HTC, 04226**

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
<b>(1) Acquisition Cost</b>				
Purchase of land	\$440,000	\$440,000		
Purchase of buildings				
<b>(2) Rehabilitation/New Construction Cost</b>				
On-site work	\$900,000	\$900,000	\$900,000	\$900,000
Off-site improvements				
<b>(3) Construction Hard Costs</b>				
New structures/rehabilitation hard costs	\$7,257,000	\$7,114,533	\$7,257,000	\$7,114,533
<b>(4) Contractor Fees &amp; General Requirements</b>				
Contractor overhead	\$163,140	\$160,291	\$163,140	\$160,291
Contractor profit	\$489,420	\$480,872	\$489,420	\$480,872
General requirements	\$489,420	\$480,872	\$489,420	\$480,872
<b>(5) Contingencies</b>	\$244,710	\$244,710	\$244,710	\$244,710
<b>(6) Eligible Indirect Fees</b>	\$605,750	\$605,750	\$605,750	\$605,750
<b>(7) Eligible Financing Fees</b>	\$410,961	\$410,961	\$410,961	\$410,961
<b>(8) All Ineligible Costs</b>	\$123,745	\$123,745		
<b>(9) Developer Fees</b>				
Developer overhead	\$420,416	\$403,554	\$420,416	\$403,554
Developer fee	\$1,156,144	\$1,156,144	\$1,156,144	\$1,156,144
<b>(10) Development Reserves</b>	\$96,150	\$150,293		
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$12,796,856</b>	<b>\$12,671,725</b>	<b>\$12,136,961</b>	<b>\$11,957,688</b>

<b>Deduct from Basis:</b>			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
<b>TOTAL ELIGIBLE BASIS</b>		\$12,136,961	\$11,957,688
High Cost Area Adjustment		130%	130%
<b>TOTAL ADJUSTED BASIS</b>		\$15,778,049	\$15,544,994
Applicable Fraction		89.88%	89.88%
<b>TOTAL QUALIFIED BASIS</b>		\$14,180,583	\$13,971,124
Applicable Percentage		8.16%	8.16%
<b>TOTAL AMOUNT OF TAX CREDITS</b>		\$1,157,136	\$1,140,044

Syndication Proceeds	0.7899	\$9,140,457	\$9,005,445
<b>Total Credits (Eligible Basis Method)</b>		<b>\$1,157,136</b>	<b>\$1,140,044</b>
Syndication Proceeds		\$9,140,457	\$9,005,445
Requested Credits		\$1,152,552	
Syndication Proceeds		\$9,104,250	
<b>Gap of Syndication Proceeds Needed</b>		<b>\$9,422,525</b>	
Credit Amount		\$1,192,844	



04036 Villa Del Sol

**VDS Housing, Ltd.**

August 9, 2004

**VIA FACSIMILE**

Ms. Edwina Carrington  
Executive Director  
Texas Department of Housing and Community Affairs  
507 Sabine  
Austin, TX 78741

RE: 2004 HTC Application for Villa Del Sol  
TDHCA #04036

RECEIVED

AUG 09 2004

LIHTC

Dear Ms. Carrington:

We appreciate the staff and the Board of Directors decision to recommend an allocation of tax credits for this important project. However, we are concerned about the following underwriting conditions noted in the Underwriting Report that was posted on the Department's Web Site on August 2:

**Condition #4-** Receipt review and acceptance prior to Board approval of the final allocation amount of clarification of the proposed sitework costs and accessory building costs including a delineation of same on the site plan and review by the PCA provider and potential increase in the recommended credit if justified.

**Condition #5-** Receipt, review, and acceptance prior to Board approval of the final allocation amount of a revised PCA showing expected repairs throughout the whole regulatory period.

**Condition #6-** Receipt, review and acceptance prior to Board approval of the final allocation amount of documentation reflecting the revised acquisition financing strategy and/or sales contract and subsequent revisions to the eligible basis and recommended tax credits if necessary.

While we believe that we can satisfy underwriting staff regarding these conditions, the information necessary to provide complete information for each of these items requires input from the PCA provider, the contractor, architect, lender, CPA, and a tax attorney. Per our conversation with the underwriting staff today, they need all of this information by tomorrow at 5:00 P.M. in order to complete the Board book for the August 19 Board meeting.

Therefore, we have no alternative but to appeal the above listed Conditions #4, #5, #6 of the underwriting report in order to have sufficient time to complete our response that includes input from third party consultants. It is unreasonable to require a comprehensive response to these items in six working days. We were notified that the underwriting report was posted on the TDHCA Web Site on Monday, August 2, 2004 in the afternoon and since then we have been working with our consultants to compile the information necessary for a comprehensive response.

We respectfully request that the time to resolve these three conditions be extended to the deadline for the return of the commitment notice and commitment fees. Thank you for your consideration.

Sincerely

A handwritten signature in black ink, appearing to read 'W. C. Skeen', followed by a long horizontal line extending to the right.

William C. Skeen

cc: Remberto Arteaga  
Cynthia Bast

04079 Baybrook

# LOCKE LIDDELL & SAPP LLP

ATTORNEYS & COUNSELORS

100 CONGRESS AVENUE  
Suite 300  
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k Direct Number: (512) 305-4707  
email: cbast@lockeliddell.com

July 27, 2004

Ms. Edwina Carrington  
Texas Department of Housing and Community Affairs  
507 Sabine  
Suite 400  
Austin, Texas 78701

Re: Baybrook Park Retirement Center (the "**Project**")  
TDHCA No. 04079

Dear Ms. Carrington:

We represent Baybrook Park Retirement Center, Ltd. (the "**Applicant**"). The Applicant appeals the Underwriting Department's determination that the recommended amount of credits to be allocated to the Applicant should be reduced. The Applicant applied for \$450,043 per year in tax credits, and the Underwriting Department is recommending \$412,739 in tax credits. This recommendation was made in the Board Book posted on July 21, 2004, so this appeal is timely filed.

If you deny this appeal or are unable to respond to this appeal prior to the July 28, 2004 Board meeting, the Applicant requests an opportunity to have this appeal heard by the Board at the July 28, 2004 Board meeting.

The Underwriting Department reduced the credit amount for two reasons, both of which are addressed below.

## **Basis Issue and HOME Funds**

The Applicant chose to take points for providing units to tenants at 30% AMFI or lower and, thus, third party funding to support the low income targeting was required by the QAP. The required funding was obtained through the Harris County Community and Economic Development Department ("**HCCEDD**"). HCCEDD agreed to grant funds in the amount of \$859,000 (the "**Grant Funds**") to the Harris County Housing Authority (the "**Housing Authority**"). These Grant Funds come to HCCEDD from the HOME program. The Housing Authority then agreed to set aside a portion of the Grant Funds for HCHA Baybrook Park, LLC, its wholly-owned subsidiary and the sole general partner of the Applicant (the "**General Partner**"). The General Partner will provide \$112,500 of funding to the Applicant from these

Grant Funds, either as equity or in a manner that will avoid a Below Market Federal Funds adjustment.

Because the funds to be provided by the General Partner to the Applicant are HOME funds, the Underwriting Department deemed these funds to be Below Market Federal Funds and deducted the sum of \$112,500 from eligible basis, thus reducing the recommended tax credit allocation. We believe this action is contrary to the information provided by the Applicant to the Department. The Applicant has advised the Department that the General Partner intends to work with its tax counsel and accountants to structure the financing in such a manner that it will not qualify as Below Market Federal Funds and will not be excludable from eligible basis. One possibility for this structuring is to have the financing used for the land acquisition. An employee of HCCEDD that specializes in the HOME funds area provided a letter to the Department that this could be a feasible solution for ensuring that the eligible basis of the Project would not be affected. (See Exhibit B)

In the Underwriting Analysis, the Department states:

Although the Housing Authority has indicated the funds should be treated as an equity contribution which will be used to purchase the land, this underwriting analysis will treat the source of permanent financing as below market federal funds . . . . The amount being reduced from basis in this analysis would still allow the HCHA to purchase the entire site and lease it back to the Applicant. Such a transaction could remove the federal below market rate taint from the HOME funds.

The Applicant does not understand why the Department acknowledges that the Applicant intends to apply the funds to land acquisition, if possible, and further acknowledges that using the funds in such manner could eliminate the Below Market Federal Funds taint, but still reduces the eligible basis.

The Department further claims that "the Applicant has not provided documentation such as revised site control and lease to reflect how the transaction will be structured to avoid a reduction in eligible basis. Therefore, the Underwriter has treated the contribution as below market federal funds." Yet, one of the documents provided by the Applicant was a letter to the Harris County Appraisal District, explaining exactly how the ground lease arrangement would work. (See Exhibit C)

Given that the Department has received correspondence from all parties involved, indicating their intent to structure the receipt of the funding in such a manner that it does not affect the eligible basis, the Applicant believes the Department should accept those assertions. We all know that these transactions require work and structuring, once the various pieces are in place. Equity providers and lenders have input as to structuring. For the Department to second-guess the structuring at this point is premature.

The Applicant requests that the \$112,500 of funding from the General Partner be included in eligible basis and the tax credit calculation. Then, if the Applicant does not properly

structure the receipt of these funds, the Department can decrease the tax credits available to the Project at the time of cost certification. The Applicant does not intend to violate the Below Market Federal Funds rules, has not violated the Below Market Federal Funds rules, and should not be penalized by a reduction in credits at this stage of the process.

### **Construction Costs Issue**

In Section 50.9(g)(7) of the QAP, the Department allows an applicant to receive up to 9 points for a qualified elderly project having a construction budget that does not exceed \$73 per square foot. The Applicant took these points, based on the direction of the QAP. The Applicant's total costs were \$70.57 per square foot. Yet, the Underwriting Department claims that the Applicant's construction budget exceeds the Marshall & Swift guidelines by more than 5% and therefore excluded a portion of the Applicant's construction budget from eligible basis. The Marshall & Swift guidelines used by the Department indicate that a cost per square foot of only \$65.30 is appropriate. The Applicant does not understand how the QAP can encourage developers to use \$73 per square foot as a benchmark but then the Underwriting Department can say that this benchmark is inconsistent with the Marshall & Swift guidelines. This position is inconsistent.

Further, Section 1.32(e)(4)(A) of the Department's Underwriting Guidelines states:

Whenever the Applicant's estimate is more than five percent greater or less than the Underwriter's Marshall and Swift based estimate, the Underwriter will attempt to reconcile this concern and ultimately identify this as a cost concern in the Report.

The Underwriting Guidelines do not state, here, that the Applicant's eligible basis should be reduced. However, the Guidelines do state that the Underwriter will attempt to reconcile the concern. Despite this directive, the Department did not contact the Applicant to attempt to make reconciliation nor did the Department issue any administrative deficiency notice requesting additional information. The Applicant only became aware of the issue when the Department published and the Applicant reviewed the Underwriting Report, which contained a recommendation for a lower tax credit amount.

As we all know, Marshall & Swift is a guide to construction costs. Yet costs for construction during the past years have incurred double digit increases that have not slowed. It is unlikely that Marshall & Swift is keeping up with these increases; and clearly it does not reflect the increases expected over the next 9-11 months before construction of the Project commences.

The Applicant faces some extraordinary costs due to local code requirements that might not be included in the Marshall & Swift guide. For instance, the Applicant's four-story mid-rise building must meet additional fire requirements as compared to a two-story garden building. This includes a sprinkling system costing approximately \$1.25 per square for (\$68,837 total for the 55,070 square feet of sprinkled area). City code requires the Applicant to use brick or stucco for at least 50% of the exterior, as compared to cementitious board, which is a lower-cost material. This adds another \$3.75 per square foot (\$37,500 total for the 10,000 square foot area). Two

elevators will be required, and only one was included in the underwriting costs. This adds \$45,000 to the budget. Social service furnishings and other tax credit amenities are also not included in the Marshall & Swift guide. The items described above, alone, add over \$151,000 of costs to the Project's budget and bring the budget to within 5% of the Marshall & Swift guidelines. Thus, no adjustments to the credit calculation should be made. These are all legitimate costs, required for this development.

Further, the Applicant's construction costs, as submitted in the original application resulted in the second lowest credit request per residential unit for all of the applications currently recommended in Region 6. The Applicant's credit request is clearly not excessive, particularly given the costs unique to this development described above.

Taking into consideration the extraordinary costs described above, the Applicant's total construction costs are within 5% of the Marshall & Swift guidelines. Therefore, the Applicant requests that the Department include all of the construction costs originally requested in eligible basis for purposes of the tax credit calculation. This would result in \$385,076 of additional construction costs and related fees being included in eligible basis.

Finally, it should be noted that the Department accepts deviations from Marshall & Swift all the way up to 4.99%. If the Department is not willing to consider the unique costs associated with this Project as requested above and include the total construction costs and related fees in eligible basis then, at the very least, and as a matter of equality with other applications, the Applicant requests that an amount equal to 4.99% of the Marshall & Swift recommended costs for this Project be included in eligible basis, which would be \$180,569 of construction costs plus related fees for a total of \$236,726.

### **Supporting Materials**

Supportive materials for this appeal are attached as follows:

**Exhibit A** -- Excerpts from Underwriting Report

**Exhibit B** -- Letters from HCCEDD and Harris County Housing Authority regarding proposed financing

**Exhibit C** -- Letter from Harris County Housing Authority regarding ground lease structure

### **Request**

The Applicant respectfully requests that: (1) the \$112,500 for funding from HCCEDD be included in eligible basis and (2) \$385,076 for construction costs and related fees be included in eligible basis so that the Project receive a commitment of tax credit funding in the amount of \$450,043 per year, as originally requested, and that the determination of the Underwriting Department be overruled.

Ms. Edwina Carrington  
July 27, 2004  
Page 5

Thank you for your consideration.

Sincerely,

Cynthia L. Bast

CLB/saf

cc: Baybrook Park Retirement Center, Ltd.

04098 Copperwood

# AIMCO Capital

July 26, 2004

Ms. Brooke Boston  
Director of Multi-Family Finance Production Division  
Texas Department of Housing and Community Affairs  
507 Sabine, Suite 300  
Austin, Texas 78701

Subject: Copperwood Apartments  
TDHCA Number: 04098  
Appeal of Underwriting Criteria

Dear Ms. Boston:

We have obtained a copy of the Department's Multifamily Underwriting Analysis of the subject development (**Exhibit A**). The Analysis contains a recommendation to disallow the portion of the developer's fee associated with the acquisition of the existing building and a corresponding reduction of the associated annual credits. The recommended reduction amounts are i) Developer's Fee from \$2,484,497 to \$1,072,997, and (ii) Annual Credits from \$1,057,335 to \$1,006,263. The Analysis contains a statement that the recommended reductions are based upon the TDHCA's Underwriter's opinion that "as an identity of interest transaction, it is difficult to substantiate any significant developer work associated with the acquisition portion of the transaction."

Please consider this request to appeal the Underwriter's recommendation of the reductions described above, and allow us to describe the nature of the proposed transaction and the reasons we believe the Applicant is entitled to the acquisition developer's fee and the associated tax credits thereon.

As a publicly-owned company listed on the New York Stock Exchange, AIMCO is subject to stringent regulatory and reporting requirements. The requirements and procedures imposed on a purchase of a property where an affiliation exists are, in fact, more comprehensive than those imposed if AIMCO were to acquire a property from a third-party.

TDHCA 4057  
02

JUL 28 2004

HUMAN RESOURCE OFFICE

Copperwood Apartments has been owned by the same partnership entity that constructed the property in 1980. Such entity is comprised of an AIMCO-affiliate as general partner (with a minority interest) and numerous unaffiliated individuals and organizations that own limited partnership interests (cumulatively representing a majority interest). An AIMCO affiliate will serve as the General Partner of the Buyer (the Applicant).

A sale of the property to an affiliate can only occur if majority consent of the partners of the ownership entity is obtained. Additionally, the property must be acquired at fair value, as determined by an independently prepared appraisal. The solicitation process is conducted by AIMCO and may be likened to dealing with multiple sellers.

Although an affiliation exists between the Buyer and Seller, the Buyer's efforts to acquire the property are extensive and costly, as well as speculative based on the competitive nature of obtaining a reservation of tax credits.

The Buyer must conduct a pre-acquisition determination of feasibility no different from that conducted when acquiring a property from a third-party. Such procedures include all of the same analysis and procedures as if acquiring from an unrelated seller and include the incurrence and coordination of costly third-party reports such as (i) a comprehensive property conditions assessment, (ii) a market study analysis, (iii) a Phase I environmental analysis, and (iv) an appraisal prepared in accordance with State Agency guidelines. Additional pre-acquisition expenditures include legal fees, travel costs, application fees, consulting fees, architectural drawings and other such expenditures. Additional pre-acquisition procedures include an analysis of the current resident profile and formulation of a relocation plan. The speculative nature of such costs and efforts should again be emphasized. Post-reservation efforts and expense related directly to the acquisition of the property include the processing of various approvals of transfer and assignments with the Department of Housing and Urban Development that are necessary prior to a transfer of ownership.

As an "at-risk" development, property ownership has the opportunity to seek the highest and best future use of Copperwood Apartments. As the nation's largest owner of affordable housing, it is AIMCO's desire to preserve the property for long-term affordable use utilizing the low-income housing tax credit program. The Company's decision to pursue such program with TDHCA was based upon (i) a similarity between the Department and AIMCO objectives in providing a safe, secure environment for the property's residents, and (ii) the financial incentives offered under the program that includes the ability to recognize a development fee, as provided in the 2004 QAP for existing developments, which is so important to the financial continuity of a publicly-held company.

The Department's proposal to substantially reduce the development fee is an extremely crucial factor in AIMCO's determination of the property's future use. It is, in fact, of greater concern than the Department's proposed reduction of annual tax credits. The property's development sources and 15-year operating cash flows, as reflected in the Application, demonstrate the ability to fully pay the originally proposed developer's fee. A reduction of such fee, as proposed by the Department, will not affect the future cash flow received by the developer, but will adversely impact the developer's ability (and incentive) to recognize such cash as a developer fee earned over the development period (though paid over an extended period), in accordance with acceptable accounting standards.

In summary, the Developer's work associated with the acquisition of the subject property is the same as if the property was acquired under a non-identity of interest transaction. Just as TDHCA evaluates the financial feasibility of each candidate development, so does the Developer. The recommendation to reduce the developer's fee and annual credits has diminished the feasibility of the transaction for the Developer and the merits of alternate use will have to be more closely examined.

We respectfully request the Department to consider the Developer's efforts towards the acquisition of Copperwood Apartments as justification to entitlement of a developer's fee related to the acquisition and long-term preservation of such property as an affordable asset.

Sincerely,



Paul Patierno  
Vice President  
Tax Credit Redevelopment

Encl.

cc: Edwina P. Carrington (TDHCA)

**04101 Pleasant Hill**

# AIMCO Capital

July 26, 2004

Ms. Brooke Boston  
Director of Multi-Family Finance Production Division  
Texas Department of Housing and Community Affairs  
507 Sabine, Suite 300  
Austin, Texas 78701

Subject: Pleasant Hill Apartments  
TDHCA Number: 04101  
Appeal of Underwriting Criteria

Dear Ms. Boston:

We have obtained a copy of the Department's Multifamily Underwriting Analysis of the subject development (**Exhibit A**). The Analysis contains a recommendation to disallow the portion of the developer's fee associated with the acquisition of the existing building and a corresponding reduction of the associated annual credits. The recommended reduction amounts are i) Developer's Fee from \$759,696 to \$528,846, and (ii) Annual Credits from \$493,633 to \$484,888. The Analysis contains a statement that the recommended reductions are based upon the TDHCA's Underwriter's opinion that "as an identity of interest transaction, it is difficult to substantiate any significant developer work associated with the acquisition portion of the transaction."

Please consider this request to appeal the Underwriter's recommendation of the reductions described above, and allow us to describe the nature of the proposed transaction and the reasons we believe the Applicant is entitled to the acquisition developer's fee and the associated tax credits thereon.

As a publicly-owned company listed on the New York Stock Exchange, AIMCO is subject to stringent regulatory and reporting requirements. The requirements and procedures imposed on a purchase of a property where an affiliation exists are, in fact, more comprehensive than those imposed if AIMCO were to acquire a property from a third-party.

TDHCA 4:25p  
07.

JUL 28 2004

HUMAN RESOURCE C.

Pleasant Hill Apartments has been owned by the same partnership entity that constructed the property in 1980. Such entity is comprised of an AIMCO-affiliate as general partner (with a minority interest) and numerous unaffiliated individuals and organizations that own limited partnership interests (cumulatively representing a majority interest). An AIMCO affiliate will serve as the General Partner of the Buyer (the Applicant).

A sale of the property to an affiliate can only occur if majority consent of the partners of the ownership entity is obtained. Additionally, the property must be acquired at fair value, as determined by an independently prepared appraisal. The solicitation process is conducted by AIMCO and may be likened to dealing with multiple sellers.

Although an affiliation exists between the Buyer and Seller, the Buyer's efforts to acquire the property are extensive and costly, as well as speculative based on the competitive nature of obtaining a reservation of tax credits.

The Buyer must conduct a pre-acquisition determination of feasibility no different from that conducted when acquiring a property from a third-party. Such procedures include all of the same analysis and procedures as if acquiring from an unrelated seller and include the incurrence and coordination of costly third-party reports such as (i) a comprehensive property conditions assessment, (ii) a market study analysis, (iii) a Phase I environmental analysis, and (iv) an appraisal prepared in accordance with State Agency guidelines. Additional pre-acquisition expenditures include legal fees, travel costs, application fees, consulting fees, architectural drawings and other such expenditures. Additional pre-acquisition procedures include an analysis of the current resident profile and formulation of a relocation plan. The speculative nature of such costs and efforts should again be emphasized. Post-reservation efforts and expense related directly to the acquisition of the property include the processing of various approvals of transfer and assignments with the Department of Housing and Urban Development that are necessary prior to a transfer of ownership.

As an "at-risk" development, property ownership has the opportunity to seek the highest and best future use of Pleasant Hill Apartments. As the nation's largest owner of affordable housing, it is AIMCO's desire to preserve the property for long-term affordable use utilizing the low-income housing tax credit program. The Company's decision to pursue such program with TDHCA was based upon (i) a similarity between the Department and AIMCO objectives in providing a safe, secure environment for the property's residents, and (ii) the financial incentives offered under the program that includes the ability to recognize a development fee, as provided in the 2004 QAP for existing developments, which is so important to the financial continuity of a publicly-held company.

The Department's proposal to substantially reduce the development fee is an extremely crucial factor in AIMCO's determination of the property's future use. It is, in fact, of greater concern than the Department's proposed reduction of annual tax credits. The property's development sources and 15-year operating cash flows, as reflected in the Application, demonstrate the ability to fully pay the originally proposed developer's fee. A reduction of such fee, as proposed by the Department, will not affect the future cash flow received by the developer, but will adversely impact the developer's ability (and incentive) to recognize such cash as a developer fee earned over the development period (though paid over an extended period), in accordance with acceptable accounting standards.

In summary, the Developer's work associated with the acquisition of the subject property is the same as if the property was acquired under a non-identity of interest transaction. Just as TDHCA evaluates the financial feasibility of each candidate development, so does the Developer. The recommendation to reduce the developer's fee and annual credits has diminished the feasibility of the transaction for the Developer and the merits of alternate use will have to be more closely examined.

We respectfully request the Department to consider the Developer's efforts towards the acquisition of Pleasant Hill Apartments as justification to entitlement of a developer's fee related to the acquisition and long-term preservation of such property as an affordable asset.

Sincerely,



Paul Patierno  
Vice President  
Tax Credit Redevelopment

Encl.

cc: Edwina P. Carrington (TDHCA)

04107 Whitefield

# AIMCO Capital

July 26, 2004

Ms. Brooke Boston  
Director of Multi-Family Finance Production Division  
Texas Department of Housing and Community Affairs  
507 Sabine, Suite 300  
Austin, Texas 78701

Subject: Whitefield Place Apartments  
TDHCA Number: 04107  
Appeal of Underwriting Criteria

Dear Ms. Boston:

We have obtained a copy of the Department's Multifamily Underwriting Analysis of the subject development (**Exhibit A**). The Analysis contains a recommendation to disallow the portion of the developer's fee associated with the acquisition of the existing building and a corresponding reduction of the associated annual credits. The recommended reduction amounts are i) Developer's Fee from \$721,977 to \$430,677, and (ii) Annual Credits from \$430,196 to \$419,397. The Analysis contains a statement that the recommended reductions are based upon the TDHCA's Underwriter's opinion that "as an identity of interest transaction, it is difficult to substantiate any significant developer work associated with the acquisition portion of the transaction."

Please consider this request to appeal the Underwriter's recommendation of the reductions described above, and allow us to describe the nature of the proposed transaction and the reasons we believe the Applicant is entitled to the acquisition developer's fee and the associated tax credits thereon.

As a publicly-owned company listed on the New York Stock Exchange, AIMCO is subject to stringent regulatory and reporting requirements. The requirements and procedures imposed on a purchase of a property where an affiliation exists are, in fact, more comprehensive than those imposed if AIMCO were to acquire a property from a third-party.

TDHCA 4.25p  
07

JUL 28 2004

HUMAN RESOURCE OFFICE

Whitefield Place Apartments has been owned by the same partnership entity that constructed the property in 1980. Such entity is comprised of an AIMCO-affiliate as general partner (with a minority interest) and numerous unaffiliated individuals and organizations that own limited partnership interests (cumulatively representing a majority interest). An AIMCO affiliate will serve as the General Partner of the Buyer (the Applicant).

A sale of the property to an affiliate can only occur if majority consent of the partners of the ownership entity is obtained. Additionally, the property must be acquired at fair value, as determined by an independently prepared appraisal. The solicitation process is conducted by AIMCO and may be likened to dealing with multiple sellers.

Although an affiliation exists between the Buyer and Seller, the Buyer's efforts to acquire the property are extensive and costly, as well as speculative based on the competitive nature of obtaining a reservation of tax credits.

The Buyer must conduct a pre-acquisition determination of feasibility no different from that conducted when acquiring a property from a third-party. Such procedures include all of the same analysis and procedures as if acquiring from an unrelated seller and include the incurrence and coordination of costly third-party reports such as (i) a comprehensive property conditions assessment, (ii) a market study analysis, (iii) a Phase I environmental analysis, and (iv) an appraisal prepared in accordance with State Agency guidelines. Additional pre-acquisition expenditures include legal fees, travel costs, application fees, consulting fees, architectural drawings and other such expenditures. Additional pre-acquisition procedures include an analysis of the current resident profile and formulation of a relocation plan. The speculative nature of such costs and efforts should again be emphasized. Post-reservation efforts and expense related directly to the acquisition of the property include the processing of various approvals of transfer and assignments with the Department of Housing and Urban Development that are necessary prior to a transfer of ownership.

As an "at-risk" development, property ownership has the opportunity to seek the highest and best future use of Whitefield Place Apartments. As the nation's largest owner of affordable housing, it is AIMCO's desire to preserve the property for long-term affordable use utilizing the low-income housing tax credit program. The Company's decision to pursue such program with TDHCA was based upon (i) a similarity between the Department and AIMCO objectives in providing a safe, secure environment for the property's residents, and (ii) the financial incentives offered under the program that includes the ability to recognize a development fee, as provided in the 2004 QAP for existing developments, which is so important to the financial continuity of a publicly-held company.

The Department's proposal to substantially reduce the development fee is an extremely crucial factor in AIMCO's determination of the property's future use. It is, in fact, of greater concern than the Department's proposed reduction of annual tax credits. The property's development sources and 15-year operating cash flows, as reflected in the Application, demonstrate the ability to fully pay the originally proposed developer's fee. A reduction of such fee, as proposed by the Department, will not affect the future cash flow received by the developer, but will adversely impact the developer's ability (and incentive) to recognize such cash as a developer fee earned over the development period (though paid over an extended period), in accordance with acceptable accounting standards.

In summary, the Developer's work associated with the acquisition of the subject property is the same as if the property was acquired under a non-identity of interest transaction. Just as TDHCA evaluates the financial feasibility of each candidate development, so does the Developer. The recommendation to reduce the developer's fee and annual credits has diminished the feasibility of the transaction for the Developer and the merits of alternate use will have to be more closely examined.

We respectfully request the Department to consider the Developer's efforts towards the acquisition of Whitefield Place Apartments as justification to entitlement of a developer's fee related to the acquisition and long-term preservation of such property as an affordable asset.

Sincerely,



Paul Patierno  
Vice President  
Tax Credit Redevelopment

Encl.

cc: Edwina P. Carrington (TDHCA)

# Exhibit A

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
MULTIFAMILY UNDERWRITING ANALYSIS**

**DATE:** July 10, 2004

**PROGRAM:** 9% HTC

**FILE NUMBER:** 04107

**DEVELOPMENT NAME**

Whitefield Place Apartments

**APPLICANT**

**Name:** AIMCO Equity Services, Inc., as Sponsor for Whitefield Place Preservation, L.P. **Type:** For-profit  
**Address:** 6100 Center Drive, Suite 800 **City:** Los Angeles **State:** CA  
**Zip:** 90045 **Contact:** Paul Patierno **Phone:** (310) 258-5100 **Fax:** (310) 258-5177

**PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS**

<b>Name:</b>	AIMCO Whitefield Place, LLC	<b>(%):</b>	.0009	<b>Title:</b>	Managing General Partner
<b>Name:</b>	TTCC, LLC	<b>(%):</b>	0.001	<b>Title:</b>	Co-General Partner
<b>Name:</b>	AIMCO Equity Services, Inc.	<b>(%):</b>	100%	<b>Title:</b>	100% Owner of MGP/Developer
<b>Name:</b>	Frank Fonseca	<b>(%):</b>	100%	<b>Title:</b>	100% Owner of Co-General Partner

**PROPERTY LOCATION**

**Location:** 4622 Clark Avenue  **QCT**  **DDA**  
**City:** San Antonio **County:** Bexar **Zip:** 78223

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$430,196	N/A	N/A	N/A
<b>Other Requested Terms:</b> Annual ten-year allocation of housing tax credits			
<b>Proposed Use of Funds:</b> Acquisition/rehab		<b>Property Type:</b> Multifamily	
<b>Special Purpose (s):</b> At-Risk, General population			

**RECOMMENDATION**

RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED \$419,397 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

**CONDITIONS**

1. Receipt, review, and acceptance of a commitment from the related party general contractor to defer fees as necessary to fill a potential gap in permanent financing prior to execution of commitment;
2. Receipt, review, and acceptance of written consent to rely upon the PCA provided by Pond, Robinson & Associates, LP and a revision to the report to evaluate future needs for a full 30 years prior to carryover.
3. Receipt, review, and acceptance of an acceptable O & M plan prior to closing;
4. Receipt, review and acceptance of evidence that measures have been taken to remove the mold contaminated drywall, and that appropriate cleaning has been completed to eliminate the problem;
5. Receipt, review, and acceptance of documentation of an initial reserve account of at least \$107,548 prior to closing; and
6. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit/allocation amount may be warranted.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
MULTIFAMILY UNDERWRITING ANALYSIS**

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**DEVELOPMENT SPECIFICATIONS**

**IMPROVEMENTS**

Total Units: 80 # Rental Buildings: 6 # Common Area Bldgs: 1 # of Floors: 2 Age: 24 yrs Vacant: 0 at 2/ 1/ 2004  
Net Rentable SF: 67,344 Av Un SF: 842 Common Area SF: 2,642 Gross Bldg SF: 69,986

**STRUCTURAL MATERIALS**

The structure is wood frame on a concrete slab on grade. According to the plans provided in the application the exterior is comprised as follows: 75% stucco and 25% wood siding. The interior wall surfaces are drywall and the pitched roof is finished with asphalt composite shingles.

**APPLIANCES AND INTERIOR FEATURES**

The interior flooring is a combination of carpeting & vinyl. Each unit will include: range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, fiberglass tub/shower, ceiling fans, laminated counter tops, individual water heaters, individual heating and air conditioning.

**ON-SITE AMENITIES**

A 2,472-square foot community building will include an activity room, management offices, maintenance, & laundry facilities, a kitchen, restrooms, a computer/business center, a central mailroom. The community building, and equipped children's play area are located at the front half on the south side of the property. In addition, perimeter fencing has been installed; however it is not known at this time if a limited access gate(s) will be installed.

Uncovered Parking: 125 spaces Carports: 0 spaces Garages: 0 spaces

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** The subject is a relatively dense (14.95 units per acre) acquisition and rehabilitation development of 80 units of affordable housing located in southeast San Antonio. The development was built in 1980 and is comprised of 6 evenly distributed medium garden style two story walk-up residential buildings as follows:

- 1 Building Type A with 8 one-bedroom/one-bath units, 8 two-bedroom/one-bath units;
- 1 Building Type A-1 with 8 one-bedroom/one-bath units, 8 two- bedroom/one-bath units;
- 1 Building Type B with 8 three-bedroom/two-bath units;
- 1 Building Type B-1 with 8 three-bedroom/two-bath units;
- 1 Building Type C with 8 two- bedroom/one-bath units, 8 four-bedroom/two-bath units; and
- 1 Building Type D with 4 one-bedroom/one-bath units, 8 two-bedroom/one-bath units, 4 three-bedroom/ two-bath units.

**Existing Subsidies:** The property currently operates under a HUD Section 8 project-based Housing Assistance Payment (HAP) contract for all 80 units. The HAP contract was renewed on October 18, 2004 for one year, and the Applicant intends to continue the HAP contract for all 80 units. A letter to Mr. Paul Patierno with AIMCO Whitefield Place, LLC, from HUD's Director, Multifamily Program Center in San Antonio indicated that HUD would "recommend and process New Owner's and/or the current owner's Whitefield Place Limited Partnership's anticipated request for new 20-year HAP contracts for the project, subject to Congressional appropriations and then applicable HUD policy."

**Development Plan:** Based on the Property Condition Assessment and Rehabilitation Evaluation report it is estimated that the total renovation cost will be \$2,334,357. This is to repair/renovate the interior of each unit, club house, computer learning center, building exteriors, roofs, parking areas, and in compliance with the Americans with Disabilities Act (ADA) and Fair Housing Amendments Act (FHAA). The PCA was not directed to TDHCA and expressly limits reliance on it to AIMCO without additional written consent. Receipt, review and acceptance of written consent from Pond, Robinson & Associates, LP, the PCA provider, to allow

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TDHCA to rely on the assessment is a condition of this report. The PCA appears to be very comprehensive except that it provides only a 15 year assessment of future needs instead of the Department minimum of 30 years. The rent roll, supplied with the application, dated February 1, 2004, indicated that the property is 100% occupied. The rehabilitation will be phased; however, the project's occupants will have to be relocated for a temporary period of time during the rehabilitation. It is anticipated that the affected households will be displaced from their units for a period of approximately two weeks. The relocation budget for the subject property is estimated to be \$80,000. However, the submitted cost schedule includes \$120,000 related to relocation costs.

**Architectural Review:** The building elevations are attractive, yet dated and in need of updating and repairing. The property has pitched roofs, stucco and wood siding. The units are smaller but typical for an older development slated for rehabilitation.

**Supportive Services:** The Applicant has contracted with Interfaith to provide the following supportive services to tenants: Scholastic tutoring, Youth Programs, and Computer facilities. These services will be provided at no cost to tenants. The contract requires the Applicant to provide, furnish, and maintain facilities in the community building for provision of the services. The estimated cost per year is \$6,000.

SITE ISSUES			
SITE DESCRIPTION			
<b>Size:</b>	5.35 acres	233,046	square feet <b>Zoning/ Permitted Uses:</b> MF-33 Multi-Family
<b>Flood Zone Designation:</b>	Zone X	<b>Status of Off-Sites:</b>	Fully improved

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** The site is a rectangular-shaped parcel located in the southeast area of San Antonio, approximately 4 miles from the central business district. The site is situated on the north side of IH 37 and on the east side of Clark Avenue.

**Adjacent Land Uses:**

- **North:** Single-family residences immediately adjacent;
- **South:** IH 37 and Single-family residences;
- **East:** Single family residences immediately adjacent; and
- **West:** Clark Avenue and IH-37

**Site Access:** The main access to the property is from the north or south along Clark Avenue. In addition there is a secondary entrance from Pyle Street on the properties far eastern property line. However, this entrance is typically locked and used only as an emergency entrance or exit. Access to Interstate Highway 37 is adjacent to the south, which provides connections to all other major roads serving the entire area.

**Public Transportation:** Public transportation to the area is provided by VIA which is San Antonio's public transportation system. The location of the nearest stop is 3 tenths of a mile from the subject.

**Shopping & Services:** The site is within 2.5 miles of major grocery/pharmacies, shopping centers, a multi-screen theater, and a variety of other retail establishments and restaurants. Schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.

**Site Inspection Findings:** TDHCA staff performed a site inspection on April 29, 2004 and found the location to be acceptable for the proposed development

**HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)**

A Phase I Environmental Site Assessment report dated February 25, 2004 was prepared by Connor Environmental Services and Engineering Assessments and contained the following findings and recommendations:

- **Asbestos-Containing Materials (ACM):** As indicated by the laboratory analysis results, the use of asbestos-containing materials was identified in the form of, Category I Non-Friable, Resilient sheet flooring and associated mastic, and 12" X 12" floor tiles and associated mastic.

**Recommendations:** "Develop and implement an Operations and Maintenance (O&M) program that ensures

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MULTIFAMILY UNDERWRITING ANALYSIS**

the integrity of the asbestos containing materials. This program needs only to ensure the non-friable floor tiles are not sanded, ground or mechanically abraded to produce fibers. Non-friable materials have historically been shown neither to be a significant environmental threat nor a lender foreclosure liability. Any asbestos-containing materials, scheduled to be disturbed due to planned renovations/remodeling, must be abated in accordance with federal, state, and local regulations.” (p. 29) Receipt, review and acceptance of an O&M plan is a condition of this report

- **Mold:** Mold growth was observed in the HVAC utility closet in apartment # 119. The mold is the result of a leaking air conditioning coil in the above apartment that has since been repaired.

**Recommendations:** “The ceiling and wall in the utility closet of apartment #119 must be removed and replaced.” (p. 21) Receipt, review and acceptance of evidence that measures have been taken to remove the contaminated drywall, and that appropriate cleaning has been completed to eliminate the problem is a condition of this report.

**POPULATIONS TARGETED**

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. All of the units (100% of the total) will be reserved for low-income tenants. 12 of the units (15%) will be reserved for households earning 40% or less of AMGI, 20 units (25%) will be reserved for households earning 50% or less of AMGI, 48 units (60%) will be reserved for households earning 60% or less of AMGI. In addition, 4 units (5%) will be designated for tenants with physical handicaps and 2 units (2%) will be designated for tenants with hearing impairments.

<b>MAXIMUM ELIGIBLE INCOMES</b>						
	<b>1 Person</b>	<b>2 Persons</b>	<b>3 Persons</b>	<b>4 Persons</b>	<b>5 Persons</b>	<b>6 Persons</b>
<b>60% of AMI</b>	\$21,660	\$24,720	\$27,840	\$30,900	\$33,360	\$35,820

**MARKET HIGHLIGHTS**

A market feasibility study dated March 2, 2004 was prepared by Apartment MarketData Research Services, LLC (“Market Analyst”) and highlighted the following findings:

**Definition of Primary Market Area (PMA):** “For this analysis we utilized a *primary market area* comprising a 43.83 square mile trade Area in southeast San Antonio..... This area was used, as it was assessed that this area’s housing needs, demand draw, natural and manmade barriers, and the appropriate demographics of the area were applicable to the demand for rental apartments.” (p. 3). This area is equivalent to a circle with a radius of 3.73 miles.

**Population:** The estimated 2003 population of the market area was 111,949 and is expected to increase by 7.2% to approximately 119,972 by 2008. Within the primary market area there were estimated to be 37,667 households in 2003.

**Total Primary Market Demand for Rental Units:** The Market Analyst calculated a total demand of 13,794 qualified households in the PMA, based on the current estimate of 37,667 households, the projected annual growth rate of 1.6%, renter households estimated at 45.4% of the population, income-qualified households estimated at 36.6%, and an annual renter turnover rate of 70.5 %. (p. 43). The Market Analyst used an income band of \$13,234 to \$35,820.

<b>ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY</b>				
<b>Type of Demand</b>	<b>Market Analyst</b>		<b>Underwriter</b>	
	<b>Units of Demand</b>	<b>% of Total Demand</b>	<b>Units of Demand</b>	<b>% of Total Demand</b>
Household Growth	100	2.2%	95	2.1%
Resident Turnover	4,419	97.8%	4,485	97.9%
<b>TOTAL ANNUAL DEMAND</b>	<b>4,519</b>	<b>100%</b>	<b>4,580</b>	<b>100%</b>

Ref: p. 45

**Inclusive Capture Rate:** The Market Analyst calculated an inclusive capture rate of 13.28% based upon 4,519 units of demand and 600 unstabilized affordable housing in the PMA (including the subject) (p. 46). The Underwriter calculated an inclusive capture rate of 13.10% based upon a supply of unstabilized

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comparable affordable units of 600 divided by a revised demand of 4,580.

The subject development is currently 100% occupied with a rental subsidy, and it is likely the existing tenants will choose to remain at the property. Therefore, an inclusive capture rate calculation is not a meaningful tool for determining the feasibility of the subject development.

**Market Rent Comparables:** The Market Analyst surveyed numerous comparable apartment projects totaling 912 units in the market area. However, only 5 were used as rent comparables for the subject and these properties contained 689 units (p. 89).

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	HAP Contract Rents (proposed)	HTC Limits	Differential	Est. Market Rents	Differential
1-Bedroom (40%)	\$460	\$386	+\$74	\$430	\$30
1-Bedroom (50%)	\$460	\$483	-\$23	\$430	\$30
1-Bedroom (60%)	\$460	\$579	-\$119	\$430	\$30
2-Bedroom (40%)	\$539	\$464	+\$75	\$500	\$39
2-Bedroom (50%)	\$539	\$580	-\$41	\$500	\$39
2-Bedroom (60%)	\$539	\$696	-\$157	\$500	\$39
3-Bedroom (40%)	\$676	\$535	+\$141	\$640	\$36
3-Bedroom (50%)	\$676	\$669	+\$7	\$640	\$36
3-Bedroom (60%)	\$676	\$803	-\$127	\$640	\$36
4-Bedroom (40%)	\$708	\$597	+\$111	\$700	\$8
4-Bedroom (50%)	\$708	\$746	-\$38	\$700	\$8
4-Bedroom (60%)	\$708	\$895	-\$187	\$700	\$8

(NOTE: Differentials are amount of difference between proposed rents and program limits and average market rents, e.g., proposed rent = \$500, program max = \$600, differential = -\$100)

**Primary Market Occupancy Rates:** “The competitive sub-market supply and demand analysis conducted by Apartment MarketData Research Services included 912 existing income restricted units and 892 conventional units within the Primary Trade Area.... The occupancy rate for the income restricted one bedrooms is 83.2%, for income restricted two bedrooms the occupancy is 88.6%, the occupancy for the income restricted three bedroom units is 93.3%, income restricted four bedroom units average 87.5%, and the overall average occupancy for income restricted units is 88.2%....The reported occupancy of 88.2% includes one project, Union Park, that is in the process of rehabilitation.” (p. 86).

**Absorption Projections:** “Absorption in the Primary Market Area is nearly impossible to calculate for the trade area. Only one new project has been built since 1990, Villas of Costa Dorado (LIHTC). As such, there has not been adequate new supply to determine a reasonable absorption rate for the sub-market. We do know that Villas of Costa Dorado is 96% occupied today, indicating demand for newer rental units with modern amenities.” (p. 8-9). However, the subject property is currently 100% occupied and will be going through rehabilitation. The tenants will be relocated for a short period of time (estimated to be no more than two weeks). It is expected that most tenants will remain during and after the rehabilitation.

**Market Study Analysis/Conclusions:** The Underwriter found the market study to provide sufficient information to make a funding recommendation. The Market study generally complies with TDHCA market study guidelines.

**OPERATING PROFORMA ANALYSIS**

**Income:** The subject property is currently receiving rental assistance through a project-based Section 8 Housing Assistance Program (HAP) contract through HUD. However, the Applicant used net rents calculated using current HTC limits. The maximum net rents allowed under HTC program guidelines listed for the 40% units are less than the HAP contract rents currently being charged. The 50% and 60% HTC rents are higher than the HAP contract rents, with the exception of the 3 bedroom 2 bath units at 50%, which is less. The current HAP contract will expire October 17, 2004; however, based on a letter from HUD, this contract will be renewed for a 20 year period of time. The Underwriter’s rental income projection is based on the current HAP

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contract, supported by the actual income received by the project in 2003.

The Applicant projects a vacancy and collection loss of 5%; however the Underwriter's estimate remained at the TDHCA standard of 7.5%. The \$25K (or 4.95%) difference in the Applicant's effective gross income estimate as compared to the Underwriter's estimate can be directly attributed to the Applicant's use of the HTC rent limits, as opposed to the HAP contract rents and the use of a 7.5% vacancy and collection loss factor. Estimate of secondary income by the Applicant is in line with TDHCA underwriting guidelines.

**Expenses:** The Applicant's total expense estimate of \$3,695 per unit is 9% lower than the Underwriter's estimate of \$4,174 per unit for comparably-sized developments and the property's historical expenses. The Applicant's budget shows several line item estimates, that also deviate significantly when compared to the Underwriter's estimates, particularly: repairs and maintenance (\$14.1K lower) and property taxes (\$10.5K lower). The Underwriter's expense estimates were modified based on two years of actual expenses that were provided by the Applicant, and the TDHCA Data Base.

**Conclusion:** The Applicant's estimated operating expense is inconsistent with the Underwriter's expectations. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity. In both the Applicant's and the Underwriter's income and expense estimates there is sufficient net operating income to service the proposed first lien permanent mortgage at a debt coverage ratio that is within the TDHCA underwriting guidelines of 1.10 to 1.30.

ACQUISITION VALUATION INFORMATION					
APPRAISED VALUE					
Land Only: 5.35 acres	\$408,000	Date of Valuation:	1/	19/	2004
Existing Building(s): "as is"	\$2,182,000	Date of Valuation:	1/	19/	2004
Total Development: "as is"	\$2,590,000	Date of Valuation:	1/	19/	2004
Appraiser: Rafael C. Luebbert, MAI, SRA	City: San Antonio	Phone: (210)	493-3132		
	Multi-Housing Appraisal Assoc.				
APPRAISAL ANALYSIS/CONCLUSIONS					
An appraisal, provided by the purchaser, was performed by Rafael C. Luebbert, MAI and dated January 19, 2004. The appraisal provides four values: "as-is condition (before rehabilitation) with restricted rents", "As improved with restricted rents," "As improved with market rents" and "land value only". The "as improved with restricted rents" value is the most important in the valuation and underwriting of this property because it should and does support the purchase price of the subject. For this valuation, the primary approach used was the income approach. Based upon the comparable land sales the value of the underlying land was valued at \$408,000 or 14.4% of the total appraised value. Due to the quality of the comparable sales the appraisal provides a reasonable estimation of land value.					
ASSESSED VALUE					
Land: 5.42 acres	\$177,100	Assessment for the Year of:	2003		
Building:	\$1,423,800	Valuation by:	Bexar County Appraisal District		
Total Assessed Value:	\$1,600,900	Tax Rate:	3.00156		
EVIDENCE of SITE or PROPERTY CONTROL					
Type of Site Control:	Purchase and sale agreement				
Contract Expiration Date:	12/	30/	2004	Anticipated Closing Date:	10/ 30/ 2004
Acquisition Cost:	\$2,350,000		Other Terms/Conditions:		
Seller:	Whitefield Place Limited Partnership			Related to Development Team Member:	Yes
CONSTRUCTION COST ESTIMATE EVALUATION					
<b>Acquisition Value:</b> The appraisal concluded the "as-is" with "restricted rents" value of the property to be \$2,590,000 of which \$408,000 is attributed to the land value. The Applicant also provided evidence of					

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original acquisition and holding cost as a result of the sale being considered an identity of interest transaction. The balance sheet for the subject property reflects total land, building and capital improvements of \$2,621,725 prior to depreciation, thus justify the proposed transfer price. The acquisition cost as stated by the Applicant is \$2,350,000 or 90.7% of the total appraised value.

**Sitework Cost:** Since this is a proposed rehabilitation the associated sitework costs are minimal. The Applicant has estimated sitework costs of \$2,513 per unit, which is consistent with the estimate in the Property Condition Assessment.

**Direct Construction Cost:** The Applicant's direct rehab construction cost estimate is \$1,835,795. These costs are supported by the property capital plan located in the Property Condition Assessment report (PCA). The PCA states "Based on our interviews, our observations on site, and our experience with similar properties, we recommend the items noted in this report and summarized in the Property Capital Plan be repaired or upgraded (p. 5). The development meets the program requirements of at least \$6,000 per unit of direct construction and site work costs for rehabilitation work.

**Fees:** The Applicant is claiming developer fees for both the acquisition and the rehabilitation portions of this transaction in the amount of \$721,977. However, as an identity of interest transaction it is difficult to substantiate any significant developer work associated with the acquisition portion of the transaction. The Applicant provided no additional justification of such work other than the considerations of the REIT ownership structure. The pre-acquisition determination of feasibility of the property to be acquired is much simplified when you, as the buyer, have control over the property in question. While significant transactional activities may occur in preparation of such an acquisition, they also take place normally with the seller and in this case the seller would be paying themselves for such work with tax credit syndication proceeds. Therefore, the Applicant's developer fee for the acquisition portion of the transaction only was determined to be ineligible. The Applicant's developer fee was therefore, reduced by \$291,300. The Underwriter's estimate of total developer's fee attributable to the rehabilitation portion of the transaction has been set at the maximum allowed by TDHCA guidelines, \$430,677.

**Reserves:** The Applicant includes only one year of replacement reserves in the initial reserves anticipated. This is far less from the typical level of initial reserves, which usually accounts for lease-up expenses and other such reserves associated with a new property. However, the PCA provided an estimate of future replacement costs which allow or some reserve planning today in order to ensure those future costs can be paid. In this case, the annual \$300 per unit reserve expense will not be sufficient to satisfy future needs. And since some of the most significant needs appear to be scheduled in the first five years then will be insufficient time to build up reserves on an annual basis. Therefore, the Underwriter recommends a minimum initial reserve of \$107,548 to manage both lease up reserves and any remainder upon completion of initial rehabilitation should be held in escrow for future replacements. Finally, the PCA only included the first 15 years of the affordability period, however, a 30 year period is preferred to match the minimum affordability period associated with the credits. Therefore, receipt, review and acceptance of a revised PCA to include a minimum 30 year period of future estimation is a condition of this report.

**Conclusion:** Based on the Underwriter's reliance on the Applicant's rehabilitation costs, the reduction in total developer's fees, and an increase in the reserves category, the Underwriter's total development cost estimate is used to determine the development's eligible basis and total need for permanent funds. As a result, an eligible basis of \$5,243,860 is used to calculate annual tax credits of \$419,397. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in permanent funds to determine the recommended allocation.

FINANCING STRUCTURE			
INTERIM CONSTRUCTION FINANCING			
<b>Source:</b>	MMA Financial, LLC	<b>Contact:</b>	John W. Mullaney
<b>Principal Amount:</b>	\$2,250,000	<b>Interest Rate:</b>	Floating Min 6%
<b>Additional Information:</b>			
<b>Amortization:</b>	N/A yrs	<b>Term:</b>	24 yrs
<b>Commitment:</b>	<input type="checkbox"/> LOI	<input type="checkbox"/> Firm	<input checked="" type="checkbox"/> Conditional

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**PERMANENT FINANCING**

Source: MMA Financial Contact: John W. Mullaney  
 Principal Amount: \$2,040,000 Interest Rate: Max Rate 8.25% Underwriting Rate 7.00%  
 Additional Information: Perm to be fixed at closing at 40 Basis points over the Fannie Mae DUS Net Cupon Rate  
 Amortization: 30 yrs Term: 30 yrs Commitment:  LOI  Firm  Conditional  
 Annual Payment: \$162,864 Lien Priority: 1st Commitment Date 2/ 27/ 2004

**TAX CREDIT SYNDICATION**

Source: AIMCO Capital Contact: Michael Hornbrook  
 Net Proceeds: \$3,441,216 Net Syndication Rate (per \$1.00 of 10-yr HTC) 80¢  
 Commitment  LOI  Firm  Conditional Date: 2/ 20/ 2004  
 Additional Information: Syndication proceeds have been reduced to \$3,355,172 because of an Identity of Interest (reduction of Developers fees due for the Acquisition portion of the transaction.)

**APPLICANT EQUITY**

Amount: \$582,852 Source: Deferred Developer Fee and Contractors Fee

**FINANCING STRUCTURE ANALYSIS**

**Interim and Permanent Financing:** The interim financing will be provided by MMA Financial. They have committed to \$2,250,000 for a 24 month period of time at a minimum interest rate of 6%. The interim will be floating over the Wall Street Journal Prime Rate plus 1% with a minimum of 6%. The permanent financing will also be provided by MMA Financial. They have committed to a loan of \$2,040,000 with a 30 year term and a 30 year amortization with an interest rate not to exceed 8.25%. The underwriting rate is 7%; however, the permanent rate will not be set until funding of the permanent based on 40 basis points over the Fannie Mae DUS Net Coupon Rate. Both the Interim and Permanent financing letters of interest are consistent with the terms reflected in the sources and uses of funds listed in the application.

**HTC Syndication:** The tax credit syndication commitment is consistent with the terms reflected in the sources and uses of funds listed in the application. AIMCO Tax Credit Fund III has an identity of interest with the Applicant.

**Deferred Developer's Fees:** The Applicant anticipates deferred fees of \$582,852 which equals 79.1% of total proposed fees. However, as stated above the eligible developer fees have been reduced by the amount attributable to Acquisition of the property. The Applicant's anticipated deferred fees exceed the eligible developer's fees of \$430,677; therefore, it is likely a portion of the related party General Contractor fee may also be deferred.

**Financing Conclusions:** Based on the Underwriter's adjusted estimate of eligible basis, the HTC allocation should not exceed \$419,397 annually for ten years which is less than the Applicant's request and the tax credits resulting from the gap in need for permanent funds. Based on the underwriting analysis, the deferred fees will be in the amount of \$461,144 which represents 100% of the eligible developer's fee and 18.7% of the contractor's fees. These fees should be repayable from cash flow within 15 years. Should the Applicant's final direct construction cost exceed the cost estimate used to determine credits in this analysis, additional deferred developer's fee may not be available to fund those development cost overruns.

**DEVELOPMENT TEAM**

**IDENTITIES of INTEREST**

Based on the Seller and Buyer general partner relationship, many of the parties to this transaction are identified as having an identity of interest. The Seller of the property, the Buyer of the property, the Applicant, Developer, Property Manager, Underwriter, and Syndicator are all related entities.

**APPLICANT'S/PRINCIPALS' FINANCIAL HIGHLIGHTS, BACKGROUND, and EXPERIENCE**

**Financial Highlights:** The Applicant and General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
MULTIFAMILY UNDERWRITING ANALYSIS**

- The principal of the General Partner, AIMCO Equity Services, Inc., submitted an unaudited financial statement as of December 2003 reporting total assets of \$845K, consisting of 1.1M in Other Receivables, (\$256K) in Tax Credit Fees Receivable, and 2K in Reimbursable fees. Liabilities totaled \$550,000 plus a negative Shareholders Equity of (\$1.8M) results in a negative Shareholders Equity of (\$845K).
- The guarantor, A&R Services Inc., submitted an unaudited financial statement as of April 2004 reporting total assets of \$47.8M, consisting of \$5.55M in unrestricted Cash, \$41.4M in Accounts Receivable, \$944K in Property and Equipment, and \$241K in Other Assets. Liabilities totaled \$9.96M with a Shareholders Equity of \$29.3M

**Background & Experience:**

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- The Co-General Partners, AIMCO Equity Services, TTCC, LLC and Frank Fonseca have received Previous Participation and Background Certification by TDHCA.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- The Applicant's estimated operating expenses are more than 5% outside of the Underwriter's verifiable ranges.
- The seller of the property has an identity of interest with the Applicant as do several development team members.
- The property's project-based rent subsidy is subject to Federal funding and may not be renewed as anticipated.

<b>Underwriter:</b>	<i>Bert Murray</i>	<b>Date:</b>	July 10, 2004
<b>Director of Real Estate Analysis:</b>	<i>Tom Gouris</i>	<b>Date:</b>	July 10, 2004

**MULTIFAMILY COMPARATIVE ANALYSIS**

**Whitefield Place Apartments, San Antonio, HTC 9%, #04107**

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	HAP Rents	Rent per Month	Rent per SF	Trt Pd Util	Wr. Swr. Trsh
>TC 40%	3	1	1	640	\$386	\$460	\$1,380	\$0.72	\$76.00	\$42.00
>TC 50%	5	1	1	640	483	460	2,300	0.72	76.00	42.00
>TC 60%	12	1	1	640	579	460	5,520	0.72	76.00	42.00
>TC 40%	5	2	1	792	464	539	2,695	0.68	96.00	47.00
>TC 50%	8	2	1	792	580	539	4,312	0.68	96.00	47.00
>TC 60%	19	2	1	792	696	539	10,241	0.68	96.00	47.00
>TC 40%	3	3	2	1,000	535	676	2,028	0.68	119.00	53.00
>TC 50%	5	3	2	1,000	669	676	3,380	0.68	119.00	53.00
>TC 60%	12	3	2	1,000	803	676	8,112	0.68	119.00	53.00
>TC 40%	1	4	2	1,150	597	708	708	0.62	154.00	62.00
>TC 50%	2	4	2	1,150	746	708	1,416	0.62	154.00	62.00
>TC 60%	5	4	2	1,150	895	708	3,540	0.62	154.00	62.00
<b>TOTAL:</b>	<b>80</b>		<b>AVERAGE:</b>	<b>842</b>	<b>\$648</b>	<b>\$570</b>	<b>\$45,632</b>	<b>\$0.68</b>	<b>\$102.55</b>	<b>\$48.75</b>

**INCOME**

Total Net Rentable Sq Ft: **67,344**

**POTENTIAL GROSS RENT**

Secondary Income Per Unit Per Month: **\$8.34**

Other Support Income: (describe)

**POTENTIAL GROSS INCOME**

Vacancy & Collection Loss % of Potential Gross Income: **-7.50%**

Employee or Other Non-Rental Units or Concessions

**EFFECTIVE GROSS INCOME**

**EXPENSES**

	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative	7.55%	\$485	0.58	\$38,779	\$18,500	\$0.27	\$231	3.79%
Management	5.00%	321	0.38	25,696	24,421	0.36	305	5.00%
Payroll & Payroll Tax	13.70%	880	1.05	70,391	72,000	1.07	900	14.74%
Repairs & Maintenance	7.81%	502	0.60	40,150	28,000	0.39	325	5.32%
Utilities	4.88%	314	0.37	25,104	7,500	0.11	94	1.54%
Water, Sewer, & Trash	4.71%	303	0.36	24,220	30,200	0.45	378	6.18%
Property Insurance	3.99%	256	0.30	20,505	25,000	0.37	313	5.12%
Property Tax 3.00156	9.37%	602	0.72	48,176	60,000	0.89	750	12.28%
Reserve for Replacements	4.67%	300	0.36	24,000	24,000	0.36	300	4.91%
Other Expenses: Supportive Services	1.56%	100	0.12	8,000	8,000	0.12	100	1.64%
<b>TOTAL EXPENSES</b>	<b>63.24%</b>	<b>\$4,063</b>	<b>\$4.83</b>	<b>\$325,020</b>	<b>\$295,621</b>	<b>\$4.39</b>	<b>\$3,695</b>	<b>60.53%</b>
<b>NET OPERATING INC</b>	<b>36.76%</b>	<b>\$2,361</b>	<b>\$2.80</b>	<b>\$188,899</b>	<b>\$192,803</b>	<b>\$2.86</b>	<b>\$2,410</b>	<b>39.47%</b>

**DEBT SERVICE**

First Lien Mortgage	31.69%	\$2,036	\$2.42	\$162,866	\$162,864	\$2.42	\$2,036	33.34%
Additional Financing	0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%
Additional Financing	0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%
<b>NET CASH FLOW</b>	<b>5.07%</b>	<b>\$325</b>	<b>\$0.39</b>	<b>\$26,033</b>	<b>\$29,939</b>	<b>\$0.44</b>	<b>\$374</b>	<b>6.13%</b>

AGGREGATE DEBT COVERAGE RATIO

RECOMMENDED DEBT COVERAGE RATIO

**CONSTRUCTION COST**

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		40.13%	\$29,375	\$34.90	\$2,350,000	\$2,350,000	\$34.90	\$29,375	38.75%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		3.43%	2,513	2.99	201,038	201,038	2.99	2,513	3.32%
Direct Construction		31.35%	22,947	27.26	1,835,795	1,835,795	27.26	22,947	30.27%
Contingency	0.61%	0.21%	155	0.18	12,367	12,367	0.18	155	0.20%
General Req'ts	6.00%	2.09%	1,528	1.81	122,210	122,210	1.81	1,528	2.02%
Contractor's G & A	2.00%	0.70%	509	0.60	40,737	40,737	0.60	509	0.67%
Contractor's Profit	6.00%	2.09%	1,528	1.81	122,210	122,210	1.81	1,528	2.02%
Indirect Construction		7.62%	5,578	6.63	446,226	446,226	6.63	5,578	7.36%
Ineligible Costs		1.65%	1,211	1.44	96,908	96,908	1.44	1,211	1.60%
Developer's G & A	2.00%	0.98%	718	0.85	57,424	0	0.00	0	0.00%
Developer's Profit	13.00%	6.37%	4,666	5.54	373,254	721,977	10.72	9,025	11.91%
Interim Financing		1.55%	1,133	1.35	90,600	90,600	1.35	1,133	1.49%
Reserves		1.84%	1,344	1.60	107,548	24,000	0.36	300	0.40%
<b>TOTAL COST</b>	<b>100.00%</b>	<b>\$73,204</b>	<b>\$86.96</b>	<b>\$5,856,316</b>	<b>\$6,064,068</b>	<b>\$90.05</b>	<b>\$75,801</b>	<b>100.00%</b>	
<b>Recap-Hard Construction Costs</b>	<b>39.66%</b>	<b>\$29,179</b>	<b>\$34.66</b>	<b>\$2,334,357</b>	<b>\$2,334,357</b>	<b>\$34.66</b>	<b>\$29,179</b>	<b>38.49%</b>	

**SOURCES OF FUNDS**

				TDHCA	APPLICANT	RECOMMENDED	
First Lien Mortgage	34.83%	\$25,500	\$30.29	\$2,040,000	\$2,040,000	\$2,040,000	Developer Fee Available
Additional Financing	0.00%	\$0	\$0.00	0	0	0	\$430,677
HTC Syndication Proceeds	57.29%	\$41,940	\$49.82	3,355,172	3,441,216	3,355,172	% of Dev. Fee Deferred
Deferred Developer Fees	7.35%	\$5,383	\$6.40	430,677	572,852	430,677	100%
Additional (excess) Funds Required	0.52%	\$381	\$0.45	30,466	10,000	30,466	15-Yr Cumulative Cash Flow
<b>TOTAL SOURCES</b>				<b>\$5,856,316</b>	<b>\$6,064,068</b>	<b>\$5,856,316</b>	<b>\$631,455.34</b>

LIHTC Allocation Calculation - Whitefield Place Apartments, San Antonio, HTC 9%, #04107

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S ACQUISITION ELIGIBLE BASIS	TDHCA ACQUISITION ELIGIBLE BASIS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
<b>(1) Acquisition Cost</b>						
Purchase of land	\$408,000	\$408,000				
Purchase of buildings	\$1,942,000	\$1,942,000	\$1,942,000	\$1,942,000		
<b>(2) Rehabilitation/New Construction Cost</b>						
On-site work	\$201,038	\$201,038			\$201,038	\$201,038
Off-site improvements						
<b>(3) Construction Hard Costs</b>						
New structures/rehabilitation hard costs	\$1,835,795	\$1,835,795			\$1,835,795	\$1,835,795
<b>(4) Contractor Fees &amp; General Requirements</b>						
Contractor overhead	\$40,737	\$40,737			\$40,737	\$40,737
Contractor profit	\$122,210	\$122,210			\$122,210	\$122,210
General requirements	\$122,210	\$122,210			\$122,210	\$122,210
<b>(5) Contingencies</b>						
	\$12,367	\$12,367			\$12,367	\$12,367
<b>(6) Eligible Indirect Fees</b>						
	\$446,226	\$446,226			\$446,226	\$446,226
<b>(7) Eligible Financing Fees</b>						
	\$90,600	\$90,600			\$90,600	\$90,600
<b>(8) All Ineligible Costs</b>						
	\$96,908	\$96,908				
<b>(9) Developer Fees</b>						
Developer overhead		\$57,424				\$57,424
Developer fee	\$721,977	\$373,254	\$291,300		\$430,677	\$373,254
<b>(10) Development Reserves</b>						
	\$24,000	\$107,548				
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$6,064,068</b>	<b>\$5,856,316</b>	<b>\$2,233,300</b>	<b>\$1,942,000</b>	<b>\$3,301,860</b>	<b>\$3,301,860</b>

<b>Deduct from Basis:</b>						
All grant proceeds used to finance costs in eligible basis						
B.M.R. loans used to finance cost in eligible basis						
Non-qualified non-recourse financing						
Non-qualified portion of higher quality units [42(d)(3)]						
Historic Credits (on residential portion only)						
<b>TOTAL ELIGIBLE BASIS</b>			<b>\$2,233,300</b>	<b>\$1,942,000</b>	<b>\$3,301,860</b>	<b>\$3,301,860</b>
High Cost Area Adjustment					130%	130%
<b>TOTAL ADJUSTED BASIS</b>			<b>\$2,233,300</b>	<b>\$1,942,000</b>	<b>\$4,292,418</b>	<b>\$4,292,418</b>
Applicable Fraction			100%	100%	100%	100%
<b>TOTAL QUALIFIED BASIS</b>			<b>\$2,233,300</b>	<b>\$1,942,000</b>	<b>\$4,292,418</b>	<b>\$4,292,418</b>
Applicable Percentage			3.56%	3.56%	8.16%	8.16%
<b>TOTAL AMOUNT OF TAX CREDITS</b>			<b>\$79,505</b>	<b>\$69,135</b>	<b>\$350,261</b>	<b>\$350,261</b>

Syndication Proceeds	0.8000	\$636,044	\$553,082	\$2,802,090	\$2,802,090
<b>Total Credits (Eligible Basis Method)</b>				<b>\$429,767</b>	<b>\$419,397</b>
Syndication Proceeds				\$3,438,134	\$3,355,172
Requested Credits				\$430,196	
Syndication Proceeds				\$3,441,568	
<b>Gap of Syndication Proceeds Needed</b>				<b>\$4,024,068</b>	
Credit Amount				\$503,009	



04147 Shiloh Village



**Related Apartment Preservation, LLC**

625 Madison Avenue  
New York, New York 10022-1801  
212-421-5330 Fax 212-751-3550

One of The Related Companies

RECEIVED  
AUG 10 2004  
EXECUTIVE

**VIA FACSIMILE AND FEDERAL EXPRESS**

August 9, 2004

Ms. Edwina Carrington  
Executive Director  
507 Sabine, Suite 400  
Austin, Texas 78711

**RE: Shiloh Village (TDHCA # 04147)  
Dallas, Texas  
Tax Credit Recommendation Appeal**

Dear Ms. Carrington:

Thank you for your support of Related Apartment Preservation, LLC's ("RAP") application for low-income housing tax credits for Shiloh Village, Dallas, Texas (the "Property"). We are delighted the Texas Department of Housing and Community Affairs ("TDHCA") found our application worthy of a recommendation for an award and we are eager to move forward on our rehabilitation of the 25 year old, 168-unit Section 8 apartment complex. Prior to moving forward, however, we would like to clarify some of the questions that arose during the Real Estate Analysis division's ("REA") review of our application, which led to a discrepancy between the \$800,000 of credits for which RAP applied and the \$610,487 of credits REA recommended. Accordingly, please accept this letter as RAP's appeal of REA's \$610,487 housing tax credit allocation recommendation for Shiloh Village.

Our review of REA's report on Shiloh Village identified TDHCA's primary concern that led to the discrepancy between RAP's application and REA's recommendation. Specifically, the report describes on page 2 under the heading "Development Plan" the difference between the rehabilitation plan RAP proposed in the Shiloh Village application (attached as Exhibit A) and the amount of repairs RAP's third party engineer ("EMG") identified as "Critical and Twelve Month Needs" in the Shiloh Village Physical Conditions Report dated February 26, 2004 (the "Original PCA", attached as Exhibit B). The difference between RAP's proposal and EMG's determination of critical needs was \$897,000. REA used the lower number for its underwriting report, and concurrently reduced construction overhead, profit and general requirements, as well as the developer fee, which in turn dramatically reduced the amount of credits REA recommended for Shiloh Village.

RAP's primary concern with the lower allocation based on the Original PCA is that it will only provide enough development proceeds to remediate the highest priority problems at the Property, addressing deferred needs and replacing only the most dilapidated unit interiors. The lower budget will effectively eliminate the many property upgrades RAP planned for Shiloh Village in an effort to raise the standard of living for its 168 families. The many upgrades that go beyond the determination of the Original PCA, which identified only the baseline repairs without respect to "economic or market conditions ... or present or future economic utility" (pg. 6), were described to Phillip Drake of the REA in a letter dated July 22, 2004 (attached as Exhibit C). A line-by-line comparison of the Original PCA and RAP's proposed budget can be found attached as Exhibit D.

RAP's appeal is based on its interpretation of the 2004 Qualified Allocation Plan and Rules (the "QAP") and the 2004 Real Estate Analysis Rules and Guidelines ("RERG"). Specifically, the QAP states in Section 50.9(f)(6)(E), "Rehabilitation Developments must submit a Property Condition Assessment performed in accordance with §1.36 of this title, Property Condition Assessment Guidelines." The RERG states in Section 1.36(a), "The objective of the Property Condition Assessment (the PCA) is to provide cost estimates for repairs and replacements which are *necessary immediately*, and for repairs and replacements which are expected to be required throughout the term of the regulatory period" (emphasis added). RAP's Original PCA complied with the above statement from the RERG, despite not specifically including RAP's *additional* planned upgrades to Shiloh Village. Had the RERG required applicants to commission a report that provided cost estimates for all *repairs, replacements and upgrades* planned during the rehabilitation period, RAP would have worked with EMG prior to submitting the Original PCA to create a report that provided cost estimates not only for the critical and immediately necessary repairs, but for improvements, upgrades and additions to the minimum scope as well.

Since being contacted by the REA regarding the discrepancy between the Original PCA and RAP's proposed scope, RAP contacted EMG, shared the additions to the Original PCA scope RAP proposed to in its application to TDHCA, and requested an updated report estimating the cost of supplementing the repair budget in the Original PCA with RAP's additions. EMG completed their update on August 5, 2004; the full report can be found attached as Exhibit E and now recommends completing RAP's proposed scope of approximately \$2,964,000 in hard costs.

We believe we fully complied with the PCA requirements described in the QAP and the RERG when we submitted the Original PCA to TDHCA, even though it did not specifically reference all of the items we proposed to upgrade at Shiloh Village. As mentioned above, our intention is to upgrade the Property and improve the quality of life for the Shiloh Village's residents, and we will only be able to do so if TDHCA accepts our explanation and appeal of REA's recommendation.

The table below compares REA's recommendation to RAP's estimation of the appropriate tax credit recommendation for Shiloh Village.

	RAP		TDHCA	
	Ineligible	Eligible	Ineligible	Eligible
<b>Acquisition Cost</b>				
Purchase of land	\$1,008,750		\$1,008,750	
Purchase of buildings		\$5,716,250		\$5,716,250
<b>Rehabilitation/New Construction Cost</b>				
On-site work		\$426,228		\$47,350
Off-site improvements				
<b>Construction Hard Costs</b>				
New structures/rehabilitation		\$2,539,017		\$2,021,135
<b>Contractor Fees &amp; General Requirements</b>				
Contractor overhead		\$59,305		\$41,370
Contractor profit		\$177,915		\$124,109
General Requirements		\$177,915		\$124,109
<b>Contingency</b>		\$296,524		\$206,849
<b>Eligible Indirect Fees</b>		\$301,550		\$301,550
<b>Eligible Financing Fees</b>		\$219,500		\$219,500
<b>All Ineligible Costs</b>	\$409,200		\$409,200	
<b>Developer Fees/Overhead</b>		\$1,612,100 *		\$1,320,334
<b>TOTAL ELIGIBLE BASIS</b>		\$11,526,304		\$10,122,556
<b>TOTAL ADJUSTED BASIS</b>		\$13,196,776		\$11,187,216
<b>TOTAL QUALIFIED BASIS</b>		\$13,196,776		\$11,187,216
<b>TOTAL TAX CREDITS</b>		\$774,467		\$610,487

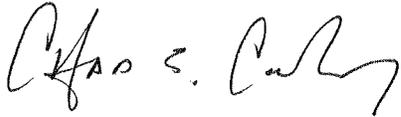
\*Developer Fee split 85% in rehab, 15% in acquisition basis; based on certified public accountant determination.

Please note on the table above that we have allocated 15% of the developer fee to acquisition basis and the remainder to rehab basis based on the amount of development services time spent on rehab versus acquisition, and a determination from RAP's certified public accountant that time is the appropriate measure by which to allocate the fee. Accordingly, please accept this notification as RAP's appeal of REA's method of allocating the developer fee.

As for REA's other conditions listed on page 1 of the underwriting report, RAP is working diligently to meet TDHCA's requirements. We have engaged an environmental consultant to evaluate the concerns identified in the initial Phase I Environmental Site Assessment and we are working with the City of Dallas to clarify their specific requirements for this project. We aim to efficiently conduct the appropriate amount of rehabilitation at Shiloh Village and we hope our efforts are not limited by Dallas' previous determination of minimum rehab. Finalization of this appeal will enable RAP to resolve the questions with Dallas and move forward with the rehabilitation of Shiloh Village.

We appreciate your consideration of our appeal, welcome questions and comments at any time, and look forward to a quick resolution of this matter.

Very truly yours,

A handwritten signature in black ink, appearing to read "Chad E. Cooley". The signature is fluid and cursive, with the first name "Chad" being the most prominent.

Chad E. Cooley  
Related Apartment Preservation, LLC

CC: Jen Joyce, TDHCA

**EXHIBIT A**

**EXHIBIT 3 ACTIVITY OVERVIEW**

**Part D. Work Write-Up for Rehabilitation Developments (Only available in Excel Format)**

**X** The Development Owner's architect or contractor should complete this form which helps the Department ensure that the redevelopment costs are realistic. The activity descriptions provided below should be detailed enough so that a staff member may clearly identify the proposed work and may evaluate the cost against current market standards. Each item should include the cost of labor and material plus any charges for equipment, overhead and profit from a subcontractor or material supplier.

 Attach all building by building itemizations that led to the summary totals below.

Name of Development:

Example:  
Roofing

Removed all existing shingles and felt. Replaced 10% of roof decking and soffit material. Entire development reroofed with roofing felt, flashing and shingles. Attic roof ventilators replaced.	160	Squares	30	2,700	\$7,500
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Item	Brief Description of Activity Performed or Material Installed	Quantity	Material		Labor	Total Cost
			Type of Measure (squares, linear ft., sq. ft, lbs., etc.)	Cost/Measure	Total Labor	

**OFF-SITES**

Off-site concrete						\$0
Storm drains & devices						\$0
Water & fire hydrants						\$0
Off-site utilities						\$0
Sewer lateral(s)						\$0
Off-site paving						\$0
Off-site electrical						\$0
Other: (specify)						\$0
<b>Subtotal Off-Sites Cost</b>						<b>\$0</b>

**SITE WORK**

Demolition						\$0
Rough grading						\$0
Fine grading						\$0
Storm drain & detention ponds						\$0
On-site concrete	Repair sidewalk trip hazards	1,400	Square YD	26	7,500	\$43,900
On-site electrical						\$0
On-site paving	Repair Asphalt as needed	1,551	Square YD	28	13,500	\$56,928
On-site utilities						\$0
Decorative masonry						\$0
Bumper stops, striping & signs	Furnish and install new seal & stripping	90,000	Sq. ft	0.25	5,500	\$28,000
Landscaping	Upgrade landscaping	168	units	400	13,500	\$80,700
Pool and decking	Pool Repairs and new pool furniture	168	units	275	8,750	\$54,950
Recreational facilities/playgrounds	Upgrade playground areas plus additions	168	units	100	2,250	\$19,050

Fencing

Fencing Description	Premier Fencing 6' high wrought iron fence with baked enamel finish	2,600	linear ft.	37	15,000	\$111,200
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2001 LIHTC APPLICATION SUBMISSION PROCEDURES MANUAL - APPLICATION EXHIBITS PROVIDED BY THE DEPARTMENT

Item	Brief Description of Activity Performed or Material Installed	Quantity	Type of Measure (squares, linear ft., sq. ft, lbs., etc.)	Cost/Measure	Total Labor	Total Cost
Security gate and controls	Access Gate and Controls	2	Gates	13,000	5,500	\$31,500
Post Office Boxes						\$0
Trash collection facilities						\$0
Other: (specify)						\$0
<b>Subtotal Site Work Cost</b>						<b>\$426,228</b>

**DIRECT CONSTRUCTION**

Concrete

Light weight concrete

Masonry

Metals

Rough Carpentry

Finish Carpentry

Waterproofing

Insulation (specify installation locations and R-rating)

Roofing

Sheet metal

Electrical

Plumbing

	Allowance for sub-floor replacement on 10% of units	17	10% of units	1950	8,000	\$41,150
						\$0
						\$0
	Wrap 15,368 sq. ft. vinyl siding on top of existing hardboard siding. Remove and replace 2,250 linear ft., of deteriorated all deteriorated wood trim and soffit.	168	units	750	27,000	\$153,000
						\$0
						\$0
						\$0
	Remove and replace 1500 squares @ \$103.33 p/square (labor & materials) and replace 740 sheets of deteriorating roof decking @ \$51.81 p/sheet (materials & labor).	168	units	842	51,883	\$193,339
						\$0
	<b>Interior Electric:</b> Total Interior Electric expense \$407.61 p/unit 1. Remove and dispose of all plugs, switches and fixtures in the interior of all 168 units. 2. Replace faulty breakers. 3. Install new plugs and switches. 4. Installation of fluorescent lights in kitchen 5. Installation of G.F.I. receptacles in kitchen and bath. 6. Installation of hollywood lights in bathroom. 7. Pull wire from wall receptical finto ceiling for instalation of 560 ceiling fans @ \$125 p/fan. <b>Exterior Electrical:</b> Total Cost= \$75,000 1. Remove and replace all existing exterior house lighting. Convert from floods to high pressure Soduim,. Four (4) fixtures per building, 60 fixtures.	168	unit	1013	44,294	\$214,478

2001 LIHTC APPLICATION SUBMISSION PROCEDURES MANUAL - APPLICATION EXHIBITS PROVIDED BY THE DEPARTMENT

Item	Brief Description of Activity Performed or Material Installed	Quantity	Type of Measure (squares, linear ft., sq. ft, lbs., etc.)	Cost/Measure	Total Labor	Total Cost
Water and gas pipe fittings, pipe installation etc.						\$0
Bathtubs/Shower Enclosures	Install 240 new shower heads, resurface tubs as needed	240	tubs	150	5,500	\$41,500
Toilets	336 New toilets & seats	168	unit	145	3,750	\$28,110
Sinks	Installation of 336 porcelain vanity sinks and single handle vanity faucets. Installation of 168 kitchen 20 guage sinks and single handle vanity faucets	168	units	480	16,500	\$97,140
Lavatories						\$0
Fixtures						\$0
Water Heater (Provide Flue Effi	Boilers repair and replace as needed. Allowance for underground pipe repair	168	units	270	5,300	\$50,660
Other (describe)	Installation of new p-traps and supply lines in 168 kitchens and 336 bathrooms	168	units	245	17,000	\$58,160
<b>HVAC</b>						
Air Conditioners (Provide SEER Condencers		84	units	1000	12,750	\$96,750
Ductwork, electrical, lines, etc.	Replace air handlers	84	Units	420	5,700	\$40,980
Ceiling Fans	Installation of Ceiling fans in den and all bedrooms	728	fans	85	12,000	\$73,880
Other (describe)						\$0
Doors	Remove and replace 88 solid core doors	80	doors	\$87	2,400	\$9,398
<b>Windows</b>						
Windows (describe i.e. double h	Remove 1,296 windows and replace with 3060 single hung, double pain insulated glass, windows. Remove old caulking, patch drywall and install new interior caulk on all windows. Replace 19,524 linear ft. of window trim, at \$3 p/ linerar ft.	168	windows	1500	56,000	\$308,000
Solar Screens						\$0
Glazing (Mirrors, window walls and	396 Vanity Mirrors	396	mirrors	57	1,700	\$24,272
Lath & plaster						\$0
Drywall	Based on our unit inspection we have determined there is approximately 200 sq. ft. of drywall and texturing repairs in 168 units	33,600	sq. ft.	2	6,000	\$73,200
Tile work	allowance for replacement of 200 bathroom ceramic tile surrounds @ \$275 each (labor and material included)	200		239	7,200	\$55,000
Acoustical						\$0
Resilient or other flooring	Remove and dispose of existing carpet and vinyl in 168 units @ \$175 p/unit, Installation of 28,750 sq. ft. of 1/8" V.C.T. at \$1.45 sq. ft., (labor & material included)	168	units	300	19,156	\$69,556
Carpeting	Installation of new carpet	18,472	Sq. Yrds	7.55	30,000	\$169,464

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS - UNIFORM APPLICATION (MULTIFAMILY HOUSING DEVELOPMENT)

2001 LIHTC APPLICATION SUBMISSION PROCEDURES MANUAL - APPLICATION EXHIBITS PROVIDED BY THE DEPARTMENT

Item	Brief Description of Activity Performed or Material Installed	Quantity	Type of Measure (squares, linear ft., sq. ft, lbs., etc.)	Cost/Measure	Total Labor	Total Cost
Painting & decorating	<b>Interior:</b> Sherwin Williams Interior Latex paint on all walls and ceilings, and Latex Semi Gloss Enamel on all doors, trim, window sills and baseboard. <b>Exterior:</b> Cost to repair & repaint stucco exterior of buildings	168	units	686	23,000	\$138,248
Specialties						\$0
Cabinets	Remove and dispose of all kitchen and bath cabinets and counter tops. Furnish cabinets and tops, use Estate style, oak, stained wood Cabinets. Tops to be squared edged Formica.	168	units	1175	29,000	\$226,400
Equipment for modification for persons with disabilities	Modify Property for persons w/disability	8	units	1400	1,500	\$12,700
Appliances						
Range	168 GE Ranges'	168	units	265	5,000	\$49,520
Oven						\$0
Refrigerator	168 GE refrigerators w/icemackers	168	units	570	2,000	\$97,760
Microwave						\$0
Dishwasher	184 24" GE dishwashers	168	units	235	3,000	\$42,480
Disposal	168 New disposals in kitchen sinks	168	units	35	700	\$6,580
Other (describe)						\$0
Washer						\$0
Fan/Hood	168 30" Range Hoods	168	units	30	1,000	\$6,040
Dryer						\$0
Special Equipment (describe)						\$0
Fireplaces						\$0
Carports or garages						\$0
Accessory buildings	Clubhouse expansion and Remodeling: 1. Clubhouse expansion Subject to city approval and architectural plans, approximately 800 sq. ft. @ \$90.56 p/sq. ft. (cost includes labor & material) 2. Remodeling of existing clubhouse structure including mechanical, plumbing, (bath relocation) electric, demo, roof replacement, window replacement, floor coverings 2,962 sq. ft. @ 30 sq. ft. (cost includes labor & material)	2,962	total improved sq. footage	46	25,000	\$161,252
Elevator						\$0
Lead-Based Paint Abatement						\$0
Asbestos Abatement						\$0
Other: (specify)						\$0
Miscellaneous (not to exceed \$1000)						\$0
<b>Subtotal Direct Construction</b>						\$2,539,016
<b>Total Construction Cost</b> (Number should tie with "Construction Hard Costs" amount shown in "Cost Breakdown.")						\$2,965,244

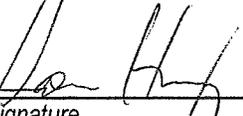
2001 LIHTC APPLICATION SUBMISSION PROCEDURES MANUAL - APPLICATION EXHIBITS PROVIDED BY THE DEPARTMENT

Item	Brief Description of Activity Performed or Material Installed	Quantity	Type of Measure (squares, linear ft., sq. ft, lbs., etc.)	Cost/Measure	Total Labor	Total Cost
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Shiloh Village Associate, Limited Partnership  
Development Owner Name

Leffler & Heaney, Incorporated  
Architect/Contractor Name

By:   
 Signature

By:   
 Signature

Its: President  
2/27/04  
 Date

Its: President  
2-24-04  
 Date

**EXHIBIT B**



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Certified Company

**Client:**

Related Apartment Preservation, LLC  
625 Madison Avenue  
New York, New York 10022  
Mr. Chad Cooley

Texas Department of Housing and Community Affairs  
507 Sabine Street  
Austin, Texas 78701

**Renovation Program Review and  
Property Condition Report  
of  
Shiloh Village Apartments  
8702 Shiloh Road  
Dallas, Texas 75228**

**EMG Project Number: 113607**

**Date of Report: February 25, 2004**

**Date of Site Visit: February 19, 2004**

**Prepared by:**

**EMG  
11011 McCormick Road  
Hunt Valley, Maryland 21031  
(410) 785-6200  
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[www.emgcorp.com](http://www.emgcorp.com)**

## Project at a Glance

Shiloh Village Apartments  
 Dallas, Texas  
 Date of Site Visit: February 19, 2004  
 EMG Project No. 113607

Building Type : Garden Style Apartments  
 Apartments : 168 Units  
 Property Age : 25 Years

Physical Condition Summary	Good	Fair	Poor	Action	Summary of Repair Costs		
					Critical	12 Month	Long Term
<b>Code Compliance and Accessibility</b>							
3.1 Building, Zoning, and Fire Code Compliance	✓			None Required	\$0	\$0	\$0
3.2 ADA Compliance		✓		ADA Modifications	\$0	\$1,135	\$0
3.3 Mold		✓			\$0	\$0	\$0
3.4 Follow-Up Recommendations		✓		Mold prevention	\$0	\$0	\$0
<b>Site Improvements</b>							
5.1 Utilities	✓				\$0	\$0	\$0
5.2 Parking, Paving and Sidewalks	✓			Seal coat / restripe	\$3,750	\$0	\$51,940
5.3 Storm Sewer, Drainage Systems & Erosion Control	✓				\$0	\$0	\$0
5.4 Landscaping and Topography		✓		Replace	\$0	\$21,600	\$0
5.5 General Site Improvements		✓		Repair / replace	\$0	\$22,000	\$32,500
<b>Building Architectural &amp; Structural Systems</b>							
6.1 Foundations	✓				\$0	\$0	\$0
6.2 Superstructure and Floors	✓	✓		Repair	\$0	\$67,200	\$0
6.3 Roofing		✓	✓	Replace	\$0	\$115,200	\$0
6.4 Exterior Walls	✓			Repair / Paint	\$0	\$165,000	\$337,500
6.5 Exterior and Interior Stairs	✓	✓		Repair	\$0	\$15,500	\$0
6.6 Exterior Windows and Doors		✓		Replace	\$0	\$354,000	\$0
6.7 Patio, Terrace and Balcony				Not Applicable	\$0	\$0	\$0
6.8 Common Areas, Entrances and Corridors				Not Applicable	\$0	\$0	\$0
<b>Building Mechanical, Electrical and Plumbing Systems</b>							
7.1 Building HVAC	✓	✓			\$0	\$0	\$0
7.2 Building Plumbing and Domestic Hot Water	✓			Replace	\$0	\$0	\$0
7.3 Building Gas Distribution	✓				\$0	\$0	\$0
7.4 Building Electrical	✓				\$0	\$0	\$0
7.5 Building Elevators and Conveying Systems				Not Applicable	\$0	\$0	\$0
7.6 Fire Protection and Security Systems	✓				\$0	\$0	\$0
<b>Interiors</b>							
8.1 Interior Finishes	✓	✓	✓	Repair / replace	\$0	\$523,360	\$352,800
8.2 Kitchen Appliances		✓		Replace	\$0	\$528,640	\$265,960
8.3 HVAC	✓	✓		Replace	\$0	\$171,500	\$193,200
8.4 Plumbing	✓			Replace	\$0	\$67,200	\$0
8.5 Electrical	✓			Upgrade	\$0	\$11,150	\$0
<b>Other Structures</b>							
9.0 Rental Office/ Laundry Building	✓			Repair / replace	\$0	\$5,000	\$0
<b>Environmental Restrictions</b>							
10.0 Environmental Follow-Up Recommendations				See Section 10.0	\$0	\$0	\$0
<b>Total</b>					<b>\$3,750</b>	<b>\$2,068,485</b>	<b>\$1,233,900</b>

### Cost Summary

	Today's Dollars	\$/Unit	w / Escalation
Critical Repairs Cost Estimate	\$3,750	\$22	N/A
Twelve Month Repairs Cost Estimate	\$2,068,485	\$12,312	N/A
Long Term Physical Needs (20-years)	\$1,233,900	\$7,345	\$1,658,907

Unescalated \$/Unit/Year	Escalated \$/Unit/Year
\$367	\$494

### Critical and Twelve Month Physical Needs

Property Name: Shiloh Village Apartments	No. of Units: 168
Location: Dallas, Texas	No. of Buildings: 15
EMG Project Number: 113607	Reserve Term: 20 years
	Property Age: 25 years

Sec	Component or System	Action / Comment	Quantity	Unit	Cost	Critical Repairs Total \$	Twelve Month Total \$
3.2	ADA Survey	Perform follow-up study	1	EA	\$1,135.00	\$0	\$1,135
5.2	Pedestrian paving, concrete	Replace	750	SF	\$5.00	\$3,750	\$0
5.4	Landscaping	Replace	168	EA	\$50.00	\$0	\$8,400
5.4	Irrigation system	Repair	1	LS	\$10,000.00	\$0	\$10,000
5.4	Retaining walls, wood timber	Replace	400	LF	\$8.00	\$0	\$3,200
5.5	Dumpster enclosures	Replace	4	EA	\$1,000.00	\$0	\$4,000
5.5	Building mounted HID lighting	Repair	15	EA	\$500.00	\$0	\$7,500
5.5	Perimeter Fencing, chain link	Replace	200	LF	\$15.00	\$0	\$3,000
5.5	Playground equipment	Replace	1	LS	\$7,500.00	\$0	\$7,500
6.2	Floor structures	Repair sub floor	84	EA	\$800.00	\$0	\$67,200
6.3	Roof covering, asphalt shingles	Replace	960	SQ	\$120.00	\$0	\$115,200
6.4	Exterior walls, soffits and trim	Repair	15	BLDG	\$1,000.00	\$0	\$15,000
6.4	Exterior walls, stucco/ siding	Prep and paint/stain	150,000	SF	\$1.00	\$0	\$150,000
6.5	Exterior steel stairs, scraping and recoating	Repair	5	c	\$2,500.00	\$0	\$12,500
6.5	Exterior steel stair / concrete treads	Repair	10	EA	\$300.00	\$0	\$3,000
6.6	Exterior Unit Doors	Replace 1x during term	84	EA	\$400.00	\$0	\$33,600
6.6	Windows (Frames and glazing)	Replace 1x during term	712	EA	\$450.00	\$0	\$320,400
8.1	Living area floors, carpet (older)	Replace	168	EA	\$1,250.00	\$0	\$210,000
8.1	Living area floors, resilient (older)	Replace	168	EA	\$450.00	\$0	\$75,600
8.1	Living area walls & ceilings, drywall	Repair and paint	168	EA	\$800.00	\$0	\$134,400
8.1	Interior doors	Replace	1,216	EA	\$85.00	\$0	\$103,360
8.2	Refrigerator (older)	Replace	67	EA	\$450.00	\$0	\$30,240
8.2	Dishwasher (older)	Replace	67	EA	\$250.00	\$0	\$16,800
8.2	Range (older)	Replace	168	EA	\$400.00	\$0	\$67,200
8.2	Cabinets, Countertop and sink	Replace original cabinetry	148	EA	\$2,800.00	\$0	\$414,400
8.3	HVAC, fan coil units	Replace 1x during term	126	EA	\$850.00	\$0	\$107,100
8.3	HVAC: split DX system	Replace	56	EA	\$1,150.00	\$0	\$64,400
8.4	Bath Fixtures (Sink, toilet, tub)	Replace	168	EA	\$400.00	\$0	\$67,200
8.5	Electrical devices: switches & outlets	Install GFCI in kitchen and bathroom	446	EA	\$25.00	\$0	\$11,150
9.0	Rental office	Replace finishes	1	LS	\$5,000.00	\$0	\$5,000

<b>Total Repairs</b>	<b>\$3,750</b>	<b>\$2,068,485</b>
<b>Cost per Dwelling Unit</b>	<b>\$22</b>	<b>\$12,312</b>





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## 1. Certification

---

EMG has completed a Property Condition Report of the Shiloh Village Apartments located at 8702 Shiloh Road in Dallas, Dallas County, Texas.

The purpose for which this report shall be used shall be limited to the use as stated in the contract between the client and EMG.

The assessment was performed at the Client's request using the methods and procedures consistent with good commercial or customary practice designed to conform with acceptable industry standards. This report is exclusively for the use and benefit of the Client identified on the first page of this report. This report is not for the use or benefit of, nor may it be relied upon by, any other person or entity without the advance written consent of EMG.

This report is exclusively for the use and benefit of the Client identified on the first page and is not for the use or benefit of, nor may it be relied upon by any other person or entity, for any purpose, without the advance written consent of EMG. The purpose for which this report shall be used shall be limited to the use as stated in the contract between the client and EMG.

The opinions EMG expresses in this report were formed utilizing the degree of skill and care ordinarily exercised by any prudent architect or engineer in the same community under similar circumstances. EMG assumes no responsibility or liability for the accuracy of information contained in this report which has been obtained from the Client or the Client's representatives, from other interested parties, or from the public domain. The conclusions presented represent EMG's professional judgment based on information obtained during the course of this assignment. EMG's evaluations, analyses and opinions are not representations regarding either the design integrity, structural soundness, or actual value of the property. Factual information regarding operations, conditions and test data provided by the Client or their representative have been assumed to be correct and complete. The conclusions presented are based on the data provided, observations made, and conditions that existed specifically on the date of the assessment.

EMG certifies that EMG has no undisclosed interest in the subject property, EMG's relationship with the Client is at arms-length, and that EMG's employment and compensation are not contingent upon the findings or estimated costs to remedy any deficiencies due to deferred maintenance and any noted component or system replacements.



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**DRAFT -- FOR DISCUSSION PURPOSES ONLY** 113607

EMG's PCA cannot wholly eliminate the uncertainty regarding the presence of physical deficiencies and the performance of a subject property's building systems. Preparation of a PCR in accordance with ASTM E2018-99 is intended to reduce, but not eliminate, the uncertainty regarding the potential for component or system failure and to reduce the potential that such component or system may not be initially observed. This PCR was prepared recognizing the inherent subjective nature of EMG's opinions as to such issues as workmanship, quality of original installation, and estimating the remaining useful life of any given component or system. It should be understood that EMG's suggested remedy may be determined under time constraints, formed without the aid of engineering calculations, testing, exploratory probing, code compliance, the removal of materials, or design considerations. Furthermore, there may be other alternate or more appropriate schemes or methods to remedy the physical deficiency. EMG's opinions are generally formed without detailed knowledge from individuals familiar with the performance of the component or system.

If you have any questions regarding this report, please contact Matthew E. Wasson listed below at 1 (800) 733-0660, Ext. 2714 or via email at [mewasson@emgcorp.com](mailto:mewasson@emgcorp.com).

Prepared by: Melvin Cauthen  
Project Manager

Reviewed by:

Matthew E. Wasson  
Technical Relationship Manager



## 2. Executive Summary

---

### 2.1. Summary of Findings

---

The Client contracted with EMG to conduct a Property Condition Assessment (PCA) in order to prepare a Property Condition Report (PCR) of the subject property, Shiloh Village Apartments, located at 8702 Shiloh Road in Dallas, Dallas County, Texas. The PCA was performed on February 19, 2004. In addition, documentation regarding a proposed renovation was reviewed by EMG.

The multi-family property has fifteen, 2-story apartment buildings containing 168 apartment units and a single-story rental office/laundry building. The site area is 10.006 acres. Construction of the property was completed in 1979.

On site amenities include a swimming pool, a children's playground, and a laundry room.

Generally, the property appears to have been constructed within industry standards in force at the time of construction, to have been somewhat well maintained during recent years, and is in fair overall condition.

According to property management personnel, the property has had a limited capital improvement expenditure program over the past three years. Documents regarding the proposed/ongoing renovation and budgets were not provided to EMG. A more detailed observation of the Documents and Budget can be found in Section 4 of this report.

There are a number of Critical Repairs, Twelve Month Physical Needs, and Long Term Physical Needs that are required over the evaluation period. These needs are identified in the various sections of this report and are summarized in the attached cost tables. A *Project at a Glance* summary table is provided as part of the Executive Summary.

### 2.2. Follow Up Recommendations

---

No additional evaluation is necessary.



### 2.3. Purpose

---

The purpose of this report is to assist the Client in evaluating the physical aspects of this property and how its condition may affect the Client's financial decisions over time. For this PCA, representative samples of the major independent building components were observed and their physical conditions were evaluated in accordance with ASTM E2018-99. These components include the site and building exteriors, representative interior areas, and a random sampling of the tenant units. The report identifies Critical Repairs, Twelve Month Physical Needs, and Long Term Physical Needs. The standard is a non-luxury standard adequate for the rental market. The Twelve Month Physical Needs identified are intended to reflect those necessary for the Project to retain its original market position. All findings relating to these opinions of probable costs are included in the relevant narrative sections of this Report.

The property management staff and code enforcement agencies were interviewed for specific information relating to the physical property, code compliance, available maintenance procedures, available drawings and other documentation. The Remaining Useful Life (RUL) of the property's systems and components were assessed and the estimated cost for repairs or replacements is included in the cost estimates. All findings are included in the narrative sections of this report.

The physical condition of building components is typically defined as being in one of the following categories: Good, Fair, and Poor. For the purposes of this report, the following definitions are used:

- Good = Satisfactory as-is. Requires only routine maintenance during the evaluation period. Repair or replacement may be required due to a system's estimated useful life.
- Fair = Satisfactory as-is. Repair or replacement is required due to current physical condition and/or estimated remaining useful life.
- Poor = Immediate repair, replacement, or significant maintenance is required.



#### 2.4. Deviations from Guide (ASTM E2018-99)

---

ASTM E2018-99 requires that any deviations from the guide be so stated within the report. EMG's probable cost threshold limitation is reduced from the guide's \$3,000 to \$1,000, thus allowing for a more comprehensive assessment on smaller scale properties. Therefore, EMG's opinions of probable costs that are individually less than a threshold amount of \$1,000 are omitted from this PCA. However, comments and estimated costs regarding identified deficiencies relating to life/safety or accessibility items are included regardless of this cost threshold.

#### 2.5. Additional Scope Considerations

---

Items required by ASTM E2018-99 are included within the Property Condition Assessment and associated report (PCR). Additional "non-scope" considerations were addressed at the request of the Client. These additional items are identified as follows:

- PCA is performed by a Professional Engineer or a Registered Architect
- PCA is reviewed by a Professional Reviewer other than the Field Observer
- Property disclosure information obtained from the EMG Pre-Survey Questionnaire
- A limited visual assessment utilizing the EMG Accessibility Checklist
- A limited visual assessment and review of the property for mold growth, conditions conducive to mold growth, and evidence of moisture in accessible areas of the property
- Preparation of the Replacement Reserves based upon a reserve term as provided by the Client
- Provide a statement on the property's Remaining Useful Life
- Provide cross reference indexing between cost tables and report text
- Provide *Project At a Glance* summary table
- Determination of geographic Uniform Building Code Seismic Zone
- Determination of FEMA Flood Plain Zone for single address properties
- Preparation of cost tables and report commentary to include all aspects of the proposed renovation work.



## 2.6. Cost Estimate Components and Property Life Estimates

---

Based on observations of readily apparent conditions, an Immediate and Short Term Repairs Estimate (Table 1) was developed addressing critical repairs as health and safety deficiencies that require Critical Repairs attention. Twelve Month Physical Needs is an estimate of repairs, replacements, or significant deferred or other maintenance items required within as part of the renovation work. In addition, a Long Term Physical Needs cost estimate (Table 2) was prepared for the major components identified to be repaired, replaced, or to have significant maintenance performed over the next 20 years.

EMG's *Project at a Glance* provides a summary of the conditions observed during EMG's visit to the property and estimated costs aggregated by either Critical Repairs, Twelve Month Physical Needs or Long Term Physical Needs and cross-referenced to each report section.

These opinions of probable costs are based on invoice or bid documents provided, construction costs developed by construction resources such as *R.S. Means* and *Marshall & Swift*, in addition to EMG's experience with past costs for similar properties, and assumptions regarding future economic conditions.

Subject to the qualifications stated in this paragraph and elsewhere in this report, the remaining useful life (RUL) of the property is estimated to be not less than 35 years. The foregoing estimate as to useful life is an expression of a professional opinion and is not a guarantee or warranty, express or implied. This estimate is based upon the observed physical condition of the property at the time of the EMG's visit and is subject to the possible effect of concealed conditions or the occurrence of extraordinary events, such as natural disasters or other "acts of God", which may occur subsequent to the date of the on site visit.

The remaining useful life for the property is further based on the assumption that: (a) the critical repairs, Twelve Month Physical Needs, and future repairs for which replacements provided as capital reserves are recommended are completed in a timely and workmanlike manner; and (b) a comprehensive program of preventive and remedial property maintenance is continuously implemented using an acceptable standard of care. The estimate is made only with regard to the expected physical or structural integrity of the improvements on the property, and no opinion regarding economic or market conditions, the present or future appraised value of the property, or its present or future economic utility is expressed by EMG.



## 2.7. Personnel Interviewed

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The following personnel from the facility and government agencies were interviewed in the process of conducting the PCA:

Name and Title	Organization	Phone Number
Ms. Cynthia Perry-Bryant Manager	Shiloh Village Apartments	214-328-2632
Ms. Lisa Davis Customer Service	Dallas Building Department	214-948-4480
Mr. Steve Smith Customer Service	Dallas Planning and Zoning Department	214-948-4382
Ms. Lashonda Charles Records Department	Dallas Fire Records Department	214-670-4319

The PCA was performed with the assistance of Ms. Cynthia Perry-Bryant, Manager, with Shiloh Village Apartments, the on site Point of Contact (POC), who was cooperative and provided information which appeared to be accurate based upon subsequent site observations. The on site contact is somewhat knowledgeable about the subject property and answered most questions posed during the interview process. The POC's management involvement at the property has been for the past two years.



**2.8. Construction Plans Reviewed**

Prior to the PCA, EMG requested relevant documentation that could aid in the knowledge of the subject property’s physical improvements, extent and type of use, and/or assist in identifying material discrepancies between reported information and observed conditions. EMG’s review of documents submitted does not include commenting on the accuracy of such documents or their preparation, methodology, or protocol. The following documentation was provided for review while performing the PCA. Discrepancies and referenced report sections are noted in the table below.

Documentation Reviewed			
Resource Item	Provided for Review	Discrepancy Observed	Report Section Reference
Rehabilitation Plans	Not Provided	N/A	N/A
Original construction drawings	Reviewed	No	N/A
Soils report or other site study	Not Provided	N/A	N/A
Cost breakdown for proposed work	Not Provided	N/A	N/A
Maintenance logs	Not Provided	N/A	N/A
Certificate of Occupancy	Received	No	Section 3.1
Prior property condition reports / surveys	Not Provided	N/A	N/A
Outstanding citations for building, fire, life safety, and zoning violations	Not Provided	N/A	Section 3.1
Safety inspection records	Not Provided	N/A	N/A
Appraisal	Not Provided	N/A	N/A
Roof warranty information	Not Provided	N/A	N/A
Warranty information (boilers, chillers, cooling towers, etc.)	Not Provided	N/A	N/A
EUL age information for components and systems	Not Provided	N/A	N/A
Property specific historical repair and replacement cost information	Not Provided	N/A	N/A
Pending proposals or executed contracts for material repairs or replacements	Not Provided	N/A	N/A
ADA accessibility survey	Not Provided	N/A	N/A



Documentation Reviewed			
Resource Item	Provided for Review	Discrepancy Observed	Report Section Reference
Building rent roll, occupancy percentage, and turnover rate	Not Provided	N/A	N/A
Marketing and/or leasing information	Not Provided	N/A	N/A

## 2.9. Pre-Survey Questionnaire

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A Pre-Survey Questionnaire was sent to the POC prior to the site visit. The questionnaire is included in Appendix E. Information obtained from the questionnaire has been used in preparation of this PCR.

## 2.10. Weather Conditions

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Weather conditions at the time of the site visit were clear, with temperatures in the 60s (°F) and light winds.



### 3. Code Information and Accessibility

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#### 3.1. Code Information, Flood Zone and Seismic Zone

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According to of the Dallas Building Department, there are no outstanding building code violations on file. The Building Department does not have an annual inspection program. They only inspect new construction, work that requires a building permit, and citizen complaints. A copy of a typical original Certificate of Occupancy is included in Appendix C.

According to the Dallas Planning Department, the property is located within a MF-1A Multi-family Residential zoning district and is a conforming use.

According to the Dallas Fire Department, code compliance information can only be obtained through submission of a written request under the Freedom of Information Act (FOIA). A request was submitted, and a copy of the request is included in Appendix C. Significant information will be forwarded upon receipt.

According to the Flood Insurance Rate Map, published by the Federal Emergency Management Agency (FEMA) and dated August 23, 2001, the property is located in Zone X, defined as an area outside the 500-year flood plain with less than 0.2% annual probability of flooding: Annual Probability of Flooding of Less than one percent.

According to the 1997 Uniform Building Code Seismic Zone Map of the United States, the property is located in Seismic Zone 0, defined as an area of very low probability of damaging ground motion.

#### 3.2. ADA Accessibility

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Generally, Title III of the Americans with Disabilities Act (ADA) prohibits discrimination by entities to access and use of "areas of public accommodations" and "commercial facilities" on the basis of disability. Regardless of its age, these areas and facilities must be maintained and operated to comply with the Americans with Disabilities Act Accessibility Guidelines (ADAAG).



- Wrap drain pipes below lavatory with insulation; protect against contact with hot, sharp, or abrasive surfaces. (ADAAG Section 4.19.4)

Estimated Cost: 1 @ \$35 each = .....\$35

A full ADA Compliance Survey may reveal additional aspects of the property that are not in compliance.

Corrections of these conditions should be addressed from a liability standpoint, but are not necessarily code violations. The Americans with Disabilities Act Accessibility Guidelines concern civil rights issues as they pertain to the disabled and are not a construction code, although many local jurisdictions have adopted the Guidelines as such. The cost to address the achievable items noted above is \$1,135 and is included as a lump sum in the Twelve Month Physical Needs cost estimate (Table 1).

### 3.3. Mold

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As part of the PCA, EMG completed a limited, visual assessment for the presence of visible mold growth, conditions conducive to mold growth, or evidence of moisture in readily accessible areas of the property. EMG interviewed property personnel concerning any known or suspected mold contamination, water infiltration, or mildew-like odor problems.

This assessment does not constitute a comprehensive mold survey of the property. The reported observations and conclusions are based solely on interviews with property personnel and conditions observed in readily accessible areas of the property at the time of the assessment. Sampling was not conducted as part of the assessment.

EMG observed the presence of visible, suspect mold growth, on several of the HVAC vents in the restrooms of apartment units 207, 119, 219, 222, 180 and 266. In addition, visible, suspect mold growth was observed on the ceiling and walls in apartment unit 161 consisting of approximately 50 square feet.

The source of the moisture appears to be caused by the inability of the moisture in the shower area where the HVAC vent is located to be removed by the bathroom vent fan. The fan is isolated from the bathroom exhaust fan by a solid door preventing the moisture from being removed and allowing the moisture to condense on the vent. The proposed correction is to change the solid door to a louvered door allowing removal of the moisture from the shower area. This work is included in the Twelve Month Physical Needs cost estimate (Table 1) in Section 8.4.



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Remediation can be conducted by properly trained building maintenance staff. In addition, the source of this moisture should be addressed in order to prevent future mold problems. The estimated costs of corrective action are of a minimal quantity, and consequently, are considered to be part of routine maintenance operations. No other costs are included in the tables.



## 4. Existing Building Evaluation

### 4.1. Apartment Unit Types

The following table identifies the reported apartment types and apartment mix.

Apartment Unit Types and Mix		
Quantity	Type	Floor Area
16	2 Bedrooms/1 Bathroom	940 SF
80	3 Bedrooms/1-1/2 Bathrooms	1,119 SF
72	4 Bedrooms/2 Bathrooms	1,200 SF
There are currently 5 vacant units.		
There are currently no down units.		
168	TOTAL	190,960 SF

### 4.2. Apartment Units Observed

Twenty-five percent of the apartment units were observed in order to establish a representative sample and to gain a clear understanding of the property's overall condition. Other areas accessed included the exterior of the property and the interior common areas. The following apartments were observed.

Apartment Units Observed		
Unit/Floor	Type	Comments
101/1 <sup>st</sup>	3 Bedrooms/1-1/2 Bathrooms	Occupied. Fair condition.
103/1 <sup>st</sup>	3 Bedrooms/1-1/2 Bathrooms	Occupied. Good condition.
205/2 <sup>nd</sup>	3 Bedrooms/1-1/2 Bathrooms	Occupied. Fair condition.
207/2 <sup>nd</sup>	3 Bedrooms/1-1/2 Bathrooms	Occupied. Fair condition. Mold observed at bathroom HVAC vent
211/2 <sup>nd</sup>	4 Bedrooms/2 Bathrooms	Occupied. Fair condition.
214/2 <sup>nd</sup>	4 Bedrooms/2 Bathrooms	Occupied. Fair condition. Repair cracks at tape and bed joints.



Apartment Units Observed		
Unit/Floor	Type	Comments
116/1 <sup>st</sup>	4 Bedrooms/2 Bathrooms	Occupied. Fair condition.
119/1 <sup>st</sup>	4 Bedrooms/2 Bathrooms	Occupied. Fair condition. Mold observed at bathroom HVAC vent
219/2 <sup>nd</sup>	4 Bedrooms/2 Bathrooms	Occupied. Fair condition. Mold observed at bathroom HVAC vent
217/2 <sup>nd</sup>	4 Bedrooms/2 Bathrooms	Vacant. Fair condition. Needs make ready. Needs sub floor repairs at the dining area.
220/2 <sup>nd</sup>	4 Bedrooms/2 Bathrooms	Occupied. Fair condition.
222/2 <sup>nd</sup>	4 Bedrooms/2 Bathrooms	Occupied. Fair condition. Mold observed at bathroom HVAC vent. Repair cracks at tape and bed joints.
227/2 <sup>nd</sup>	4 Bedrooms/2 Bathrooms	Occupied. Fair condition.
127/1 <sup>st</sup>	4 Bedrooms/2 Bathrooms	Vacant. Fair condition. Needs make ready
162/1 <sup>st</sup>	2 Bedrooms/1 Bathroom	Occupied. Fair condition.
161/1 <sup>st</sup>	2 Bedrooms/1 Bathroom	Occupied. Fair condition. Mold observed at bathroom ceiling.
168/1 <sup>st</sup>	3 Bedrooms/1-1/2 Bathrooms	Occupied. Good to Fair condition.
268/2 <sup>nd</sup>	3 Bedrooms/1-1/2 Bathrooms	Occupied. Fair condition.
282/2 <sup>nd</sup>	3 Bedrooms/1-1/2 Bathrooms	Occupied. Fair condition.
182/1 <sup>st</sup>	3 Bedrooms/1-1/2 Bathrooms	Occupied. Good condition.
181/1 <sup>st</sup>	3 Bedrooms/1-1/2 Bathrooms	Occupied. Fair condition.
281/2 <sup>nd</sup>	3 Bedrooms/1-1/2 Bathrooms	Occupied. Good condition.
179/1 <sup>st</sup>	3 Bedrooms/1-1/2 Bathrooms	Occupied. Fair condition.
177/1 <sup>st</sup>	3 Bedrooms/1-1/2 Bathrooms	Occupied. Fair condition. Repair cracks at tape and bed joints.
172/1 <sup>st</sup>	3 Bedrooms/1-1/2 Bathrooms	Vacant. Fair condition. Repair cracks at tape and bed joints.
169/1 <sup>st</sup>	3 Bedrooms/1-1/2 Bathrooms	Occupied. Fair condition.
269/2 <sup>nd</sup>	3 Bedrooms/1-1/2 Bathrooms	Occupied. Fair condition. Repair sub floor at the dining area.
129/1 <sup>st</sup>	4 Bedrooms/2 Bathrooms	Occupied. Fair condition.
131/1 <sup>st</sup>	4 Bedrooms/2 Bathrooms	Occupied. Fair condition.
230/2 <sup>nd</sup>	4 Bedrooms/2 Bathrooms	Occupied. Fair condition.



Apartment Units Observed		
Unit/Floor	Type	Comments
133/1 <sup>st</sup>	4 Bedrooms/2 Bathrooms	Occupied. Good condition.
143/1 <sup>st</sup>	3 Bedrooms/1-1/2 Bathrooms	Vacant. Fair condition. Needs make ready.
243/2 <sup>nd</sup>	3 Bedrooms/1-1/2 Bathrooms	Occupied. Fair condition.
248/2 <sup>nd</sup>	3 Bedrooms/1-1/2 Bathrooms	Occupied. Fair condition. Repair sub floor at the dining area. Repair cracks at tape and bed joints.
149/1 <sup>st</sup>	2 Bedrooms/1 Bathroom	Occupied. Fair condition.
154/1 <sup>st</sup>	2 Bedrooms/1 Bathroom	Occupied. Fair condition.
254/2 <sup>nd</sup>	2 Bedrooms/1 Bathroom	Occupied. Fair condition.
256/2 <sup>nd</sup>	2 Bedrooms/1 Bathroom	Occupied. Fair condition.
156/1 <sup>st</sup>	2 Bedrooms/1 Bathroom	Vacant. Good condition.
167/1 <sup>st</sup>	3 Bedrooms/1-1/2 Bathrooms	Occupied. Fair condition.
166/1 <sup>st</sup>	3 Bedrooms/1-1/2 Bathrooms	Occupied. Fair condition.
266/2 <sup>nd</sup>	3 Bedrooms/1-1/2 Bathrooms	Occupied. Fair condition. Mold observed at bathroom ceiling. Repair sub floor at the dining area.

All areas of the property were available for observation during the site visit.

A "down unit" is a term used to describe a non-rentable apartment unit due to poor conditions such as fire damage, water damage, missing appliances, damaged floor, wall or ceiling surfaces, or other significant deficiencies. According to the POC, there are no down units.

#### 4.3. Construction Drawings

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No drawings were prepared for the planned repairs.

#### 4.4. Construction Specifications

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No construction specifications for the planned repairs were provided for review.



**4.5. Construction Contract**

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No Construction Contract for the planned repairs was provided for review.

**4.6. Other Reports:**

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No additional reports for the planned repairs were provided for review.



## 5. Site Improvements

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### 5.1. Utilities

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The following table identifies the utility suppliers and the condition and adequacy of the services.

Site Utilities		
Utility	Supplier	Condition & Adequacy
Sanitary sewer	City of Dallas	Good
Storm sewer	City of Dallas	Good
Domestic water	City of Dallas	Good
Electric service	TXU	Good
Natural gas service	TXU	Good

#### *Observations/Comments:*

- According to the POC, the utilities provided are adequate for the property. There are no unique, on site utility systems such as emergency electrical generators, septic systems, water or waste water treatment plants, or propane gas tanks.

### 5.2. Parking, Paving, and Sidewalks

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The main entrance drive is located along Shiloh Road on the east side of the property. There is an additional entrance drive along Shiloh Road. The parking areas and drive aisles are paved with asphaltic concrete. The entrance driveway aprons are paved with concrete.

Based on a physical count, parking is provided for 371 cars. The parking ratio is 2.2 spaces per apartment unit. All of the parking stalls are located in open lots. Two handicap parking stalls are located adjacent to the rental office, one of which is reserved for vans.

The sidewalks throughout the property are constructed of cast-in-place concrete. Cast-in-place concrete steps are located at grade changes.



The curbs and gutters are constructed of cast-in-place concrete.

**Observations/Comments:**

- The asphalt pavement is in good condition. The POC reported that the paving was overlaid in 2003. There are no significant signs of cracks or surface deterioration. In order to maximize the pavement life, pothole patching, crack sealing, seal coating, and re-striping of the asphalt paving will be required over the evaluation period. The costs are included in the Long Term Physical Needs cost estimate (Table 2).
- The concrete curbs and gutters throughout the property are in good condition. Routine cleaning and maintenance will be required over the evaluation period.
- Some areas of the sidewalks are in fair condition. Cracking, misalignment, spalling and considerable settlement were observed and require repair or replacement for safety reasons. The cost of this work is included in the Critical Repairs cost table (Table 1).

**5.3. Drainage Systems and Erosion Control**

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Storm water from the roofs, landscaped areas, and paved areas flows into on site inlets and catch basins with underground piping connected to the municipal storm water management system.

**Observations/Comments:**

- There is no evidence of storm water runoff from adjacent properties. The storm water system appears to provide adequate runoff capacity. There is no evidence of major ponding or erosion.

**5.4. Topography and Landscaping**

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The property slopes gently down from the northeast side of the property to the southwest property line.

The landscaping consists of trees, shrubs, and grasses. Flowerbeds are located throughout the site.



Landscaped areas are irrigated by an in-ground sprinkler system, which consists of underground piping, shut-off valves, pop-up sprinkler heads, and automatic timers.

Surrounding properties include a school, vacant land and residential developments.

Timber retaining walls are located at grade changes throughout the site.

**Observations/Comments:**

- The topography and adjacent uses do not appear to present conditions detrimental to the property.
- The landscape material is in fair condition. There are isolated areas of poorly maintained and barren landscape throughout the site. New landscape material must be installed at the affected areas as part of the renovation. The cost of this work is included in the Twelve Month Physical Needs cost estimate (Table 1).
- The underground irrigation system is in fair condition. According to the POC, the system has a history of leaks and extensive maintenance requirements. Portions of the system have been abandoned in place. Based on the Estimated Useful Life and the observed conditions, replacement is recommended as part of the renovation. The cost of this work is included in the Twelve Month Physical Needs cost estimate (Table 1).
- The retaining walls appear to be in fair to poor condition. Isolated areas of the wood timbers are rotted or splintering. Based on the Remaining Useful Life and the observed conditions, replacement is recommended within the Year. The cost of this work is included in the Twelve Month Physical Needs cost estimate (Table 1).

**5.5. General Site Improvements**

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Property identification signage is provided by a wood pole monument sign adjacent to the main entrance drive. Street address numbers are displayed on the exterior elevations.

Site and exterior building illumination is provided by light fixtures surface-mounted on the exterior walls. A wall-mounted light fixture is located adjacent to each apartment unit's entrance door.



The property has an in-ground, outdoor swimming pool that is located adjacent to the rental office/laundry building. The pool has a concrete coping and ceramic tile at the water line. The pool is constructed of concrete and is surrounded by a concrete walkway. The concrete walkway is finished with a cool-deck epoxy coating.

The pool equipment is located in an enclosure adjacent to the pool. The equipment consists of water filters and circulating pumps. The swimming pool water is not heated.

A painted, metal fence, approximately six feet high, surrounds the pool area.

A perimeter fence is located along the north, south and west property lines. The fence is constructed of chain link with metal posts.

A children's play area, which contains metal playground equipment, is located on the southwest corner of the site.

Dumpsters are located in the parking area and are placed on the asphalt paving. The Dumpsters are enclosed by wood board fences and are accessed by wood gates.

**Observations/Comments:**

- The property identification signs are in good condition. Routine maintenance is recommended during the evaluation period. No other action is recommended.
- The exterior light fixtures are original and in fair to poor condition. Many fixtures are missing their translucent enclosure. Based on the observed conditions and the Remaining Useful Life, replacement is recommended as part of the renovation. The cost of this work is included in the Twelve Month Physical Needs cost estimate (Table 1).
- The pool is in good condition, requiring routine maintenance. Based on the estimated Remaining Useful Life (RUL), the pool will require relining during the evaluation period. The costs are included in the Long Term Physical Needs cost estimate (Table 2).
- The concrete pool deck is in good condition. Based on the estimated Remaining Useful Life (RUL), the pool deck will require resurfacing during the evaluation period. The costs are included in the Long Term Physical Needs cost estimate (Table 2).



### 7.3. Building Gas Distribution

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Gas service is supplied from the gas main on the adjacent public street. The gas meters and regulators are located along the exterior walls of the boiler rooms and the laundry room. The gas distribution piping is malleable steel (black iron).

#### **Observations/Comments:**

- According to the POC, the pressure and quantity of gas are adequate.
- The gas meters and regulators appear to be in good condition and will require routine maintenance over the evaluation period.
- Only limited observation of the gas distribution piping can be made due to hidden conditions. The gas piping is in good condition and, according to the POC, there have been no gas leaks.

### 7.4. Building Electrical

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The electrical supply lines run underground to pad-mounted transformers, which feed exterior-mounted electrical meters. The common area lighting is metered separately.

The main electrical service size to each building ranges from a minimum of 1,000-Amp, 120/240-Volt, single phase, three wire, alternating current (AC). The electrical wiring is reportedly copper, installed in non-metallic, sheathed cable. Circuit breaker panels are located throughout each building.

#### **Observations/Comments:**

- The on site electrical systems are owned and maintained by the respective utility company. This includes transformers, meters, and all elements of the on site systems.
- According to the POC, the electrical power is adequate for the property's demands.
- The switchgear, circuit breaker panels and electrical meters appear to be in good condition and will require routine maintenance over the evaluation period.



## 7.5. Elevators and Conveying Systems

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Not applicable. There are no elevators or conveying systems.

## 7.6. Fire Protection Systems

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The fire protection system consists of fire extinguishers and smoke detectors. Fire extinguishers are located in the common areas and are mounted on the wall. At least one hard-wired smoke detector is located in each apartment unit. The nearest fire hydrants are located along the property's drive aisles and are approximately 100 feet from each building.

### ***Observations/Comments:***

- Information regarding fire department inspection information is included in Section 3.1.
- The fire extinguishers are serviced annually and appear to be in good condition. The fire extinguishers were serviced and inspected within the last year.
- Smoke detector replacement is considered to be routine maintenance.
- Exit sign and emergency light replacement is considered to be routine maintenance.



## 8. Dwelling Units

### 8.1. Interior Finishes

The following table generally describes the interior finishes in apartment units:

Typical Apartment Finishes			
Room	Floor	Walls	Ceiling
Living room	Carpet	Painted drywall	Painted drywall
Kitchen	Vinyl tile	Painted drywall	Painted drywall
Bedroom	Carpet	Painted drywall	Painted drywall
Bathroom	Vinyl tile	Painted drywall / Ceramic tile tub surround	Painted drywall

The residential units are typically renovated when tenants move out. The renovation generally consists of floor finish cleaning or replacement, interior painting general cleaning and repair or replacement of any damaged items.

The interior doors are hollow core wood doors set in wood frames with painted or stained finish. Interior doors typically contain knob hardware.

Each apartment has a minimum of one hard-wired smoke detector.

#### **Observations/Comments:**

- The interior finishes in the apartment units are in fair to poor condition. Management intends to complete repairs to the units as part of rehabilitation of the units. This work includes repair of drywall, replacement of floor coverings, replacement of interior doors, and repainting of walls and ceilings. The cost of this work is included in the Twelve Month Physical Needs cost estimate (Table 1).
- Additional floor covering replacements are anticipated during the reserve period. The costs are included in the Long Term Physical Needs cost estimate (Table 2).



- As discussed in the Section 3.3, Mold, there is suspect mold observed on the HVAC vent distribution devices in the bathrooms. The cause is a result of the moisture not being removed by the exhaust fan due to the solid doors separating the shower area from the remaining bathroom. EMG recommends replacing the solid doors with louvered doors to improve the air circulation and moisture removal from the shower area. The cost of this replacement is included in the interior rehabilitation described above.

## 8.2. Appliances

Each apartment unit kitchen typically includes the following appliances:

Appliance	Comment
Refrigerator	Frost-free
Range	Electric
Hood	Ductless
Dishwasher	Provided
Disposal	Not Provided
Trash compactor	Not provided

The kitchen cabinets are constructed of plastic-laminated wood. The countertops are wood and have a plastic-laminated finish.

### Observations/Comments:

- The kitchen cabinets and countertops are generally older and fair to poor condition. Replacement of the original cabinetry and countertops is recommended within the year as part of the rehabilitation. The cost of this work is included in the Twelve Month Physical Needs cost estimate (Table 1).

Based on the Estimated Useful Life and the observed conditions, replacement of the remaining units is anticipated during the reserve term. The cost for this work is included in the Long Term Physical Needs cost estimate (Table 2).



- The kitchen appliances vary in age from newer units, to a variety of original and older replacements. The appliances were generally in good to fair condition. Based on the Estimated Useful Life and the observed conditions, replacement is of the original and older appliances is recommended as part of the renovation. It should be noted that all of the units EMG observed had original ranges. The cost of this work is included in the Twelve Month Physical Needs cost estimate (Table 1).
- Replacement of the newer appliances, and appliances installed during the renovation are anticipated to require replacement late during the evaluation period. The cost for this work is included in the Long Term Physical Needs cost estimate (Table 2).

### 8.3. HVAC

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Heating and cooling are provided by split system air conditioners with electric heat. The fan coil units are concealed above the ceilings. The air-conditioning condensing units are pad-mounted on grade. The cooling equipment uses R-22 as a refrigerant.

Air distribution is provided to supply air registers by ducts concealed above the ceilings. Return air grilles are located adjacent to the fan coil units. The heating and cooling system are controlled by local thermostats.

Natural ventilation is provided by operable windows. Mechanical ventilation is provided in the bathrooms by ceiling exhaust fans.

#### ***Observations/Comments:***

- According to the POC, the HVAC systems are maintained by the in-house maintenance staff. Records of the installation, maintenance, upgrades, and replacement of the HVAC equipment at the property have not been maintained since the property was first occupied.
- According to the POC, most of the HVAC equipment has been replaced within the past five years. HVAC equipment is reportedly replaced on an "as needed" basis.
- The condensers appear to be in good to fair condition. In general, the condensers were observed to be replacement units. Based on their estimated Remaining Useful Life (RUL), some of the condensers will require replacement as part of the renovation. The cost of this work is included in the Twelve Month Physical Needs cost estimate (Table 1).



- Additional replacements are recommended Based on the Estimated Useful Life and the observed conditions. The costs are included in the Long Term Physical Needs cost estimate (Table 2).
- The fan coil units appear to be in good condition. Replacement of some fan coil units is recommended within the year as part of the rehabilitation. The cost of this work is included in the Twelve Month Physical Needs cost estimate (Table 1).

#### 8.4. Plumbing

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The bathrooms include a water closet, enameled-steel bathtub, a vanity, and a lavatory.

Domestic hot water is supplied by the central system described in Section 7.2.

##### *Observations/Comments:*

- The bathroom fixtures are in good to poor condition. Based on the conditions observed and the Estimated Useful Life, replacement of approximately 50 percent of the bath fixtures is recommended. EMG has included budgetary costs to address replacements in the Twelve Month Physical Needs cost estimate (Table 1).
- According to the POC, the pressure and quantity of hot water are adequate.

#### 8.5. Electrical

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The electrical service to each apartment unit ranges from a minimum 125-Amp. A circuit breaker panel inside each unit supplies the HVAC system, appliances, receptacles and light fixtures.

The apartment units have incandescent and fluorescent light fixtures. Each apartment unit has at least one cable television outlet and telephone jack.

##### *Observations/Comments:*

- According to the POC, the electrical power is adequate for each apartment unit's demands.
- The apartment unit light fixtures are in good condition. Light fixture replacement is considered to be routine maintenance.



- EMG observed that no ground fault circuit interrupters are installed in the kitchens and bathrooms. EMG recommends that these be installed as part of the rehabilitation. The cost of this work is included in the Twelve Month Physical Needs cost estimate (Table 1).

#### **8.6. Furniture, Fixtures and Equipment (FF&E)**

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Not applicable. There are no furnished apartments.



## 9. Other Structures

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The rental office/laundry building is located near the main entrance to the property. The rental office/laundry building is constructed of, and finished with, materials similar to the apartment buildings. See Sections 6 and 7 for descriptions and comments.

The rental office/laundry building contains the rental office, the maintenance shop and the laundry room. The rental office/laundry has carpeted or vinyl tile floors and painted, drywall-finished walls and ceilings.

A storage building is located on the north side of the site. The maintenance building is a pre-manufactured painted wood structure set on concrete blocks.

### ***Observations/Comments:***

- The finishes and the furnishings in the rental office are in good to fair condition. Based on their estimated Remaining Useful Life (RUL), some of the finishes and the furnishings will require repairs or replacement. The cost of this work is included as a lump sum in the Twelve Month Physical Needs cost estimate (Table 1).



## 10. Opinions of Probable Cost

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This section provides estimates for the repair and capital reserves items noted within this PCR.

These estimates are based on Invoice or Bid Document/s provided either by the Owner/facility and construction costs developed by construction resources such as *R.S. Means* and *Marshall & Swift*, EMG's experience with past costs for similar properties, city cost indexes, and assumptions regarding future economic conditions.

### 10.1. Methodology

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Based upon site observations, research, and judgment, along with referencing Expected Useful Life (EUL) tables from various industry sources, EMG opines as to when a system or component will most probably necessitate replacement. Accurate historical replacement records, if provided, are typically the best source of information. Exposure to the elements, initial quality and installation, extent of use, the quality and amount of preventive maintenance exercised, etc., are all factors that impact the effective age of a system or component. As a result, a system or component may have an effective age that is greater or less than its actual chronological age. The Remaining Useful Life (RUL) of a component or system equals the EUL less its effective age.

Where quantities could not be derived from an actual take-off, lump sum costs or allowances are used. Estimated costs are based on professional judgment and the probable or actual extent of the observed defect, inclusive of the cost to design, procure, construct and manage the corrections.

### 10.2. Immediate Repairs and Short Term Costs

---

Immediate repairs are opinions of probable costs that require Critical Repairs action as a result of: (1) material existing or potential unsafe conditions, (2) material building or fire code violations, or (3) conditions that, if left unremedied, have the potential to result in or contribute to critical element or system failure within one year or will most probably result in a significant escalation of its remedial cost.



Short term costs are opinions of probable costs to remedy physical deficiencies, such as deferred maintenance, that may not warrant Critical Repairs attention, but that require repairs or replacements which should be undertaken during any renovation work. Such opinions of probable costs may include costs for testing, exploratory probing, and further analysis should this be deemed warranted by the consultant. The performance of such additional services are beyond the PCA scope of work. Generally, the time frame for such repairs is within one to two years.

### 10.3. Modified Capital Reserves

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Modified Capital Reserves are for recurring probable expenditures which are not classified as operation or maintenance expenses. The modified capital reserves should be budgeted for in advance on an annual basis. Capital reserves are reasonably predictable both in terms of frequency and cost. However, capital reserves may also include components or systems that have an indeterminable life but nonetheless have a potential liability for failure within an estimated time period.

Modified Capital Reserves exclude systems or components that are estimated to expire after the reserve term and that are not considered material to the structural and mechanical integrity of the subject property. Furthermore, systems and components that are not deemed to have a material effect on the use are also excluded. Costs that are caused by acts of God, accidents, or other occurrences that are typically covered by insurance, rather than reserved for, are also excluded.

Replacement costs are solicited from ownership/property management, EMG's discussions with service companies, manufacturers' representatives, and previous experience in preparing such schedules for other similar facilities. Costs for work performed by the ownership's or property management's maintenance staff are also considered.

EMG's reserve methodology involves identification and quantification of those systems or components requiring capital reserve funds within the evaluation period. The evaluation period is defined as the effective age plus the reserve term. Additional information concerning system's or component's respective replacement costs (in today's dollars), typical expected useful lives, and remaining useful lives were estimated so that a funding schedule could be prepared. The Modified Capital Reserve Schedule presupposes that all required remedial work has been performed or that monies for remediation have been budgeted for items defined in the Immediate Repair and Short Term Cost Estimate.



## 11. Appendices

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- Appendix A — Photographic Record
- Appendix B — Site Plan
- Appendix C — Supporting Documentation
- Appendix D — EMG Accessibility Checklist
- Appendix E — Pre Survey Questionnaire and Documentation Request Form
- Appendix F — Acronyms and Out of Scope Items
- Appendix G — Resumes for Report Reviewer and Field Observer



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**Appendix A**  
**Photographic Record**



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### EMG PHOTOGRAPHIC RECORD

Project No.: 113607

Project Name: Shiloh Village Apartments



Photo #1: Main entrance with signage

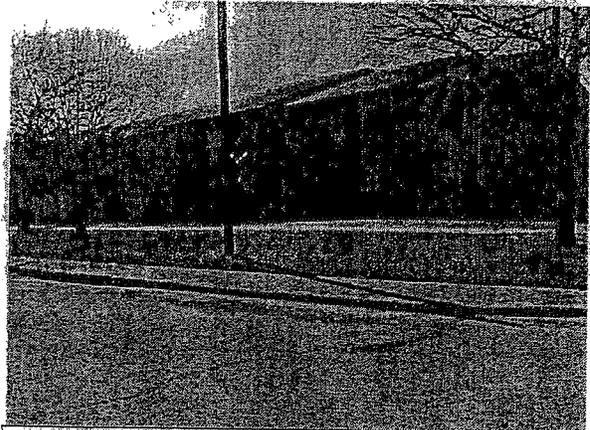


Photo #2: Front elevation of Building 1

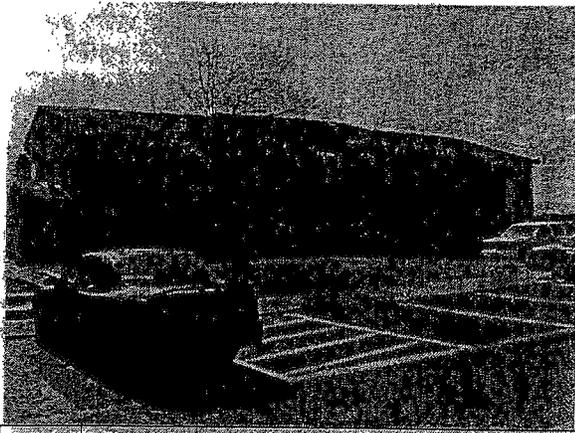


Photo #3: Front elevation of Building 4

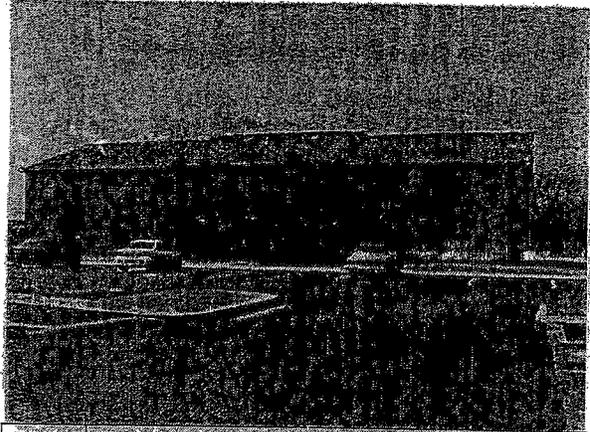


Photo #4: Front elevation of Building 5

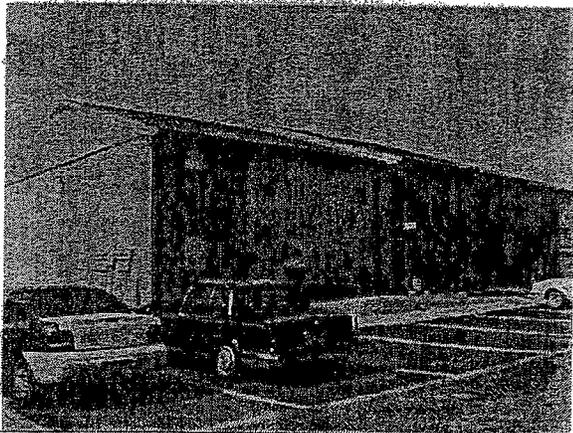


Photo #5: Front elevation of Building 7



Photo #6: Front elevation of Building 10



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### EMG PHOTOGRAPHIC RECORD

Project No.: 113607

Project Name: Shiloh Village Apartments

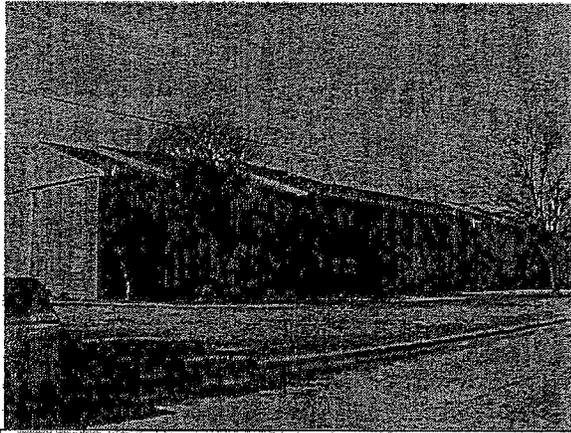


Photo #7: Front elevation of Building 12

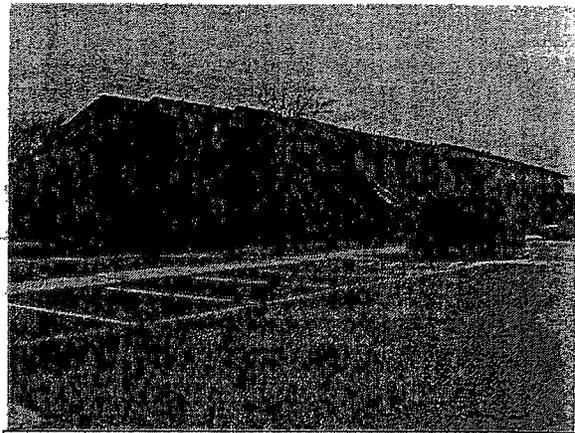


Photo #8: Front elevation of Building 15

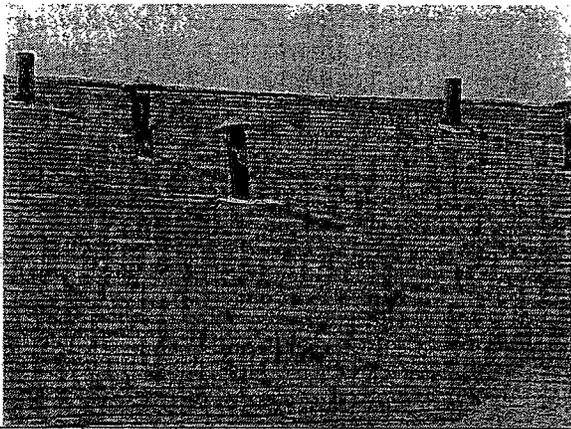


Photo #9: Roof overview



Photo #10: Interior of the leasing office



Photo #11: Restroom at the rental office



Photo #12: Typical apartment unit entrance



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### EMG PHOTOGRAPHIC RECORD

Project No.: 113607

Project Name: Shiloh Village Apartments



Photo #13: Dwelling unit living area



Photo #14: Dwelling unit living area



Photo #15: Dwelling unit dining area



Photo #16: Dwelling unit kitchen



Photo #17: Dwelling unit kitchen



Photo #18: Dwelling unit bedroom



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### EMG PHOTOGRAPHIC RECORD

Project No.: 113607

Project Name: Shiloh Village Apartments

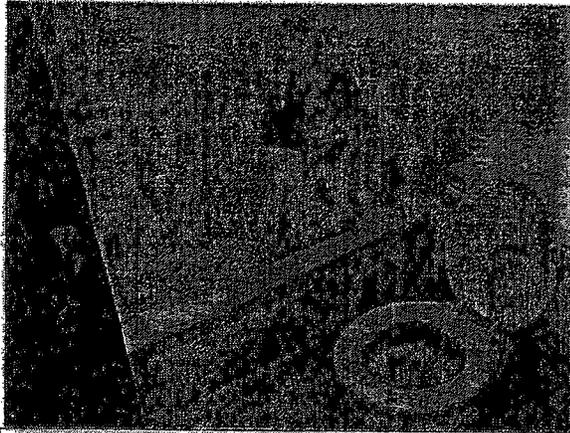


Photo #19: Dwelling unit bathroom

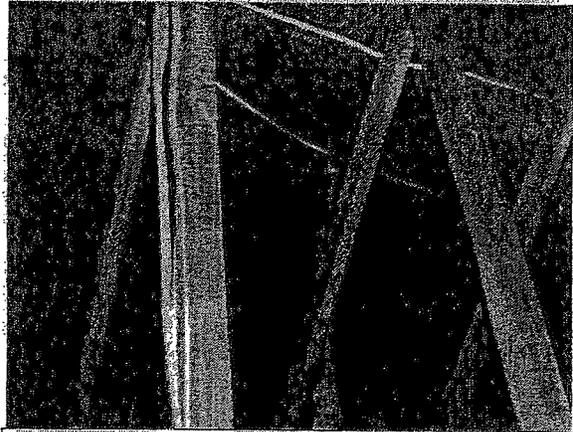


Photo #20: Structural components

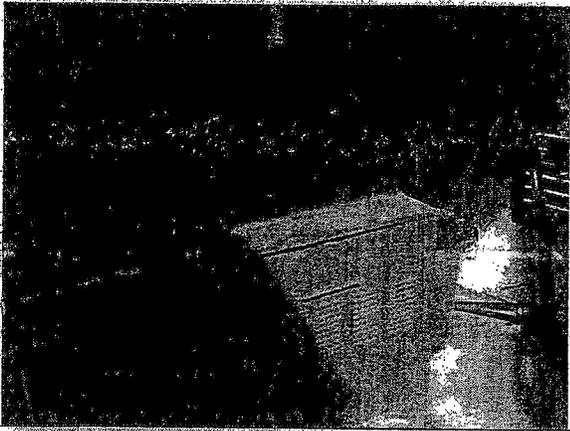


Photo #21: Boiler room



Photo #22: HVAC equipment

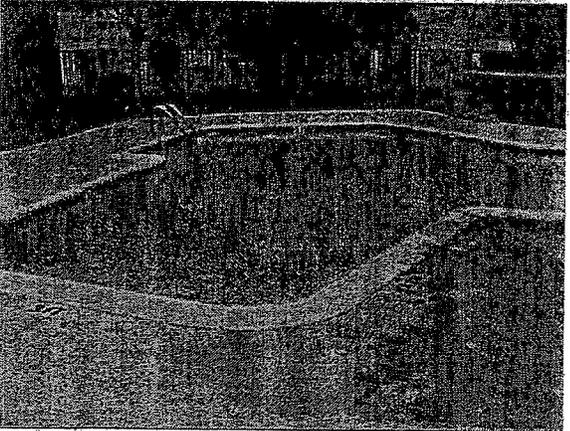


Photo #23: Pool

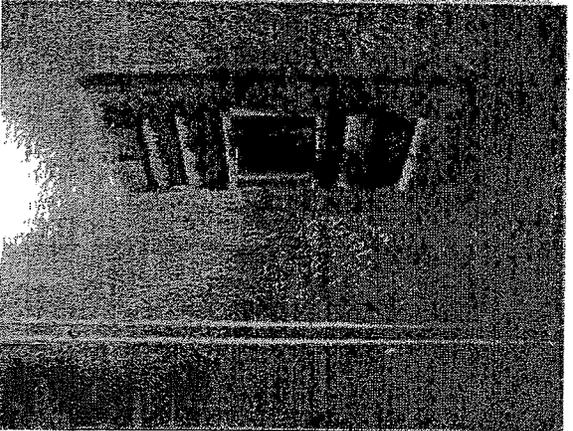


Photo #24: Mold at dwelling unit HVAC vent in the bathroom



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### EMG PHOTOGRAPHIC RECORD

Project No.: 113607

Project Name: Shiloh Village Apartments

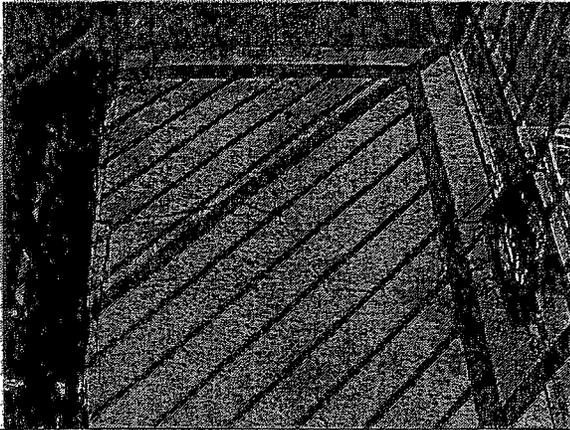


Photo #25: Damaged concrete stair landing

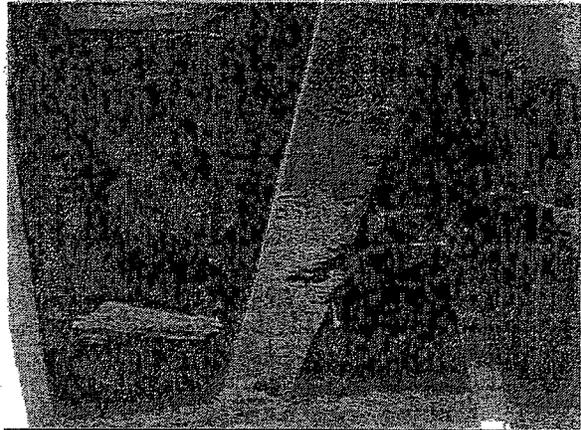


Photo #26: Rusted steel pan at stair landing

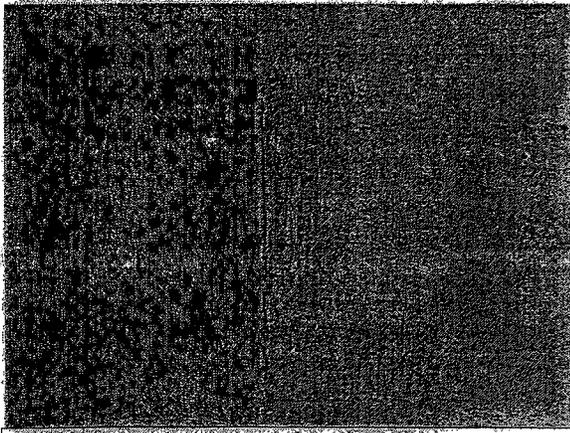


Photo #27: Dwelling unit interior wall crack

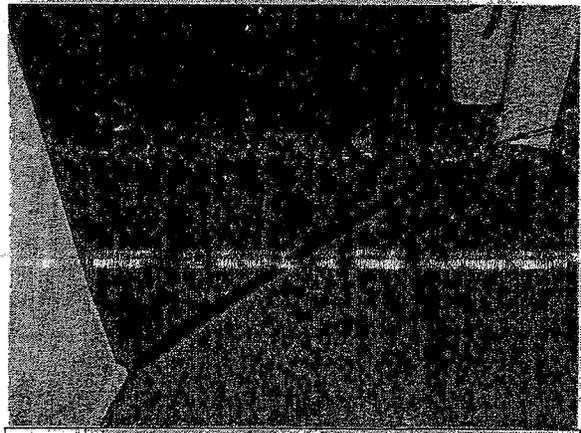


Photo #28: Damaged sub floor

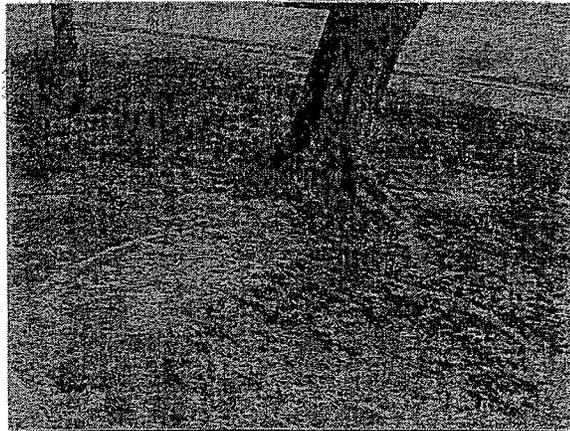


Photo #29: Barren landscaping

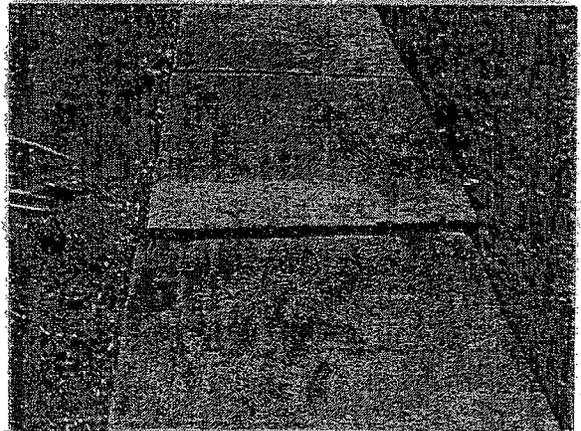


Photo #30: Settled sidewalk



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### EMG PHOTOGRAPHIC RECORD

Project No.: 113607

Project Name: Shiloh Village Apartments

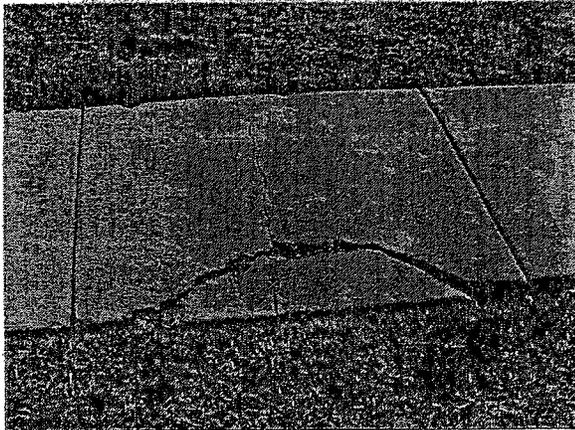


Photo #31: Damaged sidewalk

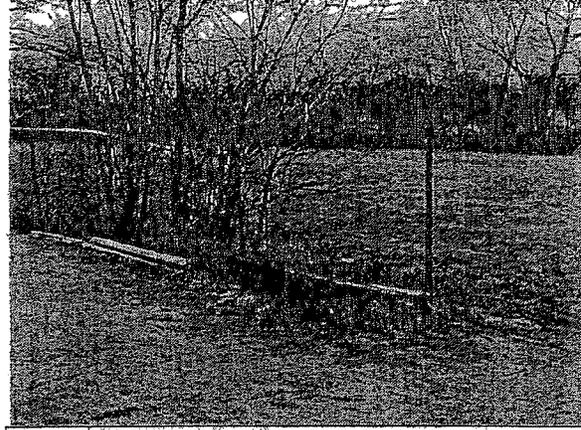


Photo #32: Damaged fencing

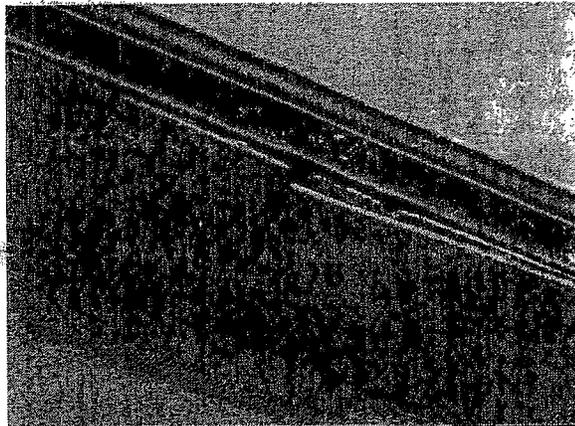


Photo #33: Deteriorated wood soffit and trim



Photo #34: Deteriorated wood soffit and trim

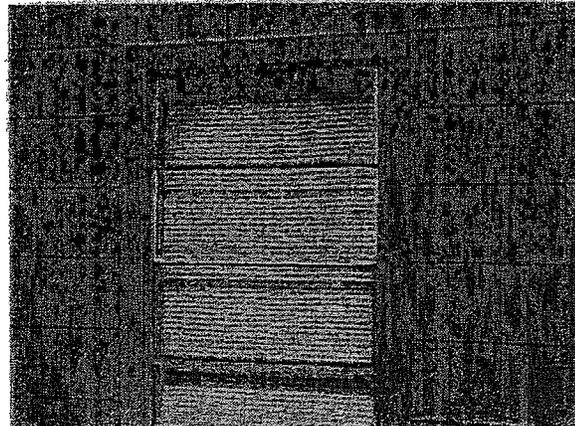


Photo #35: Windows



Photo #36: Missing roofing shingles



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### EMG PHOTOGRAPHIC RECORD

Project No.: 113607

Project Name: Shiloh Village Apartments



Photo #37:	Missing roofing shingles
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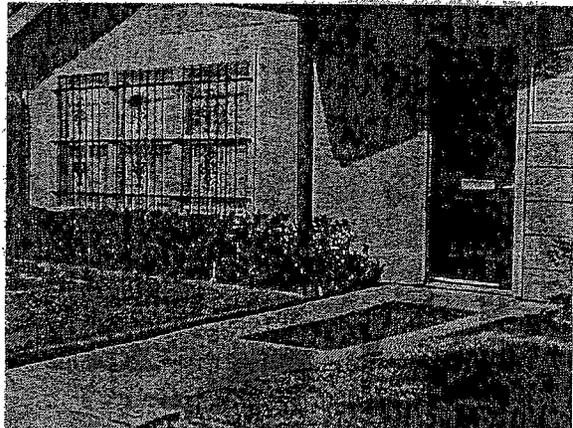


Photo #38:	Entrance to the leasing office
------------	--------------------------------

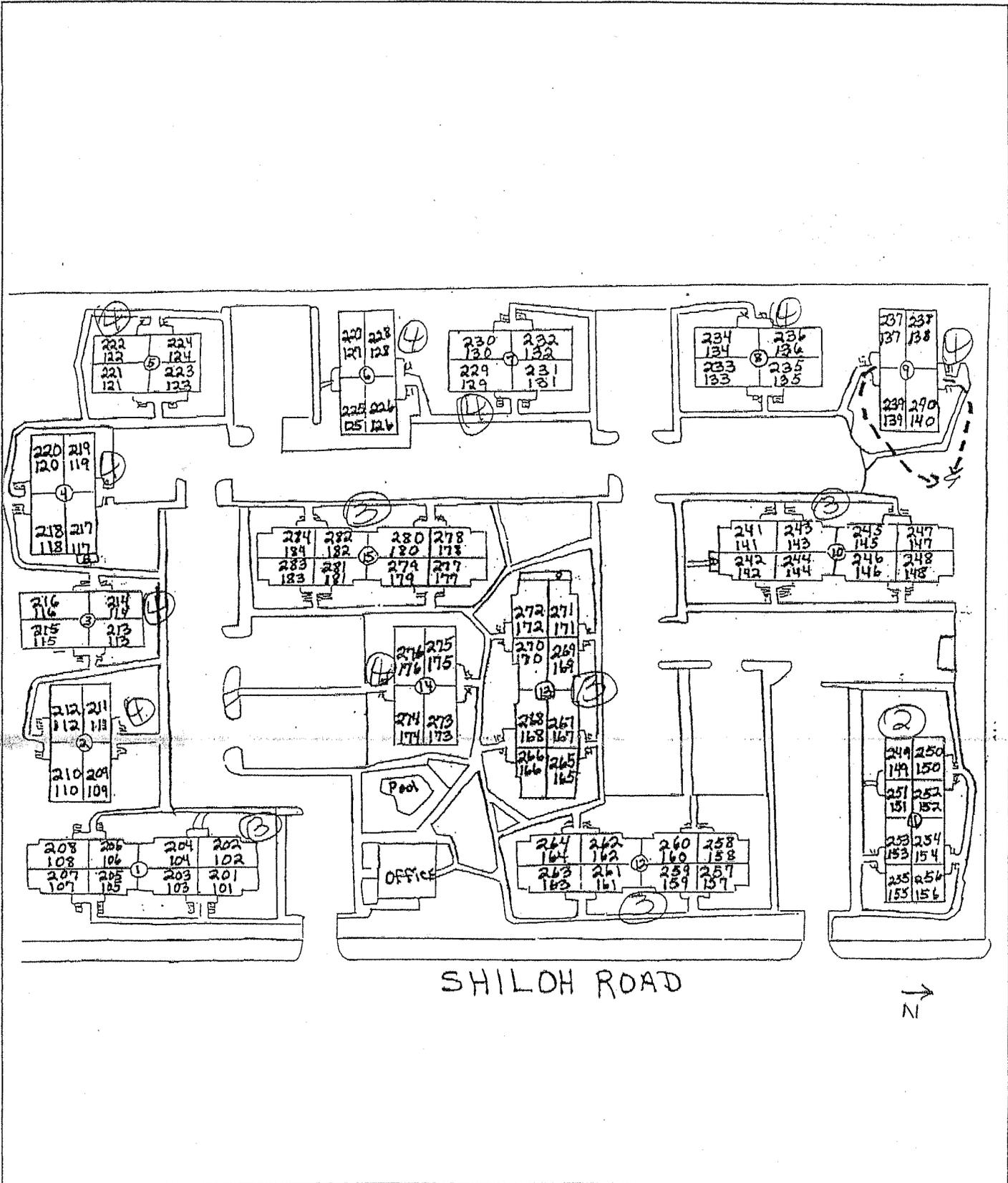


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## Appendix B

### Site Plan



Project Number: 113607  
 Project Name: Shiloh Village Apartments  
 Description: Site Plan  
 The north arrow indicator is an approximation of 0° North



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## Appendix C

### Supporting Documentation



## Fire Department FOIA

To: Ms. Lashonda Charles  
Dallas Fire Department  
Dallas, Texas 75201

Date: February 20, 2004  
Phone #: 214-670-4319  
Fax #: 214-670-4324

Re: Shiloh Village Apartments  
8702 Shiloh Road  
Dallas, Texas 75228

EMG Project No: 113607

Project Manager: Melvin Cauthen

Dear Ms. Charles:

EMG is an engineering firm currently conducting a property condition survey of the above-referenced property. As part of the due-diligence process, we are submitting this letter through the Freedom of Information Act to obtain information specific to the property. We request your assistance by providing us with the following information concerning the site and buildings:

1. Date of last fire department inspection     /     /      
mo. day year
2. Are there any OUTSTANDING fire code violations? YES / NO  
(circle one)
3. How often is the subject property inspected? annually, biennially, other  
(circle one)

Responses may be faxed directly to our office, at (410) 785-6220, or mailed to our corporate offices:

EMG  
Attn: Technical Relationship Manager  
11011 McCormick Road  
Hunt Valley, Maryland 21031

If **outstanding** violations are on file, please provide copies of the reports/citations. Please note the EMG Project Number and the Technical Relationship Manager's name on all correspondence. If you need additional information to complete this request, please contact me at (800) 733-0660. Thank you for your prompt attention to this matter.

Sincerely,  
Melvin Cauthen  
Project Manager



### Record of Communication

Date: February 20, 2004 Time: 3:00 pm  
Project Number: 113607 Recorded by: Melvin Cauthen  
Project Name: Shiloh Village Apartments

Communication with: Ms. Lashanda Charles  
of: Dallas Fire Department  
Phone: 214-670-4319

Communication via:

- Telephone Conversation
- Discussions During Site Inspection
- Office Visitation/Meeting at:
- Other:

Re: Outstanding fire code violations and inspection history

---

**Summary of Communication:** According to the Dallas Fire Department, code compliance information can only be obtained through submission of a written request under the Freedom of Information Act (FOIA). A request was submitted, and a copy of the request is included in Appendix C. Significant information will be forwarded upon receipt.

---

**Conclusions, Actions Taken, Required, or Recommended:** FOIA request was sent. FOIA response will be forwarded upon receipt as an attachment to Appendix C.

---

**Follow-up Required: When, With and By Whom:**

---

Site Elements Systems and Conditions

DRAFT -- FOR DISCUSSION PURPOSES ONLY

Shiloh Village Apartments  
 Dallas, Texas  
 February 19, 2004  
 113607

No. of Units: 168  
 No. of Buildings: 15  
 Reserve Term: 20 years  
 Property Age: 25 years

Item Descriptions	Cond	EUL	Age	RUL	Diff	Action / Comment	Quantity	Unit	Now	DM
ADA Survey	F	NA	NA	NA		Perform follow-up study	1	EA	✓	
Roof Consultant, core samples & report	p	NA	NA	NA						
<b>SITEWORK</b>										
On-site sanitary sewer collection system	G	30	25	-5	2					
Site power distribution	G	40	25	15	1					
Site gas main	G	40	25	15	1					
Gas distribution lines	G	40	25	15	1					
Roadways, asphalt (seal coat)	F	5	1	4		Seal and fill cracks	519,400	EA		
Pedestrian paving, concrete	P	15	25	-10		Replace	750	SF	✓	
Catch basin	G	40	25	15	1					
Storm drain lines	G	50	25	25						
Site sanitary lines	G	50	25	25						
Site water main	G	40	25	15	1					
Site sewer main	G	50	25	25						
Earthwork	G	50	25	25						
Landscaping	P	50	25	25		Replace	168	EA	✓	
Irrigation system	P	30	25	5		Repair	1	LS	✓	
Retaining walls, wood timber	F	15	25	-10		Replace	400	LF	✓	
Swimming pool deck	G	15	1	14		Resurface deck	1,000	SF		
Dumpster enclosures	P	10	10	0		Replace	4	EA	✓	
Swimming pool equipment	G	10	1	9		Replace as needed	2	EA		
Swimming pool surface	G	10	1	9		Replace as needed	2	LS		
Signage	G	10	25	-15	3					
Building mounted HID lighting	F	6	6	0		Repair	15	EA	✓	
Perimeter Fencing, chain link	P	40	25	15		Replace	200	LF	✓	
Playground equipment	P	25	22	3		Replace	1	LS	✓	
<b>BUILDING EXTERIOR</b>										
Foundations	G	50	25	25						
Roof covering, asphalt shingles	P	20	24	-4		Replace	960	SQ	✓	
Roof structure	G	50	25	25						
Roof drainage, exterior (gutter & fascia)	G	25	2	23						
Insulation within wall	G	50	25	25						
Exterior walls, soffits and trim	P	15	25	-10		Repair	15	BLDG	✓	
Exterior walls, stucco/ siding	F	5	3	2		Prep and pain/stain	150,000	SF	✓	
Exterior walls, stucco/ siding	G	5	-1	6		Prep and pain/stain	450,000	SF		
Exterior steel stairs, scraping and recoating	P	10	25	-15		Repair	5	c	✓	
Exterior steel stair / concrete treads	P	20	25	-5		Repair	10	EA	✓	
Windows (Frames and glazing)	P	30	25	5		Replace 1x during term	712	EA	✓	
<b>MISCELLANEOUS</b>										
Rental office	P	20	25	-5		Replace finishes	1	Ls	✓	
<b>MECHANICAL, ELECTRICAL, PLUMBING</b>										
Hot and cold water distribution	G	50	25	25						
DHW, instantaneous	G	25	2	23						
Sanitary waste and vent system	G	50	25	25						
Gas distribution system	G	50	25	25						
Electrical wiring	G	60	25	35						
Building lighting	G	20	25	-5	3					
<b>INTERIOR FINISHES &amp; APPLIANCES</b>										
Living area floors, carpet (older)	P	7	7	0		Replace	168	EA	✓	
Living area floors, carpet	G	7	-1	8		Replace	336	EA		
Living area floors, resilient (older)	P	15	15	0		Replace	168	EA	✓	
Living area floors, resilient	G	15	-1	16		Replace	168	EA		
Living area walls & ceilings, drywall	P	50	25	25		Repair and paint	168	EA	✓	
Interior doors	G	30	25	5		Replace	1,216	EA	✓	
Refrigerator (older)	F	15	15	0		Replace	67	EA	✓	
Refrigerator (newer)	G	15	5	10		Replace	101	EA		
Dishwasher (older)	F	10	10	0		Replace	67	EA	✓	
Dishwasher (newer)	G	10	6	4		Replace	202	EA		
Range (older)	F	15	15	0		Replace	168	EA	✓	
Range (newer)	G	15	-1	16		Replace	168	EA		
Cabinets, Countertop and sink	P	20	19	1		Replace original cabinetry	148	EA	✓	
Cabinets, Countertop and sink	G	20	5	15		Replace 1x during term	20	EA		
Refrigerator (newer)	G	15	-1	16		Replace	67	EA		
Dishwasher (newer)	G	10	-1	11		Replace	67	EA		
HVAC, fan coil units	F	25	25	0		Replace 1x during term	126	EA	✓	
HVAC, fan coil units	F	25	10	15	3					
HVAC: split DX system	F	15	4	11		Replace	112	EA		
HVAC: split DX system	F	15	14	1		Replace	56	EA	✓	
HVAC: split DX system	G	15	-1	16		Replace at least 1x during term	56	EA		
Bath Fixtures (Sink, toilet, tub)	P	20	25	-5		Replace	168	EA	✓	
Bath Fixtures (Sink, toilet, tub)	F	20	10	10	3					
Restroom ventilation	P	NA	NA	####						
Electrical devices: switches & outlets	P	15	25	-10		Install GFCI in kitchen and bathroom	446	EA	✓	

Foot Notes indicated in "Diff" Column:

1. Quality of original construction appears to be higher than typical industry standards, extending the remaining useful life.
2. Reported maintenance performed appears to be of a higher than typical industry standard, extending the remaining useful life.
3. Item/component is of such minimal quantity/cost that it is considered part of the routine maintenance program.

CITY OF DALLAS

Building Inspection  
320 E. Jefferson Blvd.  
Dallas, Texas 75203

CERTIFICATE OF OCCUPANCY

CO Number: 7910165225

Date Issued: 10/10/1979

Use: APARTMENTS

Expiration date:

Name: SHILOH VILLAGE APTS. LTD.

CO Fee:

DEA:

Mapsco: 39 /W

Telephone:

Fax:

Address:

8702 SHILOH RD 75328

Lot:	TR	Block:	735 7	/	Act Code:	Dwlg Units:	168
Work Use:		Zoning:			Own Code:	District:	08
<del>Prop Park:</del>		<del>Lot Area:</del>			<del>SUP:</del>	<del>Stories:</del>	
Req Park:		Bldg Area:	0		PDD:	MF-1	Occ Code: B-1
Sprinkler:		Type Const:					

This certificate shall be displayed  
on the above premises at all times.

# WESTMARK MANAGEMENT COMPANY - OCCUPANCY & COLLECTION REPORT SHILOH VILLAGE APARTMENTS

Date:

7/1/2003

221d4

PROPERTY UNIT SCHEDULE					TOTALS	TOTAL SEC8
UNIT TYPE	2BR	3BR	4BR	TOTALS		
SQUARE FEET	940	1,119	1,200	190,960		
RENT TYPE	Section 8	Section 8	Section 8	GPI		
RENT PER UNIT	\$609	\$678	\$779	\$120,072		
TOTAL UNITS	16	80	72	168		168

OCCUPIED UNITS



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## Appendix D

### EMG Accessibility Checklist



Property Name: Shiloh Village Apartments

Date: February 19, 2004

Project Number: 113607

EMG Accessibility Checklist					
Building History		Yes	No	N/A	Comments
1.	Has the management previously completed an ADA review?		X		
2.	Does an ADA compliance plan exist for the property?		X		
3.	Has the plan been reviewed/approved by outside agencies (engineering firms, building department, other agencies)?		X		
4.	Have any ADA related complaints been received in the past?		X		
Building Access		Yes	No	N/A	Comments
1.	Are there an adequate number (per regulation) of wheelchair accessible parking spaces available (96" wide/ 60" aisle)	X			
2.	Is there at least one wheelchair accessible van parking space (96" wide/ 96" aisle) for every 8 standard accessible spaces?	X			
3.	Are accessible parking spaces located on the shortest accessible route of travel from an accessible building entrance?	X			
4.	Does signage exist directing you to wheelchair accessible parking and an accessible building entrance?			X	
5.	Is there a ramp from the parking to an accessible building entrance (1:12 slope or less)	X			
6.	If the main entrance is inaccessible, are there alternate accessible entrances?			X	
7.	Is the accessible entrance doorway at least 32" wide?	X			



EMG Accessibility Checklist					
8.	Is the door handle easy to open? (lever/push type knob, no twisting required, no higher than 48" above floor)	X			
9.	Are entry doors other than revolving doors available?	X			
Building Corridors and Elevators		Yes	No	N/A	Comments
1.	Is the path of travel free of obstructions and wide enough for a wheelchair (at least 60" wide)?	X			
2.	Are floor surfaces firm, stable and slip resistant (carpets wheelchair friendly)?	X			
3.	Do obstacles (phones, fountains, etc.) protrude no more than 4" into walkways or corridor?		X		
4.	Are elevators controls low enough to be reached from a wheelchair (48" front approach/54" side approach)?			X	
5.	Are there raised elevator markings in Braille and Standard Alphabet for the blind?			X	
6.	Are there audible signals inside cars indicating floor changes?			X	
7.	Do elevator lobbies have visual and audible indicators of the cars arrival?			X	
8.	Does the elevator interior provide sufficient wheelchair turning area (51" X 68" minimum)?			X	
9.	Is at least one wheelchair accessible public phone available?	X			
10.	Are wheelchair accessible facilities (restrooms, exits, etc.) identified with signage?		X		Provide signage
Restrooms		Yes	No	N/A	Comments
1.	Are common area public restrooms located on an accessible route?	X			
2.	Are pull handles push/pull or lever type?	X			
3.	Are access doors wheelchair accessible (at least 32" wide)?	X			



EMG Accessibility Checklist					
4.	Are public restrooms large enough for wheelchair turnaround (60" turning diameter)?		X		
5.	Are stall doors wheelchair accessible (at least 32" wide)?			X	
6.	Are grab bars provided in toilet stalls (33"-36" above floor)?		X		Install grab bars
7.	Do sinks provide clearance for a wheelchair to roll under (29" clearance)?	X			
8.	Are sink handles operable with one hand without grasping, pinching or twisting?		X		Provide paddle faucet
9.	Are exposed pipes under sink sufficiently insulated against contact?		X		Insulate pipes
10	Are soap dispensers, towel, etc. reachable (48" from floor for frontal approach, 54" for side approach)?	X			
11	Is the base of the mirror no more than 40" off floor?	X			



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## Appendix E

### Pre Survey Questionnaire and Documentation Request Form



**Pre-Survey Questionnaire**

**Property Name:** Shiloh Village Apartments

**Respondent Name:** Ms. Cynthia Perry-Bryant

This questionnaire must be completed by the property owner, the owner's designated representative, or anyone knowledgeable about the subject property, and must be presented to EMG's Field Observer on the day of the site visit. During the site visit, EMG's Field Observer may ask for details associated with selected questions. This questionnaire will be utilized as an exhibit in EMG's final Property Condition Report.

Unk = Unknown NA = Not Applicable

	Yes	No	Unk	NA		Yes	No	Unk	NA
1. Does the property have full-time maintenance personnel or staff?	X				20. Is the HVAC equipment more than 10 years old?	X	X		
2. Have there been any major capital improvements in the last 5 years?	X				21. Does the HVAC equipment use R-22 as a refrigerant?	X			
3. Are there any unresolved building, fire or zoning code issues?		X			22. Are the water heaters/boilers more than 10 years old?		X		
4. Has a termite inspection occurred within the last year?		X			23. Is polybutylene piping used at the property?			X	
5. Are there any "down" units?		X			24. Are there any plumbing leaks or water pressure problems?		X		
6. Are there any problems with the foundations or structures?		X			25. Does any part of the electrical system use aluminum wiring?			X	
7. Is there any water infiltration in basements or crawl spaces?		X			26. Has any elevator equipment been replaced within the last 10 years?				X
8. Are there any wall or window leaks, or poorly insulated areas?		X			27. Are the elevators maintained by a contractor on a routine basis?				X
9. Are there any current roof leaks at the property?	X				28. Is the emergency communication equip. in the elevators functional?				X
10. Is the roof covered by a warranty or bond?			X		29. Have fire/life safety systems been inspected within the last year?				X
11. Is Fire Retardant Plywood used at the property?			X		30. Are there any smoke evacuation or pressurization systems?				X
12. Are any roof finishes more than ten years old?			X		31. Are any Omega or Central brand fire sprinkler heads installed?				X
13. Do utilities (water, sewer, electric, gas) provide adequate service?	X				32. Are emergency electrical generators routinely maintained?				X
14. Is the property served by an on site water well or septic system?		X			33. Do the tenants contract for their own tenant improvement work?		X		
15. Do irrigation systems function properly?		X			34. Are tenants responsible for roof, HVAC, OR exterior painting costs?		X		
16. Does your HVAC system provide the minimum quantity of outside air recommended by ASHRAE?	X				35. Are the HVAC systems inspected on a regular basis? If so, how often?	X			
17. Is the HVAC system inspected at least annually, and problems corrected?	X				36. Have problems with HVAC systems been corrected in a timely manner?	X			
18. Has the HVAC system or any part of the property ever contained visible mold growth? If yes, where? When?		X			37. Is there a response action planned and in place in order to prevent mold growth, or respond to its presence?			X	
19. Has the building been tested for indoor air quality or mold? If yes, what were the results?			X		38. Does the property have an exterior insulation and finish (EIFS) system with synthetic stucco (Dryvit) façade?			X	



### Request for Documentation

On the day of the site visit, provide EMG's Field Observer access to all of the available documents listed below. Provide copies if possible.

#### INFORMATION REQUIRED

1. All available construction documents (blueprints) for the original construction of the building or for any tenant improvement work or other recent construction work.
2. A site plan, preferably 8 1/2" X 11", which depicts the arrangement of buildings, roads, parking stalls, and other site features.
3. For commercial properties, provide a tenant list which identifies the names of each tenant, vacant tenant units, the floor area of each tenant space, and the gross and net leasable area of the building(s).
4. For apartment properties, provide a summary of the apartment unit types and apartment unit type quantities, including the floor area of each apartment unit as measured in square feet.
5. For hotel or nursing home properties, provide a summary of the room types and room type quantities.
6. Copies of Certificates of Occupancy, building permits, fire or health department inspection reports, elevator inspection certificates, roof or HVAC warranties, or any other similar, relevant documents.
7. The names of the local utility companies which serve the property, including the water, sewer, electric, gas, and phone companies.

8. The company name, phone number, and contact person of all outside vendors who serve the property, such as mechanical contractors, roof contractors, fire sprinkler or fire extinguisher testing contractors, and elevator contractors.
9. A summary of recent (over the last 5 years) capital improvement work which describes the scope of the work and the cost of the improvements. Executed contracts or proposals for improvements. Historical costs for repairs, improvements, and replacements.
10. Records of system & material ages (roof, MEP, paving, finishes, furnishings).
11. Any brochures or marketing information.
12. Appraisal, either current or previously prepared.
13. Current occupancy percentage and typical turnover rate records (for commercial and apartment properties).
14. Previous reports pertaining to the physical condition of property.
15. ADA survey and status of improvements implemented.
16. Current / pending litigation related to property condition.

Your timely compliance with this request is greatly appreciated.



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## Appendix F

### Acronyms and Out of Scope Items



## ASTM E2018-99 Acronyms

- ADA - The Americans with Disabilities Act
- ASTM - American Society for Testing and Materials
- BOMA - Building Owners & Managers Association
- BUR - Built-up Roofing
- DWV - Drainage, Waste, Ventilation
- EIFS - Exterior Insulation and Finish System
- EMF - Electro Magnetic Fields
- EMS - Energy Management System
- EUL - Expected Useful Life
- FEMA - Federal Emergency Management Agency
- FFHA - Federal Fair Housing Act
- FIRMS - Flood Insurance Rate Maps
- FRT - Fire Retardant Treated
- FOIA - U.S. Freedom of Information Act (5 USC 552 et seq.) and similar state statutes
- FOIL - Freedom of Information Letter
- FM - Factory Mutual
- HVAC - Heating, Ventilating and Air-conditioning
- IAQ - Indoor Air Quality
- MEP - Mechanical, Electrical & Plumbing
- NFPA - National Fire Protection Association
- PCA - Property Condition Assessment
- PCR - Property Condition Report
- PML - Probable Maximum Loss
- RTU - Rooftop Unit
- RUL - Remaining Useful Life
- STC - Sound Transmission Class
- UBC - Uniform Building Code



Ref #	Section 8 - ASIM E 2018-99 Out of Scope Items
8.4.1.8	<b>Utilities:</b> Operating conditions of any systems or accessing manholes or utility pits.
8.4.2.2	<b>Structural Frame and Building Envelope:</b> Entering of crawl or confined space areas (however, field observer should observe conditions to the extent easily visible from the point of access to the crawl or confined space areas), determination of previous substructure flooding or water penetration unless easily visible or if such information is provided.
8.4.3.2	<b>Roofs:</b> Walking on pitched roofs, or any roof areas that appear to be unsafe, or roofs with no built-in access, or determining any roofing design criteria.
8.4.4.2	<b>Plumbing:</b> Determining adequate pressure and flow rate, fixture-unit values and counts, or verifying pipe sizes and verifying the point of discharge for underground systems.
8.4.5.2	<b>Heating:</b> Observation of flue connections, interiors of chimneys, flues or boiler stacks, or tenant-owned or maintained equipment.
8.4.6.2	<b>Air-conditioning and Ventilation:</b> Evaluation of process related equipment or condition of tenant owned/maintained equipment.
8.4.7.2	<b>Electrical:</b> Removing of electrical panel covers, except if removed by building staff, EMF issues, electrical testing, or operating of any electrical devices. Process related equipment or tenant owned equipment.
8.4.8.2	<b>Vertical Transportation:</b> Examining of cables, sheaves, controllers, motors, inspection tags, or entering elevator/escalator pits or shafts
8.4.9.1	<b>Life Safety / Fire Protection:</b> Determining NFPA hazard classifications, classifying, or testing fire rating of assemblies.
8.4.10.2	<b>Interior Elements:</b> Operating appliances or fixtures, determining or reporting STC (Sound Transmission Class) ratings, and flammability issues/regulations.

Ref #	Section 11 - ASIM E 2018-99 Out of Scope Items
11.1	<b>Activity Exclusions -</b> The activities listed below are generally excluded from or otherwise represent limitations to the scope of a PCA prepared in accordance with this <i>guide</i> . These should not be construed as all-inclusive or implying that any exclusion not specifically identified is a PCA requirement under this <i>guide</i> .
11.1.1	Removing or relocating materials, furniture, storage containers, personal effects, debris material or finishes; conducting exploratory probing or testing; <i>dismantling</i> or operating of equipment or appliances; or disturbing personal items or <i>property</i> which obstructs access or visibility.
11.1.2	Preparing <i>engineering</i> calculations (civil, structural, mechanical, electrical, etc.) to determine any <i>system's</i> , <i>component's</i> , or equipment's adequacy or compliance with any specific or commonly accepted design requirements or <i>building codes</i> , or preparing designs or specifications to remedy any <i>physical deficiency</i> .
11.1.3	Taking measurements or quantities to establish or confirm any information or representations provided by the <i>owner</i> or <i>user</i> such as: size and dimensions of the <i>subject property</i> or <i>subject building</i> , any legal encumbrances such as easements, dwelling unit count and mix, <i>building property</i> line setbacks or elevations, number and size of parking spaces, etc.



Ref. #	Section 11 - ASTM E 2013-99 Out of Scope Items
11.1.4	Reporting on the presence or absence of pests such as wood damaging organisms, rodents, or insects unless evidence of such presence is readily apparent during the course of the <i>field observer's walk-through survey</i> or such information is provided to the <i>consultant</i> by the <i>owner, user, property manager, etc.</i> The <i>consultant</i> is not required to provide a <i>suggested remedy</i> for treatment or remediation, determine the extent of infestation, nor provide <i>opinions of probable costs</i> for treatment or remediation of any deterioration that may have resulted.
11.1.5	Reporting on the condition of subterranean conditions such as underground utilities, separate sewage disposal systems, wells; systems that are either considered process-related or peculiar to a specific tenancy or use; waste water treatment plants; or items or systems that are not permanently installed.
11.1.6	Entering or accessing any area of the premises deemed to pose a threat of <i>dangerous or adverse conditions</i> with respect to the <i>field observer</i> or to perform any procedure, which may damage or impair the physical integrity of the <i>property, any system, or component.</i>
11.1.7	Providing an opinion on the condition of any <i>system or component, which is shutdown, or whose operation by the field observer may significantly increase the registered electrical demand-load.</i> However, <i>consultant</i> is to provide an opinion of its physical condition to the extent reasonably possible considering its age, obvious condition, manufacturer, etc.
11.1.8	Evaluating acoustical or insulating characteristics of <i>systems or components.</i>
11.1.9	Providing an opinion on matters regarding security of the <i>subject property</i> and protection of its occupants or users from unauthorized access.
11.1.10	Operating or witnessing the operation of lighting or other <i>systems</i> typically controlled by time clocks or that are normally operated by the building's operation staff or service companies.
11.1.11	Providing an environmental assessment or opinion on the presence of any environmental issues such as asbestos, hazardous wastes, toxic materials, the location and presence of designated wetlands, IAQ, etc.
11.2	<b>Warranty, Guarantee and Code Compliance Exclusions</b> - By conducting a PCA and preparing a PCR, the <i>consultant</i> is merely providing an opinion and does not warrant or guarantee the present or future condition of the <i>subject property, nor may the PCA be construed as either a warranty or guarantee of any of the following:</i>
11.2.1	any <i>system's or component's</i> physical condition or use, nor is a PCA to be construed as substituting for any <i>system's or equipment's</i> warranty transfer inspection;
11.2.2	compliance with any federal, state, or local statute, ordinance, rule or regulation including, but not limited to, <i>building codes, safety codes, environmental regulations, health codes or zoning ordinances</i> or compliance with trade/design standards or the standards developed by the insurance industry. However, should there be any conspicuous <i>material</i> present violations <i>observed or reported based upon actual knowledge of the field observer or the PCR reviewer, they should be identified in the PCR;</i>
11.2.3	compliance of any material, equipment, or <i>system</i> with any certification or actuation rate program, vendor's or manufacturer's warranty provisions, or provisions established by any standards that are related to insurance industry acceptance/approval such as FM, State Board of Fire Underwriters, etc.
11.3	Additional/General Considerations:
11.3.1	Further Inquiry - There may be physical condition issues or certain physical improvements at the <i>subject property</i> that the parties may wish to assess in connection with a <i>commercial real estate transaction</i> that are outside the scope of this <i>guide.</i> Such issues are referred to as non-scope considerations and if included in the PCR, should be identified under Section 10.9.
11.3.2	<b>Non-Scope Considerations</b> - Whether or not a <i>user</i> elects to inquire into non-scope considerations in connection with this <i>guide</i> is a decision to be made by the <i>user.</i> No assessment of such non-scope considerations is required for a PCA to be conducted in compliance with this <i>guide.</i>



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## Appendix G

### Resumes for Report Reviewer and Field Observer



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## MATTHEW E. WASSON

TECHNICAL RELATIONSHIP MANAGER

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### EDUCATION

- Bachelor of Science, Civil Engineering/University of Cincinnati
- OSHA 40-Hour Health and Safety Training (29 CFR 1910.120)

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### ACTIVE LICENSES AND REGISTRATIONS

- Certified EPA/AHERA Building Inspector/MD-01778

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### PROFESSIONAL EXPERIENCE

Mr. Wasson is a graduate of the University of Cincinnati. He is a Civil Engineer with experience managing architectural and engineering facility assessment projects for government and private sector entities. Mr. Wasson is a Technical Relationship Manager for EMG, and is responsible for projects performed directly for lenders, and Federal, State, and Local Housing Programs. Mr. Wasson is also a Quality Control Manager; reviewing architectural/engineering and environmental assessments. As his role of Technical Relationship Manager, Mr. Wasson supervises a team of architects and engineers conducting Building Inspections and Property Condition Surveys. These engineering assessments include evaluations of existing conditions, site improvements, and building architectural and structural systems. Based on project findings, an assessment report is developed along with an analysis of estimated useful life and costs associated with immediate repairs and replacement reserves as may be appropriate.

Mr. Wasson is well versed in Building Inspections, Property Condition Surveys, and Phase I Environmental Site Assessments. Mr. Wasson has significant experience in multifamily and elderly housing projects, having performed over 300 assessments, as well as reviewing over 600 reports performed by other engineers and architects. Since joining with EMG in 1998, Mr. Wasson has worked in 42 States and territories.

**Mark to Market Program** – Mr. Wasson is the senior technical asset lead on the Mark to Market Program insuring compliance with the Office of Multifamily Housing Assistance Restructuring (OMHAR) Operating Procedures Guide. Mr. Wasson works closely with nationally recognized clients providing technical reports and cost analysis. Mr. Wasson has been involved in over 250 Mark to Market refinance deals involving multifamily or senior independent living facilities.

**Department of Housing and Urban Development, Several Locations, USA** – Mr. Wasson is the senior technical asset lead on the HUD Programs 223(f) and 232 pursuant to 223(f). Mr. Wasson has been involved in over 300 HUD deals insuring compliance with the HUD MAP Guide. Mr. Wasson works closely with his clients and the local HUD offices, providing technical reports and cost analysis. Mr. Wasson has been involved in over 300 HUD refinance and or acquisitions deals involving multifamily or senior assisted living facilities. This work runs the gamut from single-story ranch-type dwellings in Indiana to high-rise facilities in New York and California.

**State Housing Authorities** – Mr. Wasson is the senior technical lead on Low Income Tax Credit Deals and Substantial Rehabilitation. Properties in these programs come up for refinancing or for substantial renovation. EMG is responsible for assessing a site's condition, analyzing contractors' scope and cost of work, and generating cost reserves for maintaining a property. EMG then works with the client and developer to develop rehabilitation models and cost analysis.



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**General Services Administration** – Mr. Wasson is the technical lead on this project, which to date has included the evaluation of 15 sites encompassing over 5 Million Square feet. Projects under this contract range from 26 Federal Plaza, a 2.6 Million square foot building in Manhattan to a small historic post office building in Statesville North Carolina. EMG is responsible for assisting GSA in developing their capital facilities plan for major rehabilitation projects at these buildings in preparation for Prospectus Development pre-design. EMG performs facility assessments, completes cost estimates per an RS Means model, adjusted to the location of the project, and populates this assessment data directly into GSA's enterprise facility management web based data management system. Mr. Wasson is responsible for management of assessment teams and technical review of deliverables.



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## MEL CAUTHEN

SENIOR CONSULTANT, FIELD PROJECT MANAGER

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### EDUCATION

- Associate Degree in Arts: Tarrant County Junior College, 1994

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### ACTIVE LICENSES AND REGISTRATIONS

- EPA/AHERA Project Designer, 1990
- EPA/AHERA Management Planner, 1989
- EPA/AHERA Building Inspector, 1988
- EPA/AHERA Contractors Supervisor, 1989
- Environmental Site Assessments, 1990

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### PROFESSIONAL EXPERIENCE

Mr. Cauthen has experience performing construction monitoring services for lenders evaluating the status of construction prior to the release of funds to residential and commercial developers. Prior to his employment with EMG, Mr. Cauthen worked for a nationally recognized Architectural/Engineering firm where he performed investigations and studies to identify deferred maintenance items, construction and design defects and potential environmental liabilities for owners, purchasers and lenders. Mr. Cauthen has a great deal of experience evaluating the quality and completeness of construction plans and specifications and cost estimates.

**Insurance Company, Dallas, TX** – Mr. Cauthen served as the Project Manager for the renovation of a high-rise office building. His responsibilities included coordination between the property management group; tenants, asbestos abatement contractors and general contractors during the demolition and remodeling on a floor by floor basis while the building remained occupied. Mr. Cauthen consulted with the client on all aspects of environmental issues and provided turnkey services for construction administration, air quality, hazardous waste management, and reporting to regulatory authorities.

**Apartments, Ennis, TX** – Mr. Cauthen performed construction document evaluation and monitoring for this multi-story, residential apartment facility as the owners representative. His responsibilities included evaluation of the construction documents, prepared cost comparison data, performed periodic site inspections to determine status and quality of construction, reviewed the Pay Applications and coordinated with the lender prior to the release of funds to the contractor.

**Office/Warehouse Facility, Dallas, TX** – Mr. Cauthen performed construction document evaluation and monitoring for this office warehouse facility as the owner's representative. His responsibilities included evaluation of the construction documents, prepared cost comparison data, performed periodic site inspections to determine status and quality of construction, reviewed the Pay Applications and coordinated with the lender prior to the release of funds to the contractor.

**High-Rise Tower, Tulsa, OK** – Mr. Cauthen was responsible for performing an Architectural/Engineering Site Investigations and an Environmental Site Assessment for this high-rise office building in downtown Tulsa. His responsibilities included review of construction documents, identify deferred maintenance items, construction and design defects and potential environmental liabilities for the Purchaser and Lender.

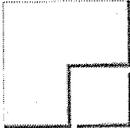
**Office Building, Dallas, TX** – Mr. Cauthen supervised the curtain wall construction for this commercial office building. His responsibilities included reviewing building layout, attending construction meetings, and coordination of materials and labor.



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**Fast Food Restaurant, GA, OH and TX** – Mr. Cauthen developed the site evaluation reports for these properties, outlining the procedures and requirements for zoning and permitting. This effort further provided discovery of site development restrictions and consideration of impact to the client's decision to proceed with development. His responsibilities included providing for the Construction Management of the restaurants, design firm selection, permitting, contractor selection and ordering equipment.

**EXHIBIT C**



Related Apartment Preservation, LLC  
625 Madison Avenue  
New York, New York 10022-1801  
212-421-5333 Fax 212-751-3550  
One of The Related Companies

**VIA ELECTRONIC MAIL**

July 22, 2004

Mr. Phillip Drake  
Texas Department of Housing and Community Affairs  
Underwriting Division  
507 Sabine Street  
Austin, TX 78701

**RE: Shiloh Village (TDHCA # 04147)**  
**Dallas, Texas**  
**Scope of Work Reconciliation with EMG Report**

Dear Mr. Drake:

This letter is a follow up to our conversation regarding discrepancies between the scope of work we submitted in our tax credit application ("SOW") for Shiloh Village ("Property") and the EMG Physical Needs Report dated February 26, 2004 ("PNR"). The PNR was based on EMG's assessment of the minimum required renovations during the first 12 months of ownership. Our SOW, however, is the product of a much more thorough investigation of the Property's deferred needs and incorporates all of the improvements we feel are necessary for the long-term feasibility of the project. We have learned that limiting rehab to immediate needs will ultimately lead to operating difficulty from nagging repairs and long-term neglect. Accordingly, our scope includes many improvements the PNR does not. We have engaged EMG to conduct a new study evaluating the Property from the perspective of sustaining long-term feasibility and expect to have it available for your review in the next few weeks.

Please find below a summary reconciling our SOW to the PNR.

**Site Improvements**

We identified numerous deficiencies on the grounds of the Property that we hope to eliminate, including a lack of playground space, cracked and broken drives and walkways, and a scarcity of adequate landscaping. Accordingly, our budget exceeds the PNR by \$378,878 in this category. We feel the additional site improvements we identified below will greatly enhance the residents' standard of living, eliminate existing hazards, and improve Property marketability.

**Playground** – The Property currently has no acceptable playground space. We budgeted to install a tot lot and playground, the cost of which we anticipate will be \$13,000 more than the PNR allocated.

**Paving & Concrete** – The PNR includes \$3,750 for de minimis repairs to the drives and walkways, while we budgeted \$100,828. The previous owners did a seal coat on the parking lot in 2001 and it is currently in visible need of repair and resealing. Additionally, we identified many areas where the walks are cracked -- presenting a safety hazard to the residents -- and require repair. Accordingly, our budget exceeds the PNR by approximately \$96,000.

**Bumper Stops & Stripping** – EMG did not include this expense in their budget, while we anticipate spending \$28,000 to add bumpers and stripe the parking lot. Curb stops will add value to the Property by helping to maintain the sidewalks and curb appeal of the Property. Without installing curb stops, residents will continue to park the front of their vehicles on the sidewalks, just as they do today. This creates two major problems: (i) residents are unable to use the sidewalk due to vehicles obstructing the walkway, and (ii) engine oil leaks on the sidewalks leading to unsightly stains and premature decay. Accordingly, we feel curb stops are a necessary expense and need be included in the rehab budget. Striping the lot will be required after resealing (described above).

**Landscaping** – We allocated \$60,000 more than EMG suggested for landscaping upgrades. Landscaping plays a crucial role in curb appeal and marketability and we feel the Property requires significant improvements in this area. We also included new property signage in this line item, which EMG did not include.

**Pool & Deck** – The PNR did not include this line item in their budget, however the pool is widely used and receives heavy traffic during the summer months. We feel it is important to upgrade the pool area for the residents' enjoyment for years to come. Currently there is no pool furniture or landscaping, and the pool equipment is in need of repair. We budgeted \$55,000 to upgrade accordingly.

**Fencing** – EMG budgeted \$3,000 for fence repairs. There is currently a chain link fence around the rear of the Property which has been destroyed in several places and provides no site control. We intend to install a new fence around the perimeter of the Property which will include controlled access gates at entrances, just as nearby apartment complexes have done. Accordingly, we budgeted \$142,700 for approximately 2,700 linear feet of new fencing.

### **Building Architectural and Structural Systems**

EMG does not include the cost of expanding the clubhouse in their budget. However, to enable management to provide quality social services to our residents, we intend to expand the clubhouse to include a community room, business center, and library, as well as an expansion of the existing laundry facilities. We budgeted \$161,252 to complete this addition.

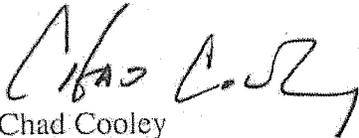
## Interiors

There is a \$296,028 difference between the PNR and our SOW for unit interiors. The Property is 25 years old and the interiors have not been upgraded during that time. Accordingly, we budgeted for the replacement of 100% of all appliances, countertops, cabinets, and sinks. We are doing this to improve the residents' standard of living and reduce future property expenses.

We hope this reconciliation of the PNR and our SOW has clarified and explained the differences between the two. As explained above, we have engaged EMG to complete a new study that will approach the Property's needs from the perspective of long-term feasibility of the project and we will deliver it to you immediately upon our receiving it.

Please call at any time with any questions or comments and we will provide whatever additional information you will need to finish your underwriting.

Very truly yours,



Chad Cooley  
Related Apartment Preservation, LLC

**EXHIBIT D**

**SHILOH VILLAGE (TDHCA #04147)**

**Allocation Appeal**

**Exhibit A**

	<b>PCA Critical &amp; <u>12 Month Needs</u></b>	<b>Updated PCA/ Developer <u>Rehab Scope</u></b>	<b><u>Increase</u></b>
<b>Code Information and Accessibility</b>			
3.1 Building, Zoning, and Fire Code Information	\$0	\$0	\$0
3.2 Accessibility	\$1,135	\$12,000	\$10,865
3.3 Mold	\$0	\$0	\$0
<b>Site Improvements</b>			
5.1 Utilities	\$0	\$0	\$0
5.2 Parking, Paving and Sidewalks	\$3,750	\$128,828	\$125,078
5.3 Storm Sewer, Drainage Systems & Erosion Control	\$0	\$0	\$0
5.4 Landscaping and Topography	\$21,600	\$80,700	\$59,100
5.5 General Site Improvements	\$22,000	\$216,700	\$194,700
<b>Building Architectural &amp; Structural Systems</b>			
6.1 Foundations	\$0	\$0	\$0
6.2 Superstructure and Floors	\$67,200	\$110,706	\$43,506
6.3 Roofing	\$115,200	\$193,339	\$78,139
6.4 Exterior Walls	\$165,000	\$153,000	(\$12,000)
6.5 Exterior and Interior Stairs	\$15,500	\$0	(\$15,500)
6.6 Exterior Windows and Doors	\$354,000	\$341,670	(\$12,330)
6.7 Patio, Terrace and Balcony	\$0	\$0	\$0
6.8 Common Areas, Entrances and Corridors	\$0	\$0	\$0
<b>Building Mechanical and Electrical Systems</b>			
7.1 Building Heating, Ventilating, and Air-Conditioning	\$0	\$0	\$0
7.2 Building Plumbing and Domestic Hot Water	\$0	\$0	\$0
7.3 Building Gas Distribution	\$0	\$0	\$0
7.4 Building Electrical	\$0	\$0	\$0
7.5 Building Elevators and Conveying Systems	\$0	\$0	\$0
7.6 Fire Protection	\$0	\$0	\$0
<b>Dwelling Units</b>			
8.1 Interior Finishes	\$523,360	\$662,312	\$138,952
8.2 Dwelling Appliances	\$528,640	\$602,380	\$73,740
8.3 HVAC	\$171,500	\$211,596	\$40,096
8.4 Plumbing	\$67,200	\$75,570	\$8,370
8.5 Electrical	\$11,150	\$14,478	\$3,328
8.6 Furniture, Fixtures and Equipment (FF&E)	\$0	\$0	\$0
<b>Other Structures</b>			
9.0 Rental Office	\$5,000	\$161,252	\$156,252
<b>TOTAL</b>	<b>\$2,072,235</b>	<b>\$2,964,531</b>	<b>\$892,296</b>

**EXHIBIT E**



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**Client:**

Related Apartment Preservation, LLC  
625 Madison Avenue  
New York, New York 10022  
Mr. Chad Cooley

Texas Department of Housing and Community Affairs  
507 Sabine Street  
Austin, Texas 78701

**Renovation Program Review and  
Property Condition Report  
of  
Shiloh Village Apartments  
8702 Shiloh Road  
Dallas, Texas 75228**

**EMG Project Number: 120286**

**Date of Report: August 5, 2004**

**Date of Site Visit: February 19, 2004**

**Prepared by:**

**EMG  
11011 McCormick Road  
Hunt Valley, Maryland 21031  
(410) 785-6200  
(410) 785-6220 (fax)  
[www.emgcorp.com](http://www.emgcorp.com)**

# Project at a Glance

Shiloh Village Apartments  
 Dallas, Texas  
 Date of Site Visit: February 19, 2004  
 EMG Project No. 120286

Building Type : Garden Style Apartments  
 Apartments : 168 Units  
 Property Age : 25 Years

Physical Condition Summary	Good	Fair	Poor	Action	Summary of Repair Costs		
					Critical	12 Month	Long Term
<b>Code Compliance and Accessibility</b>							
3.1 Building, Zoning, and Fire Code Compliance	✓			None Required	\$0	\$0	\$0
3.2 ADA Compliance		✓		ADA Modifications	\$0	\$12,000	\$0
3.3 Mold		✓			\$0	\$0	\$0
3.4 Follow-Up Recommendations		✓		Mold prevention	\$0	\$0	\$0
<b>Site Improvements</b>							
5.1 Utilities	✓				\$0	\$0	\$0
5.2 Parking, Paving and Sidewalks	✓			Seal coat / restripe	\$3,750	\$128,828	\$31,164
5.3 Storm Sewer, Drainage Systems & Erosion Control	✓				\$0	\$0	\$0
5.4 Landscaping and Topography		✓		Replace	\$0	\$80,700	\$0
5.5 General Site Improvements		✓		Repair / replace	\$0	\$216,700	\$32,500
<b>Building Architectural &amp; Structural Systems</b>							
6.1 Foundations	✓				\$0	\$0	\$0
6.2 Superstructure and Floors	✓	✓		Repair	\$0	\$110,706	\$0
6.3 Roofing		✓	✓	Replace	\$0	\$193,339	\$0
6.4 Exterior Walls	✓			Repair / Paint	\$0	\$153,000	\$106,500
6.5 Exterior and Interior Stairs	✓	✓		Repair	\$0	\$0	\$0
6.6 Exterior Windows and Doors		✓		Replace	\$0	\$341,668	\$0
6.7 Patio, Terrace and Balcony				Not Applicable	\$0	\$0	\$0
6.8 Common Areas, Entrances and Corridors				Not Applicable	\$0	\$0	\$0
<b>Building Mechanical, Electrical and Plumbing Systems</b>							
7.1 Building HVAC	✓	✓			\$0	\$0	\$0
7.2 Building Plumbing and Domestic Hot Water	✓			Replace	\$0	\$0	\$0
7.3 Building Gas Distribution	✓				\$0	\$0	\$0
7.4 Building Electrical	✓				\$0	\$0	\$0
7.5 Building Elevators and Conveying Systems				Not Applicable	\$0	\$0	\$0
7.6 Fire Protection and Security Systems	✓				\$0	\$0	\$0
<b>Interiors</b>							
8.1 Interior Finishes	✓	✓	✓	Repair / replace	\$0	\$662,312	\$218,400
8.2 Kitchen Appliances		✓		Replace	\$0	\$602,380	\$194,843
8.3 HVAC	✓	✓		Replace	\$0	\$211,596	\$159,600
8.4 Plumbing	✓			Replace	\$0	\$75,570	\$0
8.5 Electrical	✓			Electrical / phone	\$0	\$14,478	\$0
<b>Other Structures</b>							
9.0 Rental Office/ Laundry Building	✓		✓	Not Applicable			
				Repair / replace	\$0	\$161,252	\$0
<b>Environmental Restrictions</b>							
10.0 Environmental Follow-Up Recommendations				See Section 10.0	\$0	\$0	\$0
<b>Total</b>					<b>\$3,750</b>	<b>\$2,964,529</b>	<b>\$743,007</b>

## Cost Summary

	Today's Dollars	\$/Unit	w / Escalation	Unescalated \$/Unit/Year	Escalated \$/Unit/Year
Critical Repairs Cost Estimate	\$3,750	\$22	N/A		
Twelve Month Repairs Cost Estimate	\$2,964,529	\$17,646	N/A		
Long Term Physical Needs (20-years)	\$743,007	\$4,423	\$1,000,816	\$221	\$298



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## 1. Certification

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EMG has completed a Property Condition Report of the Shiloh Village Apartments located at 8702 Shiloh Road in Dallas, Dallas County, Texas 75228.

The purpose for which this report shall be used shall be limited to the use as stated in the contract between the client and EMG.

The assessment was performed at the Client's request using the methods and procedures consistent with good commercial or customary practice designed to conform with acceptable industry standards.

This report is exclusively for the use and benefit of the Client identified on the first page of this report. The purpose for which this report shall be used shall be limited to the use as stated in the contract between the client and EMG.

This report is not for the use or benefit of, nor may it be relied upon by, any other person or entity without the advance written consent of EMG.

The opinions EMG expresses in this report were formed utilizing the degree of skill and care ordinarily exercised by any prudent architect or engineer in the same community under similar circumstances. EMG assumes no responsibility or liability for the accuracy of information contained in this report which has been obtained from the Client or the Client's representatives, from other interested parties, or from the public domain. The conclusions presented represent EMG's professional judgment based on information obtained during the course of this assignment. EMG's evaluations, analyses and opinions are not representations regarding either the design integrity, structural soundness, or actual value of the property. Factual information regarding operations, conditions and test data provided by the Client or their representative have been assumed to be correct and complete. The conclusions presented are based on the data provided, observations made, and conditions that existed specifically on the date of the assessment.

EMG certifies that EMG has no undisclosed interest in the subject property, EMG's relationship with the Client is at arms-length, and that EMG's employment and compensation are not contingent upon the findings or estimated costs to remedy any deficiencies due to deferred maintenance and any noted component or system replacements.



EMG's PCA cannot wholly eliminate the uncertainty regarding the presence of physical deficiencies and the performance of a subject property's building systems. Preparation of a PCR in accordance with ASTM E2018-99 is intended to reduce, but not eliminate, the uncertainty regarding the potential for component or system failure and to reduce the potential that such component or system may not be initially observed. This PCR was prepared recognizing the inherent subjective nature of EMG's opinions as to such issues as workmanship, quality of original installation, and estimating the remaining useful life of any given component or system. It should be understood that EMG's suggested remedy may be determined under time constraints, formed without the aid of engineering calculations, testing, exploratory probing, code compliance, the removal of materials, or design considerations. Furthermore, there may be other alternate or more appropriate schemes or methods to remedy the physical deficiency. EMG's opinions are generally formed without detailed knowledge from individuals familiar with the performance of the component or system.

If you have any questions regarding this report, please contact Matthew E. Wasson listed below at 1 (800) 733-0660, Ext. 2714 or at [mewasson@emgcorp.com](mailto:mewasson@emgcorp.com).

Prepared by: Melvin Cauthen  
Project Manager

Reviewed by:

Matthew E. Wasson  
Technical Relationship Manager



## 2. Executive Summary

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### 2.1. Summary of Findings

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The Client contracted with EMG to conduct a Property Condition Assessment (PCA) in order to prepare a Property Condition Report (PCR) of the subject property, Shiloh Village Apartments, located at 8702 Shiloh Road in Dallas, Dallas County, Texas 75228. The PCA was performed on February 19, 2004. In addition, documentation regarding a proposed renovation was reviewed by EMG.

The multi-family property has fifteen, 2-story apartment buildings containing 168 apartment units and a single-story rental office/laundry building. The site area is 10.006 acres. Construction of the property was completed in 1979.

On site amenities include a swimming pool, a children's playground, and a laundry room.

Generally, the property appears to have been constructed within industry standards in force at the time of construction, to have been somewhat well maintained during recent years, and is in fair overall condition.

According to property management personnel, the property has had a limited capital improvement expenditure program over the past three years. Documents regarding the proposed/ongoing renovation and budgets were not provided to EMG. A more detailed observation of the Documents and Budget can be found in Section 4 of this report.

There are a number of Critical Repairs, Twelve Month Physical Needs, and Long Term Physical Needs that are required over the evaluation period. These needs are identified in the various sections of this report and are summarized in the attached cost tables. A *Project at a Glance* summary table is provided as part of the Executive Summary.

### 2.2. Follow Up Recommendations

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No additional evaluation is necessary.



### 2.3. Purpose

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The purpose of this report is to assist the Client in evaluating the physical aspects of this property and how its condition may affect the Client's financial decisions over time. For this PCA, representative samples of the major independent building components were observed and their physical conditions were evaluated in accordance with ASTM E2018-99. These components include the site and building exteriors, representative interior areas, and a random sampling of the tenant units. The report identifies Critical Repairs, Twelve Month Physical Needs, and Long Term Physical Needs. The standard is a non-luxury standard adequate for the rental market. The Twelve Month Physical Needs identified are intended to reflect those necessary for the Project to retain its original market position. All findings relating to these opinions of probable costs are included in the relevant narrative sections of this Report.

The property management staff and code enforcement agencies were interviewed for specific information relating to the physical property, code compliance, available maintenance procedures, available drawings and other documentation. The Remaining Useful Life (RUL) of the property's systems and components were assessed and the estimated cost for repairs or replacements is included in the cost estimates. All findings are included in the narrative sections of this report.

The physical condition of building components is typically defined as being in one of the following categories: Good, Fair, and Poor. For the purposes of this report, the following definitions are used:

- Good = Satisfactory as-is. Requires only routine maintenance during the evaluation period. Repair or replacement may be required due to a system's estimated useful life.
- Fair = Satisfactory as-is. Repair or replacement is required due to current physical condition and/or estimated remaining useful life.
- Poor = Immediate repair, replacement, or significant maintenance is required.



#### 2.4. Deviations from Guide (ASTM E2018-99)

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ASTM E2018-99 requires that any deviations from the guide be so stated within the report. EMG's probable cost threshold limitation is reduced from the guide's \$3,000 to \$1,000, thus allowing for a more comprehensive assessment on smaller scale properties. Therefore, EMG's opinions of probable costs that are individually less than a threshold amount of \$1,000 are omitted from this PCA. However, comments and estimated costs regarding identified deficiencies relating to life/safety or accessibility items are included regardless of this cost threshold.

#### 2.5. Additional Scope Considerations

---

Items required by ASTM E2018-99 are included within the Property Condition Assessment and associated report (PCR). Additional "non-scope" considerations were addressed at the request of the Client. These additional items are identified as follows:

- PCA is performed by a Professional Engineer or a Registered Architect
- PCA is reviewed by a Professional Reviewer other than the Field Observer
- Property disclosure information obtained from the EMG Pre-Survey Questionnaire
- A limited visual assessment utilizing the EMG Accessibility Checklist
- A limited visual assessment and review of the property for mold growth, conditions conducive to mold growth, and evidence of moisture in accessible areas of the property
- Preparation of the Replacement Reserves based upon a reserve term as provided by the Client
- Provide a statement on the property's Remaining Useful Life
- Provide cross reference indexing between cost tables and report text
- Provide *Project At a Glance* summary table
- Determination of geographic Uniform Building Code Seismic Zone
- Determination of FEMA Flood Plain Zone for single address properties
- Preparation of cost tables and report commentary to include all aspects of the proposed renovation work.



## 2.6. Cost Estimate Components and Property Life Estimates

---

Based on observations of readily apparent conditions, an Immediate and Short Term Repairs Estimate (Table 1) was developed addressing critical repairs as health and safety deficiencies that require Critical Repairs attention. Twelve Month Physical Needs is an estimate of repairs, replacements, or significant deferred or other maintenance items required within as part of the renovation work. In addition, a Long Term Physical Needs cost estimate (Table 2) was prepared for the major components identified to be repaired, replaced, or to have significant maintenance performed over the next 20 years.

EMG's *Project at a Glance* provides a summary of the conditions observed during EMG's visit to the property and estimated costs aggregated by either Critical Repairs, Twelve Month Physical Needs or Long Term Physical Needs and cross-referenced to each report section.

These opinions of probable costs are based on invoice or bid documents provided, construction costs developed by construction resources such as *R.S. Means* and *Marshall & Swift*, in addition to EMG's experience with past costs for similar properties, and assumptions regarding future economic conditions.

Subject to the qualifications stated in this paragraph and elsewhere in this report, the remaining useful life (RUL) of the property is estimated to be not less than 35 years. The foregoing estimate as to useful life is an expression of a professional opinion and is not a guarantee or warranty, express or implied. This estimate is based upon the observed physical condition of the property at the time of the EMG's visit and is subject to the possible effect of concealed conditions or the occurrence of extraordinary events, such as natural disasters or other "acts of God", which may occur subsequent to the date of the on site visit.

The remaining useful life for the property is further based on the assumption that: (a) the critical repairs, Twelve Month Physical Needs, and future repairs for which replacements provided as capital reserves are recommended are completed in a timely and workmanlike manner; and (b) a comprehensive program of preventive and remedial property maintenance is continuously implemented using an acceptable standard of care. The estimate is made only with regard to the expected physical or structural integrity of the improvements on the property, and no opinion regarding economic or market conditions, the present or future appraised value of the property, or its present or future economic utility is expressed by EMG.



## 2.7. Personnel Interviewed

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The following personnel from the facility and government agencies were interviewed in the process of conducting the PCA:

Name and Title	Organization	Phone Number
Ms. Cynthia Perry-Bryant Manager	Shiloh Village Apartments	214-328-2632
Ms. Lisa Davis Customer Service	Dallas Building Department	214-948-4480
Mr. Steve Smith Customer Service	Dallas Planning and Zoning Department	214-948-4382
Ms. Lashonda Charles Records Department	Dallas Fire Records Department	214-670-4319

The PCA was performed with the assistance of Ms. Cynthia Perry-Bryant, Manager, with Shiloh Village Apartments, the on site Point of Contact (POC), who was cooperative and provided information which appeared to be accurate based upon subsequent site observations. The on site contact is somewhat knowledgeable about the subject property and answered most questions posed during the interview process. The POC's management involvement at the property has been for the past two years.



## 2.8. Construction Plans Reviewed

Prior to the PCA, EMG requested relevant documentation that could aid in the knowledge of the subject property's physical improvements, extent and type of use, and/or assist in identifying material discrepancies between reported information and observed conditions. EMG's review of documents submitted does not include commenting on the accuracy of such documents or their preparation, methodology, or protocol. The following documentation was provided for review while performing the PCA. Discrepancies and referenced report sections are noted in the table below.

Documentation Reviewed			
Resource/Item	Provided for Review	Discrepancy Observed	Report Section Reference
Rehabilitation Plans	Not Provided	N/A	N/A
Original construction drawings	Reviewed	No	N/A
Soils report or other site study	Not Provided	N/A	N/A
Cost breakdown for proposed work	Not Provided	N/A	N/A
Maintenance logs	Not Provided	N/A	N/A
Certificate of Occupancy	Received	No	Section 3.1
Prior property condition reports/surveys	Not Provided	N/A	N/A
Outstanding citations for building, fire, life safety, and zoning violations	Not Provided	N/A	Section 3.1
Safety inspection records	Not Provided	N/A	N/A
Appraisal	Not Provided	N/A	N/A
Roof warranty information	Not Provided	N/A	N/A
Warranty information (boilers, chillers, cooling towers, etc.)	Not Provided	N/A	N/A
EUL age information for components and systems	Not Provided	N/A	N/A
Property specific historical repair and replacement cost information	Not Provided	N/A	N/A
Pending proposals or executed contracts for material repairs or replacements	Not Provided	N/A	N/A
ADA accessibility survey	Not Provided	N/A	N/A



Documentation Reviewed			
Resource Item	Provided for Review	Discrepancy Observed	Report Section Reference
Building rent roll, occupancy percentage, and turnover rate	Not Provided	N/A	N/A
Marketing and/or leasing information	Not Provided	N/A	N/A

## 2.9. Pre-Survey Questionnaire

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A Pre-Survey Questionnaire was sent to the POC prior to the site visit. The questionnaire is included in Appendix E. Information obtained from the questionnaire has been used in preparation of this PCR.

## 2.10. Weather Conditions

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Weather conditions at the time of the site visit were clear, with temperatures in the 60s (°F) and light winds.



### 3. Code Information and Accessibility

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#### 3.1. Code Information, Flood Zone and Seismic Zone

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According to of the Dallas Building Department, there are no outstanding building code violations on file. The Building Department does not have an annual inspection program. They only inspect new construction, work that requires a building permit, and citizen complaints. A copy of a typical original Certificate of Occupancy is included in Appendix C.

According to the Dallas Planning Department, the property is located within a MF-1A Multi-family Residential zoning district and is a conforming use.

According to the Dallas Fire Department, code compliance information can only be obtained through submission of a written request under the Freedom of Information Act (FOIA). A request was submitted, and a copy of the request is included in Appendix C. Significant information will be forwarded upon receipt.

According to the Flood Insurance Rate Map, published by the Federal Emergency Management Agency (FEMA) and dated August 23, 2001, the property is located in Zone X, defined as an area outside the 500-year flood plain with less than 0.2% annual probability of flooding. Annual Probability of Flooding of Less than one percent.

According to the 1997 Uniform Building Code Seismic Zone Map of the United States, the property is located in Seismic Zone 0, defined as an area of very low probability of damaging ground motion.

#### 3.2. ADA Accessibility

---

Generally, Title III of the Americans with Disabilities Act (ADA) prohibits discrimination by entities to access and use of "areas of public accommodations" and "commercial facilities" on the basis of disability. Regardless of its age, these areas and facilities must be maintained and operated to comply with the Americans with Disabilities Act Accessibility Guidelines (ADAAG).



Buildings completed and occupied after January 26, 1992 are required to comply fully with the ADAAG. Existing facilities constructed prior to this date are held to the lesser standard of compliance to the extent allowed by structural feasibility and the financial resources available. As an alternative, a reasonable accommodation pertaining to the deficiency must be made.

During the PCA, a limited visual observation for ADA accessibility compliance was conducted. The scope of the visual observation was limited to those areas set forth in EMG's *Accessibility Checklist* provided in Appendix D of this report. It is understood by the Client that the limited observations described herein does not comprise a full ADA Compliance Survey, and that such a survey is beyond the scope of EMG's undertaking. Only a representative sample of areas was observed and, other than as shown on the Accessibility Checklist, actual measurements were not taken to verify compliance.

At a multi-family property, the areas considered as a public accommodation are the access to the rental office and the parking provisions for the rental office.

The facility does not appear to be accessible with Title III of the Americans with Disabilities Act. Elements as defined by the ADAAG that are not accessible as stated within the priorities of Title III, are as follows:

**Parking**

**Exterior Accessible Route**

- Existing exterior ramps at the rental office are not equipped with the required handrails. (ADAAG Section 4.8.5)  
Estimated Cost: 10 LF @ \$35 LF = .....\$350

**Restrooms**

- Install grab bars in accessible stalls at 36" above the floor. (ADAAG Section 4.16.4)  
Estimated Cost: 1 @ \$250 each = .....\$250
- Modify existing lavatory faucets to paddle type faucets. (ADAAG Section 4.19.5)  
Estimated Cost: 2 @ \$250 each = .....\$500



- Wrap drain pipes below lavatory with insulation; protect against contact with hot, sharp, or abrasive surfaces. (ADAAG Section 4.19.4)

Estimated Cost: 1 @ \$35 each = .....\$35

**Clubhouse Accessibility**

- Modify clubhouse electrical switches, controls, alarm system, and bathrooms to meet accessibility requirements.

Estimated Cost: 1 @ \$10,000 each = .....\$10,865

A full ADA Compliance Survey may reveal additional aspects of the property that are not in compliance.

Corrections of these conditions should be addressed from a liability standpoint, but are not necessarily code violations. The Americans with Disabilities Act Accessibility Guidelines concern civil rights issues as they pertain to the disabled and are not a construction code, although many local jurisdictions have adopted the Guidelines as such. The cost to address the achievable items noted above is \$12,000 and is included as a lump sum in the Twelve Month Physical Needs cost estimate (Table 1).

**3.3. Mold**

---

As part of the PCA, EMG completed a limited, visual assessment for the presence of visible mold growth, conditions conducive to mold growth, or evidence of moisture in readily accessible areas of the property. EMG interviewed property personnel concerning any known or suspected mold contamination, water infiltration, or mildew-like odor problems.

This assessment does not constitute a comprehensive mold survey of the property. The reported observations and conclusions are based solely on interviews with property personnel and conditions observed in readily accessible areas of the property at the time of the assessment. Sampling was not conducted as part of the assessment.

EMG observed the presence of visible, suspect mold growth, on several of the HVAC vents in the restrooms of apartment units 207, 119, 219, 222, 180 and 266. In addition, visible, suspect mold growth was observed on the ceiling and walls in apartment unit 161 consisting of approximately 50 square feet.



The source of the moisture appears to be caused by the inability of the moisture in the shower area where the HVAC vent is located to be removed by the bathroom vent fan. The fan is isolated from the bathroom exhaust fan by a solid door preventing the moisture from being removed and allowing the moisture to condense on the vent. The proposed correction is to change the solid door to a louvered door allowing removal of the moisture from the shower area. This work is included in the Twelve Month Physical Needs cost estimate (Table 1) in Section 8.4.

Remediation can be conducted by properly trained building maintenance staff. In addition, the source of this moisture should be addressed in order to prevent future mold problems. The estimated costs of corrective action are of a minimal quantity, and consequently, are considered to be part of routine maintenance operations. No other costs are included in the tables.



## 4. Existing Building Evaluation

### 4.1. Apartment Unit Types

The following table identifies the reported apartment types and apartment mix.

Apartment Unit Types and Mix		
Quantity	Type	Floor Area
16	2 Bedrooms/1 Bathroom	940 SF
80	3 Bedrooms/1-1/2 Bathrooms	1,119 SF
72	4 Bedrooms/2 Bathrooms	1,200 SF
There are currently 5 vacant units.		
There are currently no down units.		
168	TOTAL	190,960 SF

### 4.2. Apartment Units Observed

Twenty-five percent of the apartment units were observed in order to establish a representative sample and to gain a clear understanding of the property's overall condition. Other areas accessed included the exterior of the property and the interior common areas. The following apartments were observed.

Apartment Units Observed		
Unit/Floor	Type	Comments
101/1 <sup>st</sup>	3 Bedrooms/1-1/2 Bathrooms	Occupied. Fair condition.
103/1 <sup>st</sup>	3 Bedrooms/1-1/2 Bathrooms	Occupied. Good condition.
205/2 <sup>nd</sup>	3 Bedrooms/1-1/2 Bathrooms	Occupied. Fair condition.
207/2 <sup>nd</sup>	3 Bedrooms/1-1/2 Bathrooms	Occupied. Fair condition. Mold observed at bathroom HVAC vent
211/2 <sup>nd</sup>	4 Bedrooms/2 Bathrooms	Occupied. Fair condition.
214/2 <sup>nd</sup>	4 Bedrooms/2 Bathrooms	Occupied. Fair condition. Repair cracks at tape and bed joints.



Apartment Units Observed		
Unit/Floor	Type	Comments
116/1 <sup>st</sup>	4 Bedrooms/2 Bathrooms	Occupied. Fair condition.
119/1 <sup>st</sup>	4 Bedrooms/2 Bathrooms	Occupied. Fair condition. Mold observed at bathroom HVAC vent
219/2 <sup>nd</sup>	4 Bedrooms/2 Bathrooms	Occupied. Fair condition. Mold observed at bathroom HVAC vent
217/2 <sup>nd</sup>	4 Bedrooms/2 Bathrooms	Vacant. Fair condition. Needs make ready. Needs sub floor repairs at the dinning area.
220/2 <sup>nd</sup>	4 Bedrooms/2 Bathrooms	Occupied. Fair condition.
222/2 <sup>nd</sup>	4 Bedrooms/2 Bathrooms	Occupied. Fair condition. Mold observed at bathroom HVAC vent. Repair cracks at tape and bed joints.
227/2 <sup>nd</sup>	4 Bedrooms/2 Bathrooms	Occupied. Fair condition.
127/1 <sup>st</sup>	4 Bedrooms/2 Bathrooms	Vacant. Fair condition. Needs make ready
162/1 <sup>st</sup>	2 Bedrooms/1 Bathroom	Occupied. Fair condition.
161/1 <sup>st</sup>	2 Bedrooms/1 Bathroom	Occupied. Fair condition. Mold observed at bathroom ceiling.
168/1 <sup>st</sup>	3 Bedrooms/1-1/2 Bathrooms	Occupied. Good to Fair condition.
268/2 <sup>nd</sup>	3 Bedrooms/1-1/2 Bathrooms	Occupied. Fair condition.
282/2 <sup>nd</sup>	3 Bedrooms/1-1/2 Bathrooms	Occupied. Fair condition.
182/1 <sup>st</sup>	3 Bedrooms/1-1/2 Bathrooms	Occupied. Good condition.
181/1 <sup>st</sup>	3 Bedrooms/1-1/2 Bathrooms	Occupied. Fair condition.
281/2 <sup>nd</sup>	3 Bedrooms/1-1/2 Bathrooms	Occupied. Good condition.
179/1 <sup>st</sup>	3 Bedrooms/1-1/2 Bathrooms	Occupied. Fair condition.
177/1 <sup>st</sup>	3 Bedrooms/1-1/2 Bathrooms	Occupied. Fair condition. Repair cracks at tape and bed joints.
172/1 <sup>st</sup>	3 Bedrooms/1-1/2 Bathrooms	Vacant. Fair condition. Repair cracks at tape and bed joints.
169/1 <sup>st</sup>	3 Bedrooms/1-1/2 Bathrooms	Occupied. Fair condition.
269/2 <sup>nd</sup>	3 Bedrooms/1-1/2 Bathrooms	Occupied. Fair condition. Repair sub floor at the dinning area.
129/1 <sup>st</sup>	4 Bedrooms/2 Bathrooms	Occupied. Fair condition.
131/1 <sup>st</sup>	4 Bedrooms/2 Bathrooms	Occupied. Fair condition.
230/2 <sup>nd</sup>	4 Bedrooms/2 Bathrooms	Occupied. Fair condition.



Apartment Units Observed		
Unit/Floor	Type	Comments
133/1 <sup>st</sup>	4 Bedrooms/2 Bathrooms	Occupied. Good condition.
143/1 <sup>st</sup>	3 Bedrooms/1-1/2 Bathrooms	Vacant. Fair condition. Needs make ready.
243/2 <sup>nd</sup>	3 Bedrooms/1-1/2 Bathrooms	Occupied. Fair condition.
248/2 <sup>nd</sup>	3 Bedrooms/1-1/2 Bathrooms	Occupied. Fair condition. Repair sub floor at the dinning area. Repair cracks at tape and bed joints.
149/1 <sup>st</sup>	2 Bedrooms/1 Bathroom	Occupied. Fair condition.
154/1 <sup>st</sup>	2 Bedrooms/1 Bathroom	Occupied. Fair condition.
254/2 <sup>nd</sup>	2 Bedrooms/1 Bathroom	Occupied. Fair condition.
256/2 <sup>nd</sup>	2 Bedrooms/1 Bathroom	Occupied. Fair condition.
156/1 <sup>st</sup>	2 Bedrooms/1 Bathroom	Vacant. Good condition.
167/1 <sup>st</sup>	3 Bedrooms/1-1/2 Bathrooms	Occupied. Fair condition.
166/1 <sup>st</sup>	3 Bedrooms/1-1/2 Bathrooms	Occupied. Fair condition.
266/2 <sup>nd</sup>	3 Bedrooms/1-1/2 Bathrooms	Occupied. Fair condition. Mold observed at bathroom ceiling. Repair sub floor at the dinning area.

All areas of the property were available for observation during the site visit.

A "down unit" is a term used to describe a non-rentable apartment unit due to poor conditions such as fire damage, water damage, missing appliances, damaged floor, wall or ceiling surfaces, or other significant deficiencies. According to the POC, there are no down units.

#### 4.3. Construction Drawings

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No drawings were prepared for the planned repairs.

#### 4.4. Construction Specifications

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No construction specifications for the planned repairs were provided for review.



#### 4.5. Construction Contract

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No Construction Contract for the planned repairs was provided for review.

#### 4.6. Other Reports:

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No additional reports for the planned repairs were provided for review.



## 5. Site Improvements

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### 5.1. Utilities

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The following table identifies the utility suppliers and the condition and adequacy of the services.

Site Utilities		
Utility	Supplier	Condition and Adequacy
Sanitary sewer	City of Dallas	Good
Storm sewer	City of Dallas	Good
Domestic water	City of Dallas	Good
Electric service	TXU	Good
Natural gas service	TXU	Good

#### *Observations/Comments:*

- According to the POC, the utilities provided are adequate for the property. There are no unique, on site utility systems such as emergency electrical generators, septic systems, water or waste water treatment plants, or propane gas tanks.

### 5.2. Parking, Paving, and Sidewalks

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The main entrance drive is located along Shiloh Road on the east side of the property. There is an additional entrance drive along Shiloh Road. The parking areas and drive aisles are paved with asphaltic concrete. The entrance driveway aprons are paved with concrete.

Based on a physical count, parking is provided for 371 cars. The parking ratio is 2.2 spaces per apartment unit. All of the parking stalls are located in open lots. Two handicap parking stalls are located adjacent to the rental office, one of which is reserved for vans.

The sidewalks throughout the property are constructed of cast-in-place concrete. Cast-in-place concrete steps are located at grade changes.



The curbs and gutters are constructed of cast-in-place concrete.

**Observations/Comments:**

- The asphalt pavement is in good to fair condition. The POC reported that the paving was overlaid in 2003. There are no significant signs of cracks or surface deterioration. In order to maximize the pavement life, pothole patching, crack sealing, seal coating, and re-striping of the asphalt paving will be required over the evaluation period. The costs are included in the Long Term Physical Needs cost estimate (Table 2).
- The developer intends to install new site drive signage, striping, and bumper stops. The cost of this work is included in the Twelve Month Physical Needs (Table 1).
- The concrete curbs and gutters throughout the property are in good condition. Routine cleaning and maintenance will be required over the evaluation period.
- Some areas of the sidewalks are in fair condition. Cracking, misalignment, spalling and considerable settlement were observed and require repair or replacement for safety reasons. The cost of this work is included in the Critical Repairs cost table (Table 1).

**5.3. Drainage Systems and Erosion Control**

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Storm water from the roofs, landscaped areas, and paved areas flows into on site inlets and catch basins with underground piping connected to the municipal storm water management system.

**Observations/Comments:**

- There is no evidence of storm water runoff from adjacent properties. The storm water system appears to provide adequate runoff capacity. There is no evidence of major ponding or erosion.

**5.4. Topography and Landscaping**

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The property slopes gently down from the northeast side of the property to the southwest property line.



The landscaping consists of trees, shrubs, and grasses. Flowerbeds are located throughout the site.

Landscaped areas are irrigated by an in-ground sprinkler system, which consists of underground piping, shut-off valves, pop-up sprinkler heads, and automatic timers.

Surrounding properties include a school, vacant land and residential developments.

Timber retaining walls are located at grade changes throughout the site.

**Observations/Comments:**

- The topography and adjacent uses do not appear to present conditions detrimental to the property.
- The landscape material is in fair condition. There are isolated areas of poorly maintained and barren landscape throughout the site. New landscape material must be installed at the affected areas as part of the renovation. The cost of this work is included in the Twelve Month Physical Needs cost estimate (Table 1).
- The underground irrigation system is in fair condition. According to the POC, the system has a history of leaks and extensive maintenance requirements. Portions of the system have been abandoned in place. Based on the Estimated Useful Life and the observed conditions, replacement is recommended as part of the renovation. The cost of this work is included in the Twelve Month Physical Needs cost estimate (Table 1).
- The retaining walls appear to be in fair to poor condition. Isolated areas of the wood timbers are rotted or splintering. Based on the Remaining Useful Life and the observed conditions, replacement is recommended within the Year. The cost of this work is included in the Twelve Month Physical Needs cost estimate (Table 1).

**5.5. General Site Improvements**

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Property identification signage is provided by a wood pole monument sign adjacent to the main entrance drive. Street address numbers are displayed on the exterior elevations.

Site and exterior building illumination is provided by light fixtures surface-mounted on the exterior walls. A wall-mounted light fixture is located adjacent to each apartment unit's entrance door.



The property has an in-ground, outdoor swimming pool that is located adjacent to the rental office/laundry building. The pool has a concrete coping and ceramic tile at the water line. The pool is constructed of concrete and is surrounded by a concrete walkway. The concrete walkway is finished with a cool-deck epoxy coating.

The pool equipment is located in an enclosure adjacent to the pool. The equipment consists of water filters and circulating pumps. The swimming pool water is not heated.

A painted, metal fence, approximately six feet high, surrounds the pool area.

A perimeter fence is located along the north, south and west property lines. The fence is constructed of chain link with metal posts.

A children's play area, which contains metal playground equipment, is located on the southwest corner of the site.

Dumpsters are located in the parking area and are placed on the asphalt paving. The Dumpsters are enclosed by wood board fences and are accessed by wood gates.

***Observations/Comments:***

- The property identification signs are in good condition. Routine maintenance is recommended during the evaluation period. No other action is recommended.
- The exterior light fixtures are original and in fair to poor condition. Many fixtures are missing their translucent enclosure. Based on the observed conditions and the Remaining Useful Life, replacement is recommended as part of the renovation. The cost of this work is included in the Twelve Month Physical Needs cost estimate (Table 1).
- The pool is in good to fair condition, requiring routine maintenance. Replacement of the pool is recommended based on the Estimated Useful Life (EUL) and observed conditions. Additionally, replacement of the pool will aid the property's marketability. The cost of this work is included in the Twelve Month Physical Needs (Table 1).
- The concrete pool deck is in good to fair condition. Replacement is recommended as part of the pool replacement as damage is anticipated. The cost of this work is included in the Twelve Month Physical Needs (Table 1).



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- The concrete pool deck is in good to fair condition. Based on the estimated Remaining Useful Life (RUL), the pool deck will require resurfacing during the evaluation period. The costs are included in the Long Term Physical Needs cost estimate (Table 2).
- The pool equipment appears to be in good condition. Based on its estimated Remaining Useful Life (RUL), the pool equipment will require replacement over the evaluation period. The costs are included in the Long Term Physical Needs cost estimate (Table 2).
- The fence which surrounds the pool area is in good condition. Scraping and painting is considered to be routine maintenance.
- The site fencing is in fair to poor condition. EMG observed that the fence is original with isolated areas of damage. Based on the Estimated Useful Life and observed conditions, replacement of fencing is recommended. The cost of this work is included in the Twelve Month Physical Needs cost estimate (Table 1).
- The equipment in the children's play area is original and in good to fair condition. Based on the estimated Remaining Useful Life (RUL), the equipment will require replacement as part of the renovation. The cost of this work is included in the Twelve Month Physical Needs cost estimate (Table 1).
- The Dumpsters are owned and maintained by the refuse contractor.
- The Dumpster enclosures are in fair to poor condition. Isolated portions of the enclosures are damaged. As the enclosures appear original and evidence of deterioration and damage is evident, replacements are recommended as part of the renovation. The cost of this work is included in the Twelve Month Physical Needs cost estimate (Table 1).



## 6. Building Architectural and Structural Systems

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### 6.1. Foundations

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According to the structural drawings, the foundations consist of post-tensioned reinforced concrete slabs-on-grade with integral perimeter footings and interior footings bearing directly on the soil.

#### *Observations/Comments:*

- The foundations and footings can not be directly observed. There is no evidence of movement that would indicate excessive settlement.

### 6.2. Superstructure

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Each building is a conventional, wood-framed structure and has wood stud-framed exterior and interior bearing walls which support the upper floor and roof diaphragms. The upper floors are constructed with wood joists and are sheathed with plywood. The floors are topped with lightweight concrete. The roof diaphragms are constructed of wood rafters and are sheathed with plywood.

#### *Observations/Comments:*

- The superstructure is exposed in some locations which allows for limited observation. Walls and floors appear to be plumb, level, and stable. There are no significant signs of deflection or movement. However, isolated areas of the light weight concrete sub floor were soft and several units had plywood placed on top of the concrete under the carpet. According to the POC, the light weight concrete floor topping is cracked and damaged at isolated locations. EMG recommends that as part of the renovation, the subfloors be assessed and corrected as needed. A budgetary cost for this work is included in the Twelve Month Physical Needs cost estimate (Table 1).



### 6.3. Roofing

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The primary roofs are classified as pitched or gabled roofs. The roofs are finished with asphalt shingles over asphalt-saturated paper. The roofs have sheet metal flashing elements. The roofs are insulated with loose-fill fibers.

The roofs drain over the eaves to sheet metal gutters and downspouts which discharge to paved and landscaped areas.

The attics are ventilated by gable-end wall vents. The attics have draft stops. Attic access is provided by a scuttle hole located in some of the upper floor apartment units.

#### **Observations/Comments:**

- The roof finishes appear to be original. Information regarding roof warranties or bonds is not available. The roofs are maintained by an outside contractor.
- The field of the roofs are in fair to poor condition. There are significant areas of physical damage and missing shingles throughout the site. Based on the current condition, the roof shingles will require replacement as part of the substantial rehabilitation. The cost of this work is included in the Twelve Month Physical Needs cost estimate (Table 1).
- According to the POC, roof leaks have been reported within the past year, and some of these leaks remain active. The leaks reportedly occur throughout the buildings. All active leaks must be repaired. The estimated cost of this work is included along with the work noted above.
- There is no evidence of roof deck or insulation deterioration. The roof substrate and insulation should be inspected during any future roof repair or replacement work.
- There is no evidence of fire retardant treated plywood (FRT) and, according to the POC, FRT plywood is not used.
- The roof flashings are in good condition and will require routine maintenance over the evaluation period.
- Roof drainage appears to be adequate. Clearing and minor repair of drain system components should be performed regularly as part of the property management's routine maintenance program.
- The roof vents are in good condition and will require routine maintenance over the evaluation period.



- There is no evidence observed of moisture, water intrusion, or excessive daylight in the attics; however, water damaged soffit areas due to the roof leaks were observed and the repairs are included in section 6.4. The insulation in the attics appears to be adequate.

#### 6.4. Exterior Walls

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The exterior walls are finished with stucco, cementitious siding and wood trim. The soffits are concealed and are finished with wood.

Building sealants (caulking) are located between dissimilar materials, at joints, and around window and door openings.

##### **Observations/Comments:**

- The exterior finishes are in generally good condition. However, there are isolated areas of damaged soffits and wood trim. The damaged finishes must be repaired and the exterior painted. The cost of this work is included in the Twelve Month Physical Needs cost estimate (Table 1).
- The exterior finish on the walls is generally in fair condition and will need painting and patching over the evaluation period. It is recommended that as part of the rehabilitation of the property, the work be accomplished within the year. The cost of this work is included in the Twelve Month Physical Needs cost estimate (Table 1).
- In addition to the work above, painting and patching will be required over the evaluation period. The costs are included in the Long Term Physical Needs cost estimate (Table 2).
- The sealant is flexible, smooth, and in good condition and will require routine maintenance over the evaluation period.

#### 6.5. Exterior and Interior Stairs

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The exterior stairs are constructed of steel and have open risers and concrete-filled steel pan treads or precast concrete treads. The handrails and balusters are constructed of metal.



**Observations/Comments:**

- The exterior and interior stairs, balusters, and handrails are in generally good to fair condition. However, EMG noted there a isolated evidence of corrosion on the steel pans. Scraping, priming, and painting of the stairs are recommended as part of the renovation. The cost of this work is included in the Structural Repairs addressed in Section 6.2 of the Twelve Month Physical Needs cost estimate (Table 1).
- In addition, the handrails, balusters and stair framing will require repainting over the evaluation period. However, the minimal aggregate quantity allows for the work to be completed as part of routine maintenance. No action is recommended.
- There are isolated areas of deterioration at the concrete landings. Repairs and/or replacements are recommended within the Year. The cost of this work is included in the Structural Repairs addressed in Section 6.2 of the Twelve Month Physical Needs cost estimate (Table 1).

**6.6. Windows and Doors**

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The windows are aluminum-framed, single-glazed, sliding, units and have exterior screens.

The apartment unit entrance doors are painted, solid-core wood doors, metal doors or metal-clad wood doors set in wood frames. Exterior entrance doors to the apartments contain cylindrical locksets with knob handle hardware, keyed deadbolts, spy-eyes and door knockers.

**Observations/Comments:**

- The windows are original and in fair to poor condition. There is isolated evidence of leaks and seal deterioration. Based on the estimated Remaining Useful Life (RUL), the windows will require replacement as part of the substantial rehabilitation. The cost of this work is included in the Twelve Month Physical Needs cost estimate (Table 1).
- The exterior doors and door hardware are in good to fair condition. Based on the estimated Remaining Useful Life (RUL), the wood doors and some of the metal clad doors will require replacement as part of the renovation. The cost of this work is included in the Twelve Month Physical Needs cost estimate (Table 1).



### **6.7. Patio, Terrace, and Balcony**

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Not applicable. There are no patios, terraces, or balconies.

### **6.8. Common Areas, Entrances, and Corridors**

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Not applicable. There are no interior common areas.



## 7. Building Mechanical and Electrical Systems

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### 7.1. Building Heating, Ventilating, and Air-conditioning (HVAC)

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There are no interior common areas. See Section 8.3 for descriptions and comments regarding the apartment unit HVAC systems.

### 7.2. Building Plumbing

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The plumbing systems include the incoming water service, the cold water piping system, and the sanitary sewer and vent system. The risers and the horizontal distribution piping are reported to be copper. The soil and vent systems are reported to be polyvinyl chloride (PVC).

The water meters are located in vaults adjacent to the public streets.

Domestic hot water is supplied to all apartment units by three, gas-fired boilers. Each boiler has a rated input capacity of 726,000 BTUH with a 119-gallon storage tank and is located in a boiler room at the end of three of the buildings.

#### **Observations/Comments:**

- The plumbing systems appear to be well maintained and, according to the POC, are in good condition. According to the POC, the water pressure is adequate. The plumbing systems will require routine maintenance over the evaluation period.
- There is no evidence that the property uses polybutylene piping for the domestic water distribution system. According to the POC, polybutylene piping is not used at the property.
- According to the POC, the pressure and quantity of hot water are adequate.
- The boilers appear to be in good condition and were reported to be approximately two years old. Based on their estimated Remaining Useful Life (RUL), the boilers will not require significant replacements.



### 7.3. Building Gas Distribution

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Gas service is supplied from the gas main on the adjacent public street. The gas meters and regulators are located along the exterior walls of the boiler rooms and the laundry room. The gas distribution piping is malleable steel (black iron).

#### ***Observations/Comments:***

- According to the POC, the pressure and quantity of gas are adequate.
- The gas meters and regulators appear to be in good condition and will require routine maintenance over the evaluation period.
- Only limited observation of the gas distribution piping can be made due to hidden conditions. The gas piping is in good condition and, according to the POC, there have been no gas leaks.

### 7.4. Building Electrical

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The electrical supply lines run underground to pad-mounted transformers, which feed exterior-mounted electrical meters. The common area lighting is metered separately.

The main electrical service size to each building ranges from a minimum of 1,000-Amp, 120/240-Volt, single phase, three wire, alternating current (AC). The electrical wiring is reportedly copper, installed in non-metallic, sheathed cable. Circuit breaker panels are located throughout each building.

#### ***Observations/Comments:***

- The on site electrical systems are owned and maintained by the respective utility company. This includes transformers, meters, and all elements of the on site systems.
- According to the POC, the electrical power is adequate for the property's demands.
- The switchgear, circuit breaker panels and electrical meters appear to be in good condition and will require routine maintenance over the evaluation period.



## 7.5. Elevators and Conveying Systems

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Not applicable. There are no elevators or conveying systems.

## 7.6. Fire Protection Systems

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The fire protection system consists of fire extinguishers and smoke detectors. Fire extinguishers are located in the common areas and are mounted on the wall. At least one hard-wired smoke detector is located in each apartment unit. The nearest fire hydrants are located along the property's drive aisles and are approximately 100 feet from each building.

### ***Observations/Comments:***

- Information regarding fire department inspection information is included in Section 3.1.
- The fire extinguishers are serviced annually and appear to be in good condition. The fire extinguishers were serviced and inspected within the last year.
- Smoke detector replacement is considered to be routine maintenance.
- Exit sign and emergency light replacement is considered to be routine maintenance.



## 8. Dwelling Units

### 8.1. Interior Finishes

The following table generally describes the interior finishes in apartment units:

Typical Apartment Finishes			
Room	Floor	Walls	Ceiling
Living room	Carpet	Painted drywall	Painted drywall
Kitchen	Vinyl tile	Painted drywall	Painted drywall
Bedroom	Carpet	Painted drywall	Painted drywall
Bathroom	Vinyl tile	Painted drywall/Ceramic tile tub surround	Painted drywall

The residential units are typically renovated when tenants move out. The renovation generally consists of floor finish cleaning or replacement, interior painting general cleaning and repair or replacement of any damaged items.

The interior doors are hollow core wood doors set in wood frames with painted or stained finish. Interior doors typically contain knob hardware.

Each apartment has a minimum of one hard-wired smoke detector.

#### **Observations/Comments:**

- The interior finishes in the apartment units are in fair to poor condition. Management intends to complete repairs to the units as part of rehabilitation of the units. This work includes repair of drywall, replacement of floor coverings, replacement of interior doors, and repainting of walls and ceilings. The cost of this work is included in the Twelve Month Physical Needs cost estimate (Table 1).
- Additional floor covering replacements are anticipated during the reserve period. The costs are included in the Long Term Physical Needs cost estimate (Table 2).



- The kitchen appliances vary in age from newer units, to a variety of original and older replacements. The appliances were generally in good to fair condition. Based on the Estimated Useful Life and the observed conditions, replacement is of the original and older appliances is recommended as part of the renovation. It should be noted that all of the units EMG observed had original ranges. The cost of this work is included in the Twelve Month Physical Needs cost estimate (Table 1).
- Replacement of the newer appliances, and appliances installed during the renovation are anticipated to require replacement late during the evaluation period. The cost for this work is included in the Long Term Physical Needs cost estimate (Table 2).

### 8.3. HVAC

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Heating and cooling are provided by split system air conditioners with electric heat. The fan coil units are concealed above the ceilings. The air-conditioning condensing units are pad-mounted on grade. The cooling equipment uses R-22 as a refrigerant.

Air distribution is provided to supply air registers by ducts concealed above the ceilings. Return air grilles are located adjacent to the fan coil units. The heating and cooling system are controlled by local thermostats.

Natural ventilation is provided by operable windows. Mechanical ventilation is provided in the bathrooms by ceiling exhaust fans.

#### ***Observations/Comments:***

- According to the POC, the HVAC systems are maintained by the in-house maintenance staff. Records of the installation, maintenance, upgrades, and replacement of the HVAC equipment at the property have not been maintained since the property was first occupied.
- According to the POC, most of the HVAC equipment has been replaced within the past five years. HVAC equipment is reportedly replaced on an "as needed" basis.
- The condensers appear to be in good to fair condition. In general, the condensers were observed to be replacement units. Based on their estimated Remaining Useful Life (RUL), some of the condensers will require replacement as part of the renovation. The cost of this work is included in the Twelve Month Physical Needs cost estimate (Table 1).



- Additional replacements are recommended Based on the Estimated Useful Life and the observed conditions. The costs are included in the Long Term Physical Needs cost estimate (Table 2).
- The fan coil units appear to be in good condition. Replacement of some fan coil units is recommended within the year as part of the rehabilitation. The cost of this work is included in the Twelve Month Physical Needs cost estimate (Table 1).

#### 8.4. Plumbing

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The bathrooms include a water closet, enameled-steel bathtub, a vanity, and a lavatory.

Domestic hot water is supplied by the central system described in Section 7.2.

##### ***Observations/Comments:***

- The bathroom fixtures are in good to poor condition. Based on the conditions observed and the Estimated Useful Life, replacement of approximately 50 percent of the bath fixtures is recommended. EMG has included budgetary costs to address replacements in the Twelve Month Physical Needs cost estimate (Table 1).
- According to the POC, the pressure and quantity of hot water are adequate.

#### 8.5. Electrical

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The electrical service to each apartment unit ranges from a minimum 125-Amp. A circuit breaker panel inside each unit supplies the HVAC system, appliances, receptacles and light fixtures.

The apartment units have incandescent and fluorescent light fixtures. Each apartment unit has at least one cable television outlet and telephone jack.

##### ***Observations/Comments:***

- According to the POC, the electrical power is adequate for each apartment unit's demands.
- The apartment unit light fixtures are in good condition. Light fixture replacement is considered to be routine maintenance.



- EMG observed that no ground fault circuit interrupters are installed in the kitchens and bathrooms. EMG recommends that these be installed as part of the rehabilitation. The cost of this work is included in the Twelve Month Physical Needs cost estimate (Table 1).
- The developer intends to extend the phone jacks within the units. The cost of this work is included in the Twelve Month Physical Needs (Table 1) under the unit electrical cost.

#### **8.6. Furniture, Fixtures and Equipment (FF&E)**

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Not applicable. There are no furnished apartments.



## 9. Other Structures

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The rental office/laundry building is located near the main entrance to the property. The rental office/laundry building is constructed of, and finished with, materials similar to the apartment buildings. See Sections 6 and 7 for descriptions and comments.

The rental office/laundry building contains the rental office, the maintenance shop and the laundry room. The rental office/laundry has carpeted or vinyl tile floors and painted, drywall-finished walls and ceilings.

A storage building is located on the north side of the site. The maintenance building is a pre-manufactured painted wood structure set on concrete blocks.

### *Observations/Comments:*

- The finishes and the furnishings in the rental office are in good to fair condition. Based on their estimated Remaining Useful Life (RUL), some of the finishes and the furnishings will require repairs or replacement. The cost of this work is included as a lump sum in the Twelve Month Physical Needs cost estimate (Table 1).



## 10. Opinions of Probable Cost

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This section provides estimates for the repair and capital reserves items noted within this PCR.

These estimates are based on Invoice or Bid Document/s provided either by the Owner/facility and construction costs developed by construction resources such as *R.S. Means* and *Marshall & Swift*, EMG's experience with past costs for similar properties, city cost indexes, and assumptions regarding future economic conditions.

### 10.1. Methodology

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Based upon site observations, research, and judgment, along with referencing Expected Useful Life (EUL) tables from various industry sources, EMG opines as to when a system or component will most probably necessitate replacement. Accurate historical replacement records, if provided, are typically the best source of information. Exposure to the elements, initial quality and installation, extent of use, the quality and amount of preventive maintenance exercised, etc., are all factors that impact the effective age of a system or component. As a result, a system or component may have an effective age that is greater or less than its actual chronological age. The Remaining Useful Life (RUL) of a component or system equals the EUL less its effective age.

Where quantities could not be derived from an actual take-off, lump sum costs or allowances are used. Estimated costs are based on professional judgment and the probable or actual extent of the observed defect, inclusive of the cost to design, procure, construct and manage the corrections.

### 10.2. Immediate Repairs and Short Term Costs

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Immediate repairs are opinions of probable costs that require Critical Repairs action as a result of: (1) material existing or potential unsafe conditions, (2) material building or fire code violations, or (3) conditions that, if left unremedied, have the potential to result in or contribute to critical element or system failure within one year or will most probably result in a significant escalation of its remedial cost.



Short term costs are opinions of probable costs to remedy physical deficiencies, such as deferred maintenance, that may not warrant Critical Repairs attention, but that require repairs or replacements which should be undertaken during any renovation work. Such opinions of probable costs may include costs for testing, exploratory probing, and further analysis should this be deemed warranted by the consultant. The performance of such additional services are beyond the PCA scope of work. Generally, the time frame for such repairs is within one to two years.

### **10.3. Modified Capital Reserves**

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Modified Capital Reserves are for recurring probable expenditures which are not classified as operation or maintenance expenses. The modified capital reserves should be budgeted for in advance on an annual basis. Capital reserves are reasonably predictable both in terms of frequency and cost. However, capital reserves may also include components or systems that have an indeterminable life but nonetheless have a potential liability for failure within an estimated time period.

Modified Capital Reserves exclude systems or components that are estimated to expire after the reserve term and that are not considered material to the structural and mechanical integrity of the subject property. Furthermore, systems and components that are not deemed to have a material effect on the use are also excluded. Costs that are caused by acts of God, accidents, or other occurrences that are typically covered by insurance, rather than reserved for, are also excluded.

Replacement costs are solicited from ownership/property management, EMG's discussions with service companies, manufacturers' representatives, and previous experience in preparing such schedules for other similar facilities. Costs for work performed by the ownership's or property management's maintenance staff are also considered.

EMG's reserve methodology involves identification and quantification of those systems or components requiring capital reserve funds within the evaluation period. The evaluation period is defined as the effective age plus the reserve term. Additional information concerning system's or component's respective replacement costs (in today's dollars), typical expected useful lives, and remaining useful lives were estimated so that a funding schedule could be prepared. The Modified Capital Reserve Schedule presupposes that all required remedial work has been performed or that monies for remediation have been budgeted for items defined in the Immediate Repair and Short Term Cost Estimate.

## Critical and Twelve Month Physical Needs

Property Name: Shiloh Village Apartments	No. of Units: 168
Location: Dallas, Texas	No. of Buildings: 15
EMG Project Number: 120286	Reserve Term: 20 years
	Property Age: 25 years

Sec	Component or System	Action / Comment	Quantity	Unit	Cost	Critical Repairs Total \$	Twelve Month Total \$
3.2	ADA Survey	Perform follow-up study	1	EA	\$12,000.00	\$0	\$12,000
5.2	Roadways & parking, full depth repair	Repair, mill, and overlay portion of pavement system	1	LS	\$56,928.00	\$0	\$56,928
5.2	Concrete paving	Replace site flatwork	1	LS	\$43,900.00	\$0	\$43,900
5.2	Pedestrian paving, concrete	Replace	750	SF	\$5.00	\$3,750	\$0
5.2	Drive area controls	Signage, striping, and bumper stops	1	LS	\$28,000.00	\$0	\$28,000
5.4	Landscaping	Replace	168	EA	\$401.79	\$0	\$67,500
5.4	Irrigation system	Repair	1	LS	\$10,000.00	\$0	\$10,000
5.4	Retaining walls, wood timber	Replace	400	LF	\$8.00	\$0	\$3,200
5.5	Swimming pool improvements	Replace pool and deck	1	LS	\$54,950.00	\$0	\$54,950
5.5	Dumpster enclosures	Replace	4	EA	\$1,000.00	\$0	\$4,000
5.5	Building mounted HID lighting	Repair	15	EA	\$500.00	\$0	\$7,500
5.5	Perimeter Fencing, chain link	Replace	1	LS	\$131,200.00	\$0	\$131,200
5.5	Playground equipment	Replace	1	LS	\$19,050.00	\$0	\$19,050
6.2	Floor structures	Repair sub floor	84	EA	\$1,317.93	\$0	\$110,706
6.3	Roof covering, asphalt shingles	Replace	960	SQ	\$201.39	\$0	\$193,339
6.4	Exterior walls, soffits and trim	Repair	15	BLDG	\$1,200.00	\$0	\$18,000
6.4	Exterior walls, stucco/ siding	Prep and paint/stain	150,000	SF	\$0.90	\$0	\$135,000
6.6	Exterior Unit Doors	Replace 1x during term	84	EA	\$400.00	\$0	\$33,600
6.6	Windows (Frames and glazing)	Replace 1x during term	712	EA	\$432.68	\$0	\$308,068
8.1	Living area floors, carpet (older)	Replace	168	EA	\$1,008.71	\$0	\$169,464
8.1	Living area floors, resilient (older)	Replace	168	EA	\$414.02	\$0	\$69,556
8.1	Living area walls & ceilings, drywall	Repair and paint	168	EA	\$2,136.27	\$0	\$358,894
8.1	Ceramic tile	Install in bathrooms	168	EA	\$327.38	\$0	\$55,000
8.1	Interior doors	Replace	111	EA	\$85.00	\$0	\$9,398
8.2	Refrigerator (older)	Replace	168	EA	\$500.00	\$0	\$84,000
8.2	Dishwasher (older)	Replace	168	EA	\$305.00	\$0	\$51,240
8.2	Range (older)	Replace	168	EA	\$400.00	\$0	\$67,200
8.2	Cabinets, Countertop and sink	Replace original cabinetry	148	EA	\$2,702.30	\$0	\$399,940
8.3	HVAC, fan coil units	Replace 1x during term	126	EA	\$1,150.00	\$0	\$144,900
8.3	HVAC: split DX system	Replace	56	EA	\$1,191.00	\$0	\$66,696
8.4	Bath Fixtures (Sink, toilet, tub)	Replace	168	EA	\$449.82	\$0	\$75,570
8.5	Electrical devices: switches & outlets	Install GFCI in kitchen and bathroom / extend phone jacks	446	EA	\$32.46	\$0	\$14,478
9.0	Rental office	Replace finishes	1	LS	\$161,252.00	\$0	\$161,252

### Critical and Twelve Month Physical Needs

Property Name: Shiloh Village Apartments	No. of Units: 168
Location: Dallas, Texas	No. of Buildings: 15
EMG Project Number: 120286	Reserve Term: 20 years
	Property Age: 25 years

Sec	Component or System	Action / Comment	Quantity	Unit	Cost	Critical Repairs Total \$	Twelve Month Total \$
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Total Repairs	\$3,750	\$2,964,529
Cost per Dwelling Unit	\$22	\$17,646



## 11. Appendices

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- Appendix A — Photographic Record
- Appendix B — Site Plan
- Appendix C — Supporting Documentation
- Appendix D — EMG Accessibility Checklist
- Appendix E — Pre Survey Questionnaire and Documentation Request Form
- Appendix F — Acronyms and Out of Scope Items



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**Appendix A**  
**Photographic Record**



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### EMG PHOTOGRAPHIC RECORD

Project No.: 120286

Project Name: Shiloh Village Apartments



Photo #1: Main entrance with signage

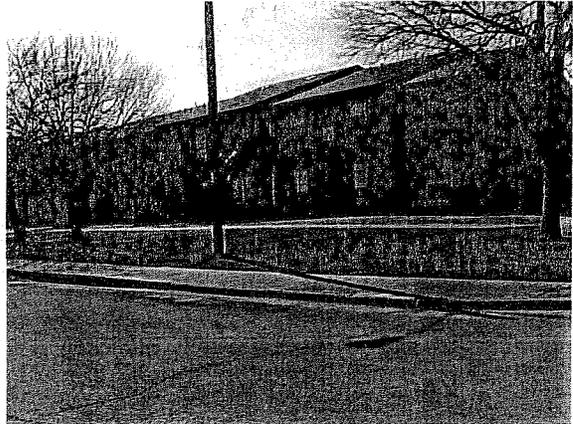


Photo #2: Front elevation of Building 1

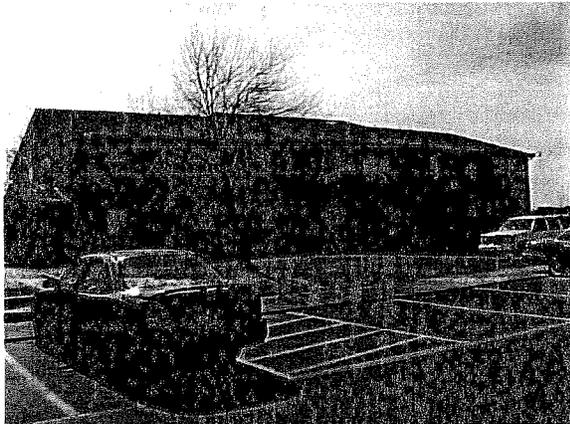


Photo #3: Front elevation of Building 4

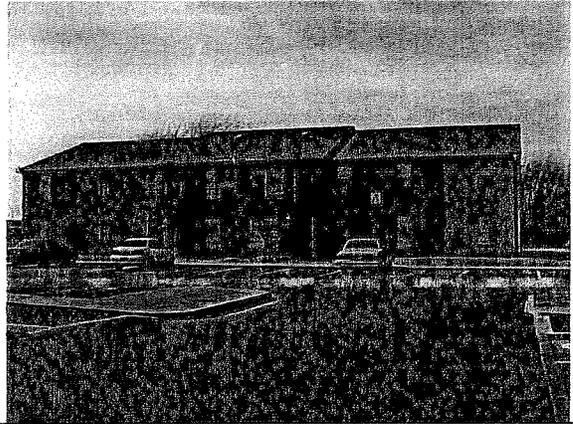


Photo #4: Front elevation of Building 5

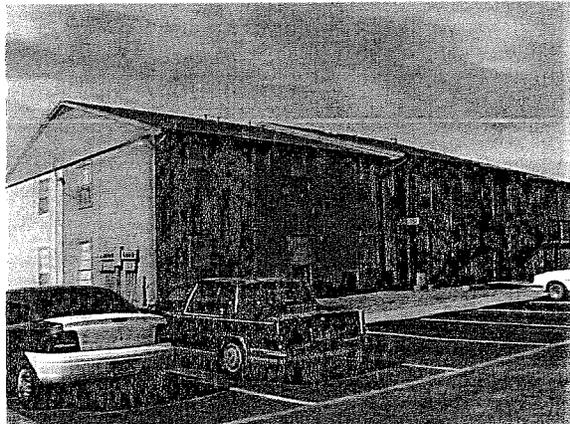


Photo #5: Front elevation of Building 7



Photo #6: Front elevation of Building 10



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### EMG PHOTOGRAPHIC RECORD

Project No.: 120286

Project Name: Shiloh Village Apartments

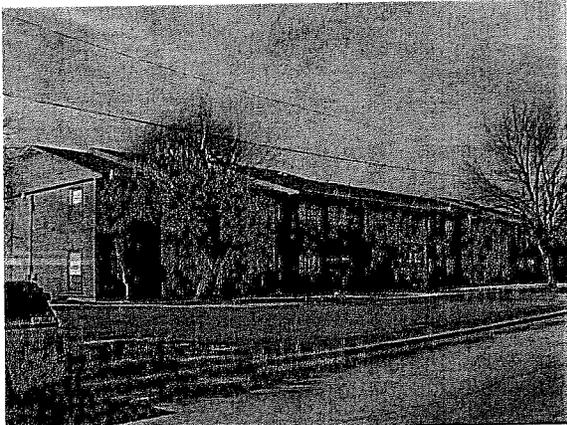


Photo #7: Front elevation of Building 12



Photo #8: Front elevation of Building 15



Photo #9: Roof overview

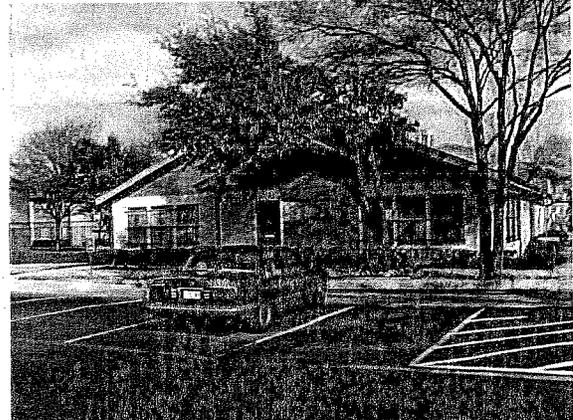


Photo #10: Interior of the leasing office

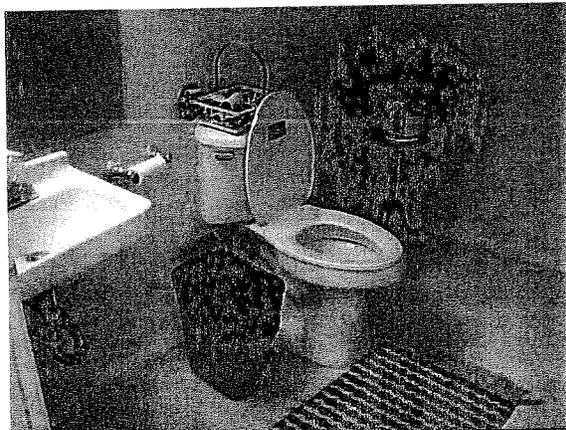


Photo #11: Restroom at the rental office

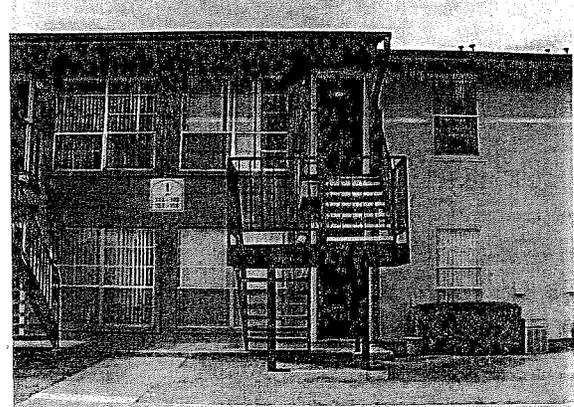


Photo #12: Typical apartment unit entrance



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### EMG PHOTOGRAPHIC RECORD

Project No.: 120286

Project Name: Shiloh Village Apartments

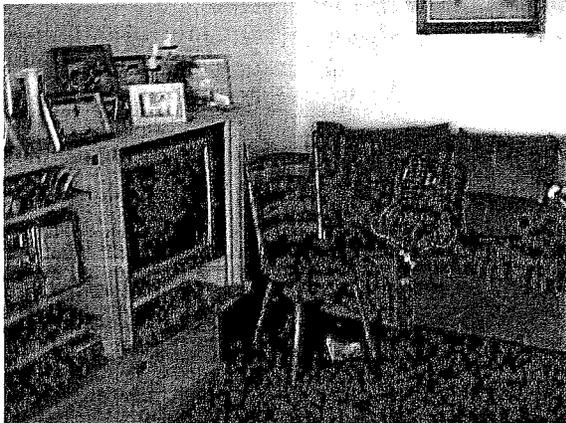


Photo #13: Dwelling unit living area



Photo #14: Dwelling unit living area



Photo #15: Dwelling unit dinning area



Photo #16: Dwelling unit kitchen

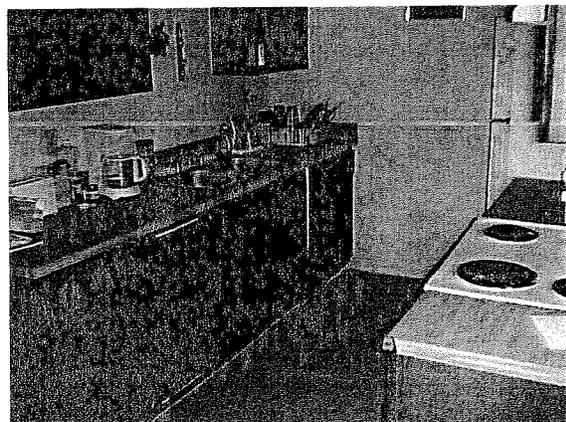


Photo #17: Dwelling unit kitchen

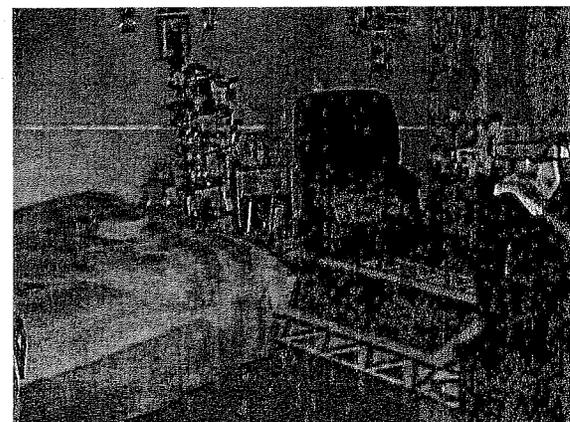


Photo #18: Dwelling unit bedroom



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# EMG PHOTOGRAPHIC RECORD

Project No.: 120286

Project Name: Shiloh Village Apartments



Photo #19: Dwelling unit bathroom



Photo #20: Structural components

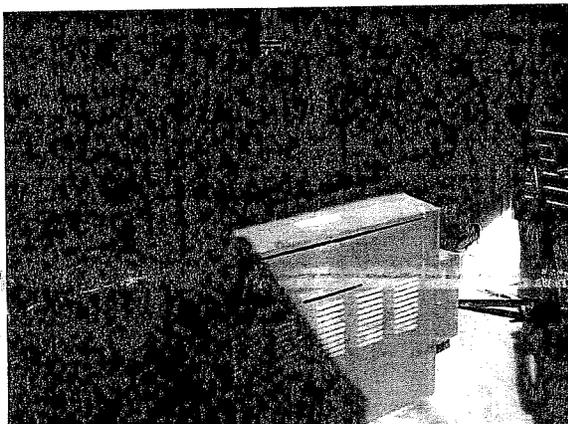


Photo #21: Boiler room

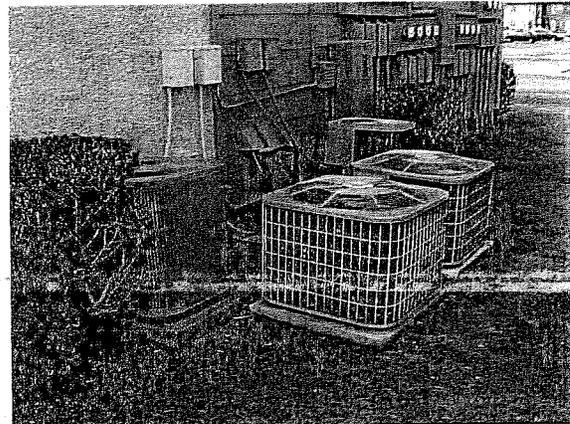


Photo #22: HVAC equipment

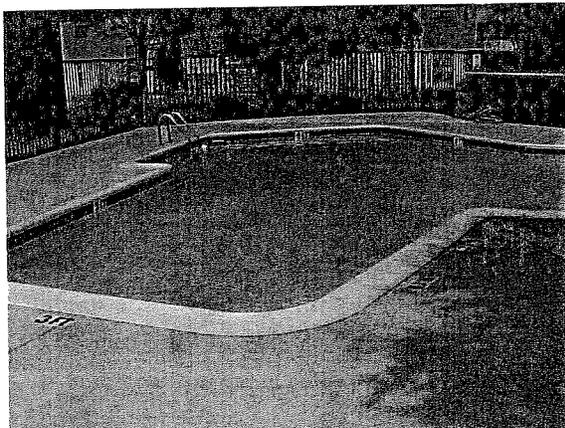


Photo #23: Pool

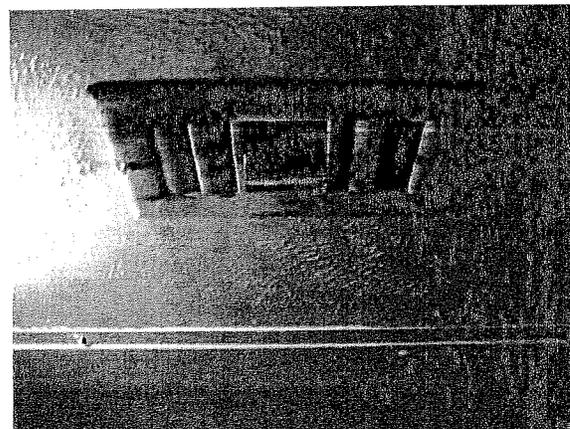


Photo #24: Mold at dwelling unit HVAC vent in the bathroom



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EMG PHOTOGRAPHIC RECORD

Project No.: 120286

Project Name: Shiloh Village Apartments

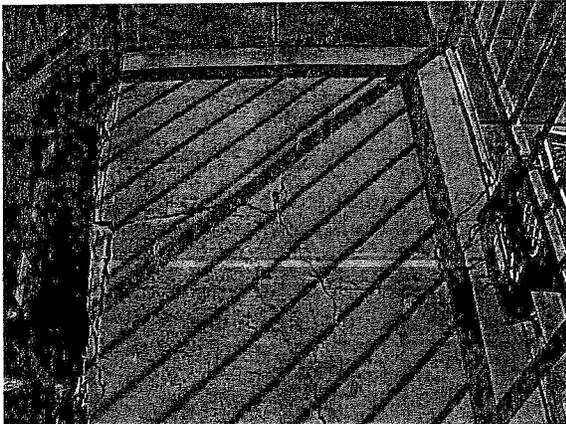


Photo #25: Damaged concrete stair landing

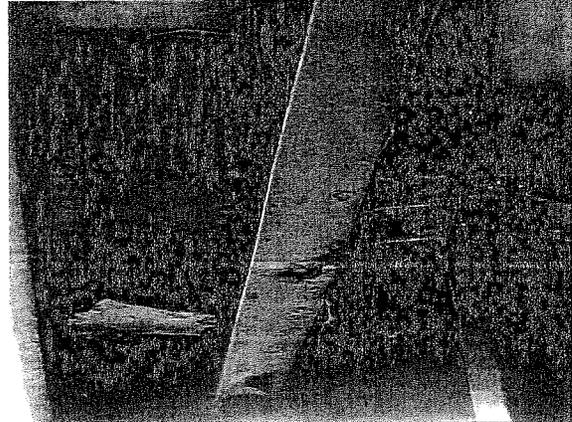


Photo #26: Rusted steel pan at stair landing

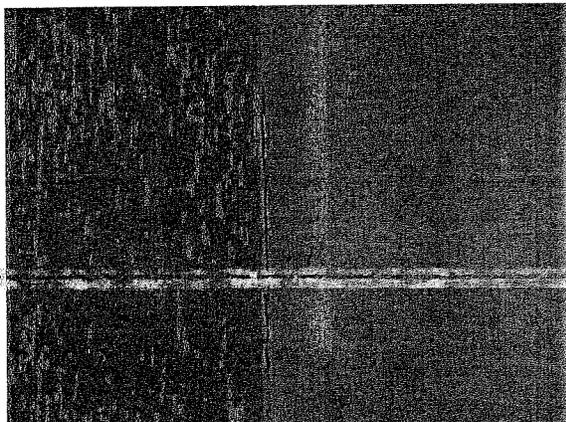


Photo #27: Dwelling unit interior wall crack

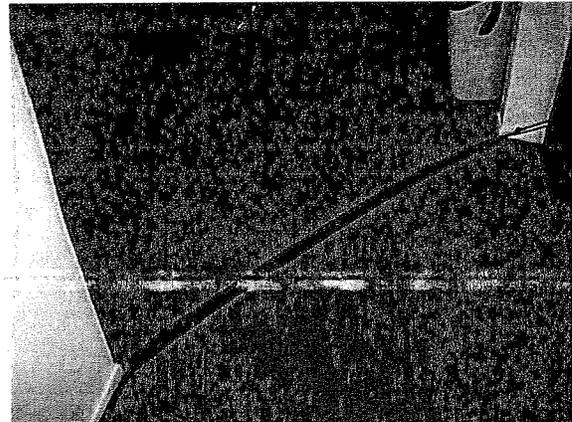


Photo #28: Damaged sub floor



Photo #29: Barren landscaping

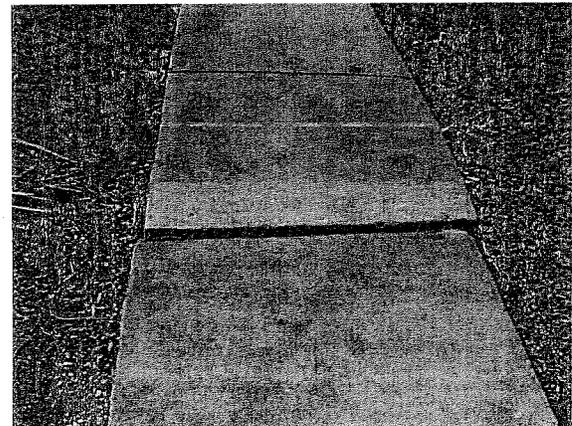


Photo #30: Settled sidewalk

**Project No.: 120286**

**Project Name: Shiloh Village Apartments**

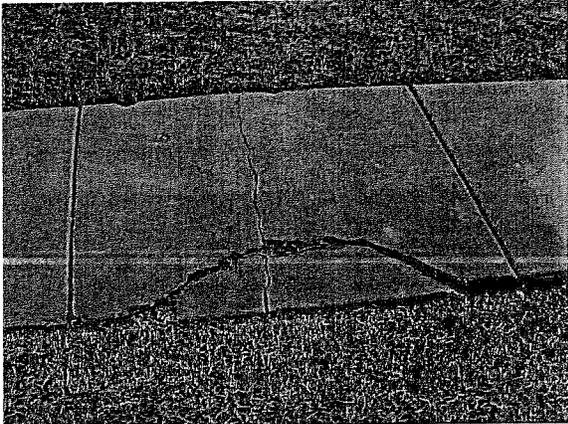


Photo #31: Damaged sidewalk

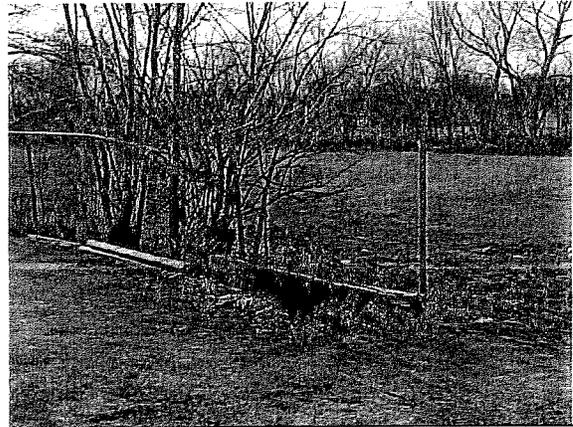


Photo #32: Damaged fencing

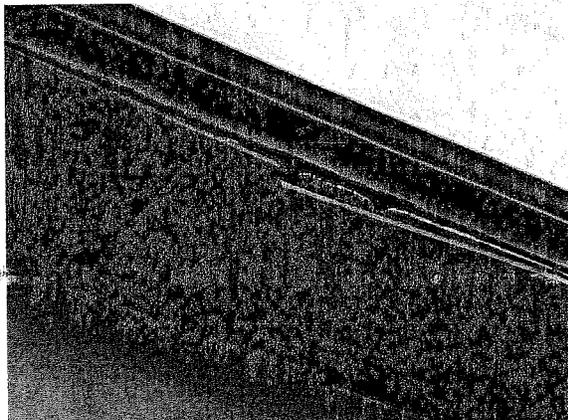


Photo #33: Deteriorated wood soffit and trim

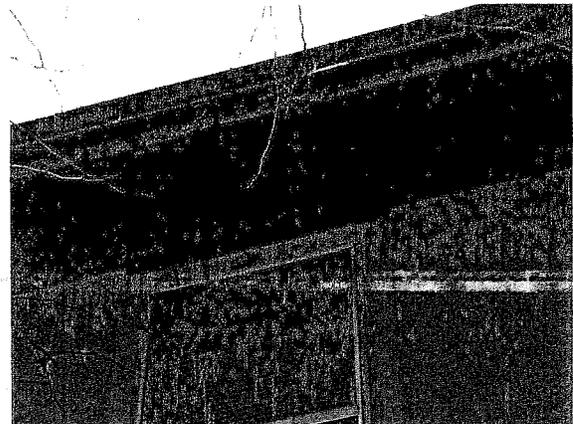


Photo #34: Deteriorated wood soffit and trim

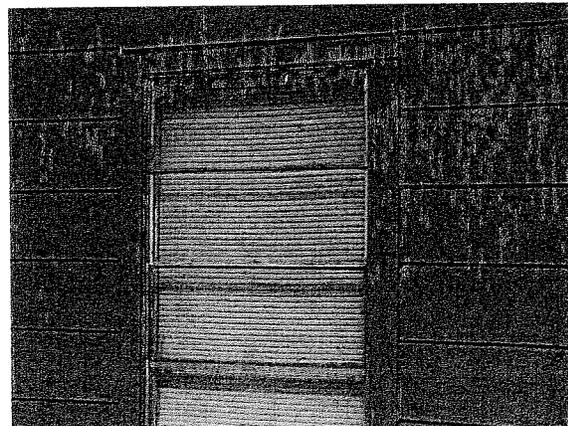


Photo #35: Windows

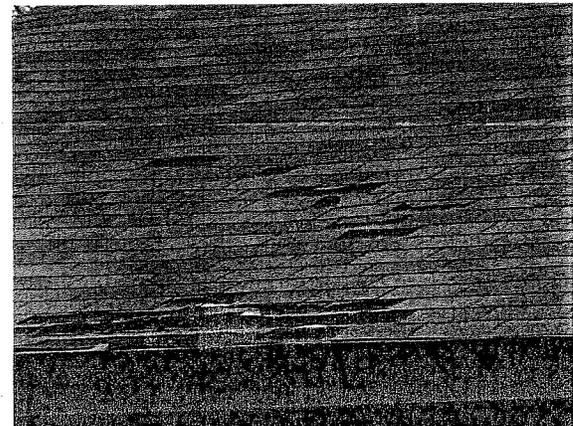


Photo #36: Missing roofing shingles



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## EMG PHOTOGRAPHIC RECORD

Project No.: 120286

Project Name: Shiloh Village Apartments

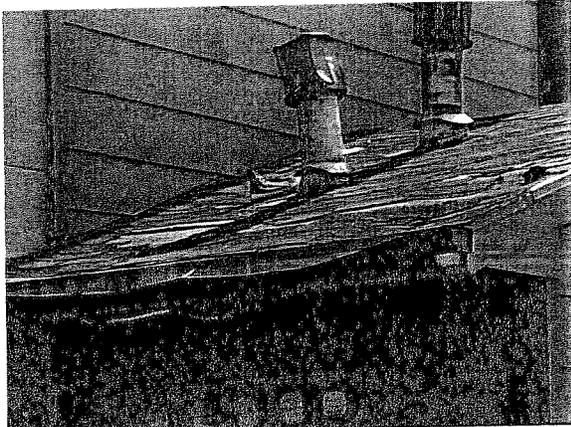


Photo #37:	Missing roofing shingles
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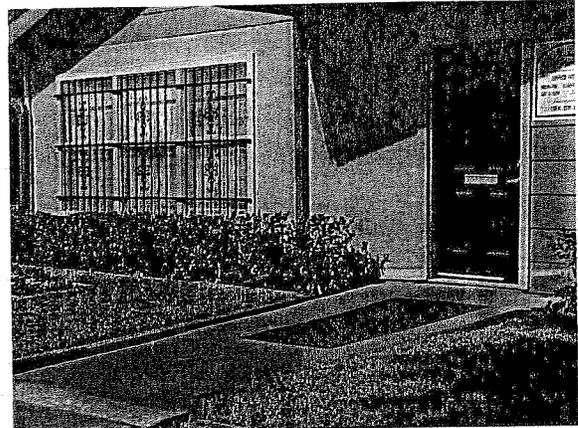


Photo #38:	Entrance to the leasing office
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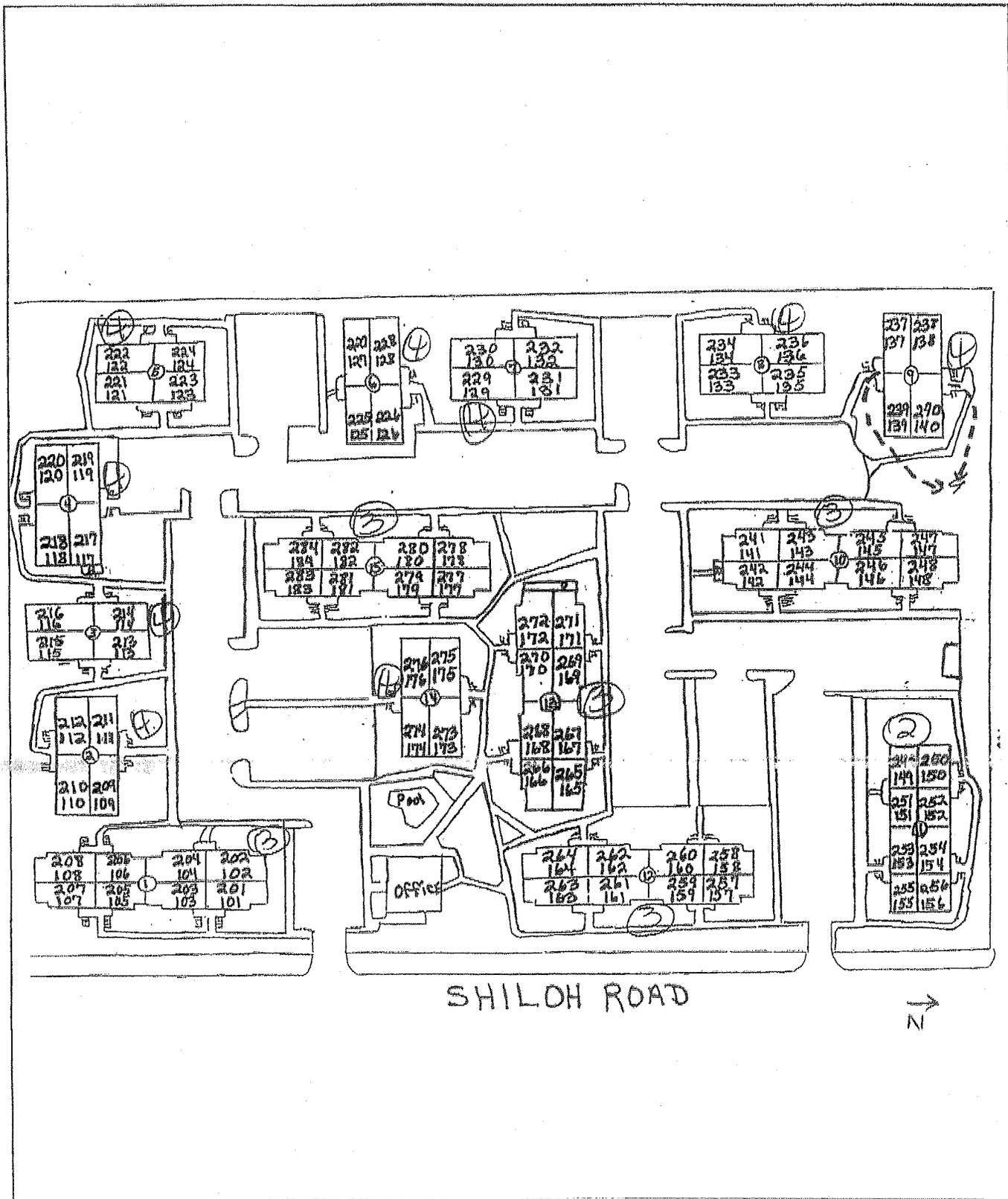


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## Appendix B

### Site Plan



Project Number: 120286  
 Project Name: Shiloh Village Apartments  
 Description: Site Plan  
 The north arrow indicator is an approximation of 0°North



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## Appendix C

### Supporting Documentation



## Fire Department FOIA

To: Ms. Lashonda Charles  
Dallas Fire Department  
Dallas, Texas 75201

Date: February 20, 2004  
Phone #: 214-670-4319  
Fax #: 214-670-4324

Re: Shiloh Village Apartments  
8702 Shiloh Road  
Dallas, Texas 75228

EMG Project No: 120286

Project Manager: Melvin Cauthen

Dear Ms. Charles:

EMG is an engineering firm currently conducting a property condition survey of the above-referenced property. As part of the due-diligence process, we are submitting this letter through the Freedom of Information Act to obtain information specific to the property. We request your assistance by providing us with the following information concerning the site and buildings:

1. Date of last fire department inspection    /   /     
mo. day year
2. Are there any OUTSTANDING fire code violations? YES/NO  
(circle one)
3. How often is the subject property inspected? annually, biennially, other  
(circle one)

Responses may be faxed directly to our office, at (410) 785-6220, or mailed to our corporate offices:

EMG  
Attn: Technical Relationship Manager  
11011 McCormick Road  
Hunt Valley, Maryland 21031

If **outstanding** violations are on file, please provide copies of the reports/citations. Please note the EMG Project Number and the Technical Relationship Manager's name on all correspondence. If you need additional information to complete this request, please contact me at (800) 733-0660. Thank you for your prompt attention to this matter.

Sincerely,  
Melvin Cauthen  
Project Manager



Record of Communication

Date: February 20, 2004 Time: 3:00 pm  
Project Number: 120286 Recorded by: Melvin Cauthen  
Project Name: Shiloh Village Apartments

Communication with: Ms. Lashanda Charles  
of: Dallas Fire Department  
Phone: 214-670-4319

Communication via:

- Telephone Conversation
- Discussions During Site Inspection
- Office Visitation/Meeting at:
- Other:

Re: Outstanding fire code violations and inspection history

---

**Summary of Communication:** According to the Dallas Fire Department, code compliance information can only be obtained through submission of a written request under the Freedom of Information Act (FOIA). A request was submitted, and a copy of the request is included in Appendix C. Significant information will be forwarded upon receipt.

---

**Conclusions, Actions Taken, Required, or Recommended:** FOIA request was sent. FOIA response will be forwarded upon receipt as an attachment to Appendix C.

---

**Follow-up Required: When, With and By Whom:**

---



WESTMARK MANAGEMENT COMPANY - OCCUPANCY & COLLECTION REPORT  
 SHILOH VILLAGE APARTMENTS

Date:

7/1/2003

221d4

PROPERTY UNIT SCHEDULE					TOTALS
UNIT TYPE	2BR	3BR	4BR		
SQUARE FEET	940	1,119	1,200		190,960
RENT TYPE	Section 8	Section 8	Section 8		GPI
RENT PER UNIT	\$609	\$678	\$779		\$120,072
TOTAL UNITS	16	80	72		168
OCCUPIED UNITS					
					TOTAL SEC8 168

# Site Elements Systems and Conditions

Shiloh Village Apartments

Dallas, Texas

February 19, 2004

120286

No. of Units: 168  
 No. of Buildings: 15  
 Reserve Term: 20 years  
 Property Age: 25 years

Item Descriptions	Cond	EUL	Age	RUL	Diff	Action / Comment	Quantity	Unit	Now	DM
ADA Survey	F	NA	NA	NA		Perform follow-up study	1	EA	✓	
Roof Consultant, core samples & report	P	NA	NA	NA						
<b>SITEWORK</b>										
On-site sanitary sewer collection system	G	30	25	5	2					
Site power distribution	G	40	25	15	1					
Site gas main	G	40	25	15	1					
Gas distribution lines	G	40	25	15	1					
Roadways, asphalt (seal coat)	F	5	-1	6		Seal and fill cracks	389,550	EA		
Pedestrian paving, concrete	P	15	25	-10		Replace	750	SF	✓	
Catch basin	G	40	25	15	1					
Storm drain lines	G	50	25	25						
Site sanitary lines	G	50	25	25						
Site water main	G	40	25	15	1					
Site sewer main	G	50	25	25						
Earthwork	G	50	25	25						
Landscaping	P	50	25	25		Replace	168	EA	✓	
Irrigation system	P	30	25	5		Repair	1	LS	✓	
Retaining walls, wood timber	F	15	25	-10		Replace	400	LF	✓	
Swimming pool deck	G	15	1	14		Resurface deck	1,000	SF		
Dumpster enclosures	P	10	10	0		Replace	4	EA	✓	
Swimming pool equipment	G	10	1	9		Replace as needed	2	EA		
Swimming pool surface	G	10	1	9		Replace as needed	2	LS		
Signage	G	10	25	-15	3					
Building mounted HID lighting	F	6	6	0		Repair	15	EA	✓	
Perimeter Fencing, chain link	P	40	25	15		Replace	1	LS	✓	
Playground equipment	P	25	22	3		Replace	1	LS	✓	
<b>BUILDING EXTERIOR</b>										
Foundations	G	50	25	25						
Roof covering, asphalt shingles	P	20	24	-4		Replace	960	SQ	✓	
Roof structure	G	50	25	25						
Roof drainage, exterior (gutter & fascia)	G	25	2	23						
Insulation within wall	G	50	25	25						
Exterior walls, soffits and trim	P	15	25	-10		Repair	15	BLDG	✓	
Exterior walls, stucco/siding	F	5	3	2		Prep and paint/stain	150,000	SF	✓	
Exterior walls, stucco/siding	G	10	-1	11		Prep and paint/stain	142,000	SF		
Exterior steel stairs, scraping and recoating	F	10	25	-15	3					
Exterior steel stair / concrete treads	F	20	25	-5	3					
Windows (Frames and glazing)	P	30	25	5		Replace 1x during term	712	EA	✓	
<b>MISCELLANEOUS</b>										
Rental office	P	20	25	-5		Replace finishes	1	LS	✓	
<b>MECHANICAL, ELECTRICAL, PLUMBING</b>										
Hot and cold water distribution	G	50	25	25						
DHW, instantaneous	G	25	2	23						
Sanitary waste and vent system	G	50	25	25						
Gas distribution system	G	50	25	25						
Electrical wiring	G	60	25	35						
Building lighting	G	20	25	-5	3					
<b>INTERIOR FINISHES &amp; APPLIANCES</b>										
Living area floors, carpet (older)	P	7	7	0		Replace	168	EA	✓	
Living area floors, carpet	G	7	-1	8		Replace	336	EA		
Living area floors, resilient (older)	P	15	15	0		Replace	168	EA	✓	
Living area floors, resilient	G	15	-1	16		Replace	168	EA		
Living area walls & ceilings, drywall	P	50	25	25		Repair and paint	168	EA	✓	
Interior doors	G	30	25	5		Replace	111	EA	✓	
Refrigerator (older)	F	15	15	0		Replace	168	EA	✓	
Refrigerator (newer)	G	15	5	10		Replace	101	EA		
Dishwasher (older)	F	10	10	0		Replace	168	EA	✓	
Dishwasher (newer)	G	10	6	4		Replace	202	EA		
Range (older)	F	15	15	0		Replace	168	EA	✓	
Range (newer)	G	15	-1	16		Replace	168	EA		
Cabinets, Countertop and sink	P	20	19	1		Replace original cabinetry	148	EA	✓	
Cabinets, Countertop and sink	G	20	5	15	3					
Refrigerator (newer)	G	15	-1	16		Replace	67	EA		
Dishwasher (newer)	G	10	-1	11		Replace	67	EA		
HVAC, fan coil units	F	25	25	0		Replace 1x during term	126	EA	✓	
HVAC, fan coil units	F	25	10	15	3					
HVAC, split DX system	F	15	4	11		Replace	112	EA		
HVAC, split DX system	F	15	14	1		Replace	56	EA	✓	
HVAC, split DX system	G	15	-1	16		Replace at least 1x during term	56	EA		
Bath Fixtures (Sink, toilet, tub)	P	20	25	-5		Replace	168	EA	✓	
Bath Fixtures (Sink, toilet, tub)	F	20	10	10	3					
Restroom ventilation	P	NA	NA	#VALUE!						
Electrical devices: switches & outlets	P	15	25	-10		Install GFCI in kitchen and bathroom / extend phone jacks	446	EA	✓	

Foot Notes Indicated in "Diff" Column.

- Quality of original construction appears to be higher than typical industry standards, extending the remaining useful life.
- Reported maintenance performed appears to be of a higher than typical industry standard, extending the remaining useful life.
- Item/component is of such minimal quantity/cost that it is considered part of the routine maintenance program.
- Item/component is owned by an outside contractor/lessee and is not the responsibility of the property owner.



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**Appendix D**  
**EMG Accessibility Checklist**



Property Name: Shiloh Village Apartments

Date: February 19, 2004

Project Number: 120286

EMG Accessibility Checklist					
Building History		Yes	No	N/A	Comments
1.	Has the management previously completed an ADA review?		X		
2.	Does an ADA compliance plan exist for the property?		X		
3.	Has the plan been reviewed/approved by outside agencies (engineering firms, building department, other agencies)?		X		
4.	Have any ADA related complaints been received in the past?		X		
Building Access		Yes	No	N/A	Comments
1.	Are there an adequate number (per regulation) of wheelchair accessible parking spaces available (96" wide/ 60" aisle)	X			
2.	Is there at least one wheelchair accessible van parking space (96" wide/ 96" aisle) for every 8 standard accessible spaces?	X			
3.	Are accessible parking spaces located on the shortest accessible route of travel from an accessible building entrance?	X			
4.	Does signage exist directing you to wheelchair accessible parking and an accessible building entrance?			X	
5.	Is there a ramp from the parking to an accessible building entrance (1:12 slope or less)	X			
6.	If the main entrance is inaccessible, are there alternate accessible entrances?			X	
7.	Is the accessible entrance doorway at least 32" wide?	X			



EMG Accessibility Checklist					
8.	Is the door handle easy to open? (lever/push type knob, no twisting required, no higher than 48" above floor)	X			
9.	Are entry doors other than revolving doors available?	X			
Building Corridors and Elevators		Yes	No	N/A	Comments
1.	Is the path of travel free of obstructions and wide enough for a wheelchair (at least 60" wide)?	X			
2.	Are floor surfaces firm, stable and slip resistant (carpets wheelchair friendly)?	X			
3.	Do obstacles (phones, fountains, etc.) protrude no more than 4" into walkways or corridor?		X		
4.	Are elevators controls low enough to be reached from a wheelchair (48" front approach/54" side approach)?			X	
5.	Are there raised elevator markings in Braille and Standard Alphabet for the blind?			X	
6.	Are there audible signals inside cars indicating floor changes?			X	
7.	Do elevator lobbies have visual and audible indicators of the cars arrival?			X	
8.	Does the elevator interior provide sufficient wheelchair turning area (51" X 68" minimum)?			X	
9.	Is at least one wheelchair accessible public phone available?	X			
10	Are wheelchair accessible facilities (restrooms, exits, etc.) identified with signage?		X		Provide signage
Restrooms		Yes	No	N/A	Comments
1.	Are common area public restrooms located on an accessible route?	X			
2.	Are pull handles push/pull or lever type?	X			
3.	Are access doors wheelchair accessible (at least 32" wide)?	X			



EMG Accessibility Checklist					
4.	Are public restrooms large enough for wheelchair turnaround (60" turning diameter)?		X		
5.	Are stall doors wheelchair accessible (at least 32" wide)?			X	
6.	Are grab bars provided in toilet stalls (33"-36" above floor)?		X		Install grab bars
7.	Do sinks provide clearance for a wheelchair to roll under (29" clearance)?	X			
8.	Are sink handles operable with one hand without grasping, pinching or twisting?		X		Provide paddle faucet
9.	Are exposed pipes under sink sufficiently insulated against contact?		X		Insulate pipes
10	Are soap dispensers, towel, etc. reachable (48" from floor for frontal approach, 54" for side approach)?	X			
11	Is the base of the mirror no more than 40" off floor?	X			



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## Appendix E

### Pre Survey Questionnaire and Documentation Request Form



### Pre-Survey Questionnaire

Property Name: Shiloh Village Apartments

Respondent Name: Ms. Cynthia Perry-Bryant

This questionnaire must be completed by the property owner, the owner's designated representative (anyone knowledgeable about the subject property) and must be presented to EMG's Field Observer on the day of the site visit. (During the site visit, EMG's Field Observer may ask for details associated with selected questions. This questionnaire will be utilized as an exhibit in EMG's final Property Condition Report.

Unk = Unknown NA = Not Applicable

	Yes	No	Unk	NA		Yes	No	Unk	NA
1. Does the property have full-time maintenance personnel or staff?	X				20. Is the HVAC equipment more than 10 years old?	X	X		
2. Have there been any major capital improvements in the last 5 years?	X				21. Does the HVAC equipment use R-22 as a refrigerant?	X			
3. Are there any unresolved building, fire or zoning code issues?		X			22. Are the water heaters/boilers more than 10 years old?		X		
4. Has a termite inspection occurred within the last year?		X			23. Is polybutylene piping used at the property?			X	
5. Are there any "down" units?		X			24. Are there any plumbing leaks or water pressure problems?		X		
6. Are there any problems with the foundations or structures?		X			25. Does any part of the electrical system use aluminum wiring?			X	
7. Is there any water infiltration in basements or crawl spaces?		X			26. Has any elevator equipment been replaced within the last 10 years?				X
8. Are there any wall or window leaks, or poorly insulated areas?		X			27. Are the elevators maintained by a contractor on a routine basis?				X
9. Are there any current roof leaks at the property?	X				28. Is the emergency communication equip. in the elevators functional?				X
10. Is the roof covered by a warranty or bond?			X		29. Have fire/life safety systems been inspected within the last year?				X
11. Is Fire Retardant Plywood used at the property?			X		30. Are there any smoke evacuation or pressurization systems?				X
12. Are any roof finishes more than ten years old?			X		31. Are any Omega or Central brand fire sprinkler heads installed?				X
13. Do utilities (water, sewer, electric, gas) provide adequate service?	X				32. Are emergency electrical generators routinely maintained?				X
14. Is the property served by an on site water well or septic system?		X			33. Do the tenants contract for their own tenant improvement work?		X		
15. Do irrigation systems function properly?		X			34. Are tenants responsible for roof, HVAC, OR exterior painting costs?		X		
16. Does your HVAC system provide the minimum quantity of outside air recommended by ASHRAE?	X				35. Are the HVAC systems inspected on a regular basis? If so, how often?	X			
17. Is the HVAC system inspected at least annually, and problems corrected?	X				36. Have problems with HVAC systems been corrected in a timely manner?	X			
18. Has the HVAC system or any part of the property ever contained visible mold growth? If yes, where? When?		X			37. Is there a response action planned and in place in order to prevent mold growth, or respond to its presence?			X	
19. Has the building been tested for indoor air quality or mold? If yes, what were the results?			X		38. Does the property have an exterior insulation and finish (EIFS) system with synthetic stucco (Dryvit) façade?			X	



### Request for Documentation

On the day of the site visit, provide EMG's Field Observer access to all of the available documents listed below. Provide copies if possible.

<p><b>INFORMATION REQUIRED</b></p> <ol style="list-style-type: none"> <li>1. All available construction documents (blueprints) for the original construction of the building or for any tenant improvement work or other recent construction work.</li> <li>2. A site plan, preferably 8 1/2" X 11", which depicts the arrangement of buildings, roads, parking stalls, and other site features.</li> <li>3. For commercial properties, provide a tenant list which identifies the names of each tenant, vacant tenant units, the floor area of each tenant space, and the gross and net leasable area of the building(s).</li> <li>4. For apartment properties, provide a summary of the apartment unit types and apartment unit type quantities, including the floor area of each apartment unit as measured in square feet.</li> <li>5. For hotel or nursing home properties, provide a summary of the room types and room type quantities.</li> <li>6. Copies of Certificates of Occupancy, building permits, fire or health department inspection reports, elevator inspection certificates, roof or HVAC warranties, or any other similar, relevant documents.</li> <li>7. The names of the local utility companies which serve the property, including the water, sewer, electric, gas, and phone companies.</li> </ol>	<ol style="list-style-type: none"> <li>8. The company name, phone number, and contact person of all outside vendors who serve the property, such as mechanical contractors, roof contractors, fire sprinkler or fire extinguisher testing contractors, and elevator contractors.</li> <li>9. A summary of recent (over the last 5 years) capital improvement work which describes the scope of the work and the cost of the improvements. Executed contracts or proposals for improvements. Historical costs for repairs, improvements, and replacements.</li> <li>10. Records of system and material ages (roof, MEP, paving, finishes, furnishings).</li> <li>11. Any brochures or marketing information.</li> <li>12. Appraisal, either current or previously prepared.</li> <li>13. Current occupancy percentage and typical turnover rate records (for commercial and apartment properties).</li> <li>14. Previous reports pertaining to the physical condition of property.</li> <li>15. ADA survey and status of improvements implemented.</li> <li>16. Current/pending litigation related to property condition.</li> </ol>
--	---

Your timely compliance with this request is greatly appreciated.



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## Appendix F

### Acronyms and Out of Scope Items



## ASTM E2018-99 Acronyms

*ADA* - The Americans with Disabilities Act

*ASTM* - American Society for Testing and Materials

*BOMA* - Building Owners and Managers Association

*BUR* - Built-up Roofing

*DWV* - Drainage, Waste, Ventilation

*EIFS* - Exterior Insulation and Finish System

*EMF* - Electro Magnetic Fields

*EMS* - Energy Management System

*EUL* - Expected Useful Life

*FEMA* - Federal Emergency Management Agency

*FFHA* - Federal Fair Housing Act

*FIRMS* - Flood Insurance Rate Maps

*FRT* - Fire Retardant Treated

*FOIA* - U.S. Freedom of Information Act (5 USC 552 et seq.) and similar state statutes.

*FOIL* - Freedom of Information Letter

*FM* - Factory Mutual

*HVAC* - Heating, Ventilating and Air-conditioning

*IAQ* - Indoor Air Quality

*MEP* - Mechanical, Electrical and Plumbing

*NFPA* - National Fire Protection Association

*PCA* - Property Condition Assessment

*PCR* - Property Condition Report

*PML* - Probable Maximum Loss

*RTU* - Rooftop Unit

*RUL* - Remaining Useful Life

*STC* - Sound Transmission Class

*UBC* - Uniform Building Code



Ref. #	Section 8 - ASTM E-2018-99 Out of Scope Items
8.4.1.8	<b>Utilities:</b> Operating conditions of any systems or accessing manholes or utility pits.
8.4.2.2	<b>Structural Frame and Building Envelope:</b> Entering of crawl or confined space areas (however, field observer should observe conditions to the extent easily visible from the point of access to the crawl or confined space areas), determination of previous substructure flooding or water penetration unless easily visible or if such information is provided.
8.4.3.2	<b>Roofs:</b> Walking on pitched roofs, or any roof areas that appear to be unsafe, or roofs with no built-in access, or determining any roofing design criteria.
8.4.4.2	<b>Plumbing:</b> Determining adequate pressure and flow rate, fixture-unit values and counts, or verifying pipe sizes and verifying the point of discharge for underground systems.
8.4.5.2	<b>Heating:</b> Observation of flue connections, interiors of chimneys, flues or boiler stacks, or tenant-owned or maintained equipment.
8.4.6.2	<b>Air-conditioning and Ventilation:</b> Evaluation of process related equipment or condition of tenant owned/maintained equipment.
8.4.7.2	<b>Electrical:</b> Removing of electrical panel covers, except if removed by building staff, EMF issues, electrical testing, or operating of any electrical devices. Process related equipment or tenant owned equipment.
8.4.8.2	<b>Vertical Transportation:</b> Examining of cables, sheaves, controllers, motors, inspection tags, or entering elevator/escalator pits or shafts
8.4.9.1	<b>Life Safety/Fire Protection:</b> Determining NFPA hazard classifications, classifying, or testing fire rating of assemblies.
8.4.10.2	<b>Interior Elements:</b> Operating appliances or fixtures, determining or reporting STC (Sound Transmission Class) ratings, and flammability issues/regulations.

Ref. #	Section 11 - ASTM E-2018-99 Out of Scope Items
11.1	<b>Activity Exclusions -</b> The activities listed below are generally excluded from or otherwise represent limitations to the scope of a PCA prepared in accordance with this <i>guide</i> . These should not be construed as all-inclusive or implying that any exclusion not specifically identified is a PCA requirement under this <i>guide</i> .
11.1.1	Removing or relocating materials, furniture, storage containers, personal effects, debris material or finishes; conducting exploratory probing or testing; <i>dismantling</i> or operating of equipment or appliances; or disturbing personal items or <i>property</i> which obstructs access or visibility.
11.1.2	Preparing <i>engineering</i> calculations (civil, structural, mechanical, electrical, etc.) to determine any <i>system's</i> , <i>component's</i> , or equipment's adequacy or compliance with any specific or commonly accepted design requirements or <i>building codes</i> , or preparing designs or specifications to remedy any <i>physical deficiency</i> .
11.1.3	Taking measurements or quantities to establish or confirm any information or representations provided by the <i>owner</i> or <i>user</i> such as: size and dimensions of the <i>subject property</i> or <i>subject building</i> , any legal encumbrances such as easements, dwelling unit count and mix, <i>building property</i> line setbacks or elevations, number and size of parking spaces, etc.



Ref #	Section 11: ASTM E 2018-99 Out of Scope Items
11.1.4	Reporting on the presence or absence of pests such as wood damaging organisms, rodents, or insects unless evidence of such presence is readily apparent during the course of the <i>field observer's walk-through survey</i> or such information is provided to the <i>consultant</i> by the <i>owner, user, property manager, etc.</i> The <i>consultant</i> is not required to provide a <i>suggested remedy</i> for treatment or remediation, determine the extent of infestation, nor provide <i>opinions of probable costs</i> for treatment or remediation of any deterioration that may have resulted.
11.1.5	Reporting on the condition of subterranean conditions such as underground utilities, separate sewage disposal systems, wells; systems that are either considered process-related or peculiar to a specific tenancy or use; waste water treatment plants; or items or systems that are not permanently installed.
11.1.6	Entering or accessing any area of the premises deemed to pose a threat of <i>dangerous or adverse conditions</i> with respect to the <i>field observer</i> or to perform any procedure, which may damage or impair the physical integrity of the <i>property, any system, or component.</i>
11.1.7	Providing an opinion on the condition of any <i>system or component, which is shutdown, or whose operation by the field observer may significantly increase the registered electrical demand-load.</i> However, <i>consultant</i> is to provide an opinion of its physical condition to the extent reasonably possible considering its age, obvious condition, manufacturer, etc.
11.1.8	Evaluating acoustical or insulating characteristics of <i>systems or components.</i>
11.1.9	Providing an opinion on matters regarding security of the <i>subject property</i> and protection of its occupants or users from unauthorized access.
11.1.10	Operating or witnessing the operation of lighting or other <i>systems</i> typically controlled by time clocks or that are normally operated by the building's operation staff or service companies.
11.1.11	Providing an environmental assessment or opinion on the presence of any environmental issues such as asbestos, hazardous wastes, toxic materials, the location and presence of designated wetlands, IAQ, etc.
11.2	<i>Warranty, Guarantee and Code Compliance Exclusions</i> - By conducting a PCA and preparing a PCR, the <i>consultant</i> is merely providing an opinion and does not warrant or guarantee the present or future condition of the <i>subject property, nor may the PCA be construed as either a warranty or guarantee of any of the following:</i>
11.2.1	Any <i>system's or component's</i> physical condition or use, nor is a PCA to be construed as substituting for any <i>system's or equipment's</i> warranty transfer inspection;
11.2.2	Compliance with any federal, state, or local statute, ordinance, rule or regulation including, but not limited to, <i>building codes, safety codes, environmental regulations, health codes or zoning ordinances or compliance with trade/design standards or the standards developed by the insurance industry.</i> However, should there be any conspicuous <i>material</i> present violations <i>observed</i> or reported based upon <i>actual knowledge</i> of the <i>field observer</i> or the <i>PCR reviewer, they should be identified in the PCR;</i>
11.2.3	Compliance of any material, equipment, or <i>system</i> with any certification or actuation rate program, vendor's or manufacturer's warranty provisions, or provisions established by any standards that are related to insurance industry acceptance/approval such as FM, State Board of Fire Underwriters, etc.
11.3	Additional/General Considerations:
11.3.1	Further Inquiry - There may be physical condition issues or certain physical improvements at the <i>subject property</i> that the parties may wish to assess in connection with a <i>commercial real estate transaction</i> that are outside the scope of this <i>guide.</i> Such issues are referred to as non-scope considerations and if included in the PCR, should be identified under Section 10.9.
11.3.2	<i>Non-Scope Considerations</i> - Whether or not a <i>user</i> elects to inquire into non-scope considerations in connection with this <i>guide</i> is a decision to be made by the <i>user.</i> No assessment of such non-scope considerations is required for a PCA to be conducted in compliance with this <i>guide.</i>



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## Appendix C

### Supporting Documentation



## Fire Department FOIA

To: Ms. Lashonda Charles  
Dallas Fire Department  
Dallas, Texas 75201

Date: February 20, 2004  
Phone #: 214-670-4319  
Fax #: 214-670-4324

Re: Shiloh Village Apartments  
8702 Shiloh Road  
Dallas, Texas 75228

EMG Project No: 120286

Project Manager: Melvin Cauthen

Dear Ms. Charles:

EMG is an engineering firm currently conducting a property condition survey of the above-referenced property. As part of the due-diligence process, we are submitting this letter through the Freedom of Information Act to obtain information specific to the property. We request your assistance by providing us with the following information concerning the site and buildings:

1. Date of last fire department inspection    /   /     
mo. day year
2. Are there any OUTSTANDING fire code violations? YES/NO  
(circle one)
3. How often is the subject property inspected? annually, biennially, other  
(circle one)

Responses may be faxed directly to our office, at (410) 785-6220, or mailed to our corporate offices:

EMG  
Attn: Technical Relationship Manager  
11011 McCormick Road  
Hunt Valley, Maryland 21031

If **outstanding** violations are on file, please provide copies of the reports/citations. Please note the EMG Project Number and the Technical Relationship Manager's name on all correspondence. If you need additional information to complete this request, please contact me at (800) 733-0660. Thank you for your prompt attention to this matter.

Sincerely,  
Melvin Cauthen  
Project Manager



### Record of Communication

Date: February 20, 2004 Time: 3:00 pm  
Project Number: 120286 Recorded by: Melvin Cauthen  
Project Name: Shiloh Village Apartments

Communication with: Ms. Lashanda Charles  
of: Dallas Fire Department  
Phone: 214-670-4319

Communication via:

- Telephone Conversation
- Discussions During Site Inspection
- Office Visitation/Meeting at:
- Other:

Re: Outstanding fire code violations and inspection history

---

**Summary of Communication:** According to the Dallas Fire Department, code compliance information can only be obtained through submission of a written request under the Freedom of Information Act (FOIA). A request was submitted, and a copy of the request is included in Appendix C. Significant information will be forwarded upon receipt.

---

**Conclusions, Actions Taken, Required, or Recommended:** FOIA request was sent. FOIA response will be forwarded upon receipt as an attachment to Appendix C.

---

**Follow-up Required: When, With and By Whom:**

---

CITY OF DALLAS

Building Inspection  
320 E. Jefferson Blvd.  
Dallas, Texas 75203

CERTIFICATE OF OCCUPANCY

CO Number: 7910165225

Date Issued: 10/10/1979

Use: APARTMENTS

Expiration date:

Name: SHILOH VILLAGE APTS. LTD.

CO Fee:

DBA:

Mapsco: 39 /W

Telephone:

Fax:

Address:

8702 SHILOH RD 75228

Lot:	TR	Block:	735 7	/	Act Code:	Dwlg Units:	168	
Work Use:		Zoning:			Own Code:	District:	08	
Pro Park:		Lot Area:			SUP:	Stories:		
Req Park:		Bldg Area:		0	PDD:	MF-1	Occ Code:	B-1
Sprinkler:		Type Const:						

This certificate shall be displayed  
on the above premises at all times.

WESTMARK MANAGEMENT COMPANY - OCCUPANCY & COLLECTION REPORT  
 SHILOH VILLAGE APARTMENTS

Date:

7/1/2003

221d4

PROPERTY UNIT SCHEDULE					TOTAL SEC8
UNIT TYPE	2BR	3BR	4BR	TOTALS	
SQUARE FEET	940	1,119	1,200	190,960	
RENT TYPE	Section 8	Section 8	Section 8	GPI	
RENT PER UNIT	\$609	\$678	\$779	\$120,072	
TOTAL UNITS	16	80	72	168	168

OCCUPIED UNITS

# Site Elements Systems and Conditions

Shiloh Village Apartments

Dallas, Texas

February 19, 2004

120286

No. of Units: 168  
 No. of Buildings: 15  
 Reserve Term: 20 years  
 Property Age: 25 years

Item Descriptions	Cond	EUL	Age	RUL	Diff	Action / Comment	Quantity	Unit	Now	DM
ADA Survey	F	NA	NA	NA		Perform follow-up study	1	EA	✓	
Roof Consultant, core samples & report	p	NA	NA	NA						
<b>NETWORKS</b>										
On-site sanitary sewer collection system	G	30	25	5	2					
Site power distribution	G	40	25	15	1					
Site gas main	G	40	25	15	1					
Gas distribution lines	G	40	25	15	1					
Roadways, asphalt (seal coat)	F	5	-1	6		Seal and fill cracks	389,550	EA		
Pedestrian paving, concrete	P	15	25	-10		Replace	750	SF	✓	
Catch basin	G	40	25	15	1					
Storm drain lines	G	50	25	25						
Site sanitary lines	G	50	25	25						
Site water main	G	40	25	15	1					
Site sewer main	G	50	25	25						
Earthwork	G	50	25	25						
Landscaping	P	50	25	25		Replace	168	EA	✓	
Irrigation system	P	30	25	5		Repair	1	LS	✓	
Retaining walls, wood timber	F	15	25	-10		Replace	400	LF	✓	
Swimming pool deck	G	15	1	14		Resurface deck	1,000	SF		
Dumpster enclosures	P	10	10	0		Replace	4	EA	✓	
Swimming pool equipment	G	10	1	9		Replace as needed	2	EA		
Swimming pool surface	G	10	1	9		Replace as needed	2	LS		
Signage	G	10	25	-15	3					
Building mounted HID lighting	F	6	6	0		Repair	15	EA	✓	
Perimeter Fencing, chain link	P	40	25	15		Replace	1	LS	✓	
Playground equipment	P	25	22	3		Replace	1	LS	✓	
<b>BUILDING EXTERIOR</b>										
Foundations	G	50	25	25						
Roof covering, asphalt shingles	P	20	24	-4		Replace	960	SQ	✓	
Roof structure	G	50	25	25						
Roof drainage, exterior (gutter & fascia)	G	25	2	23						
Insulation within wall	G	50	25	25						
Exterior walls, soffits and trim	P	15	25	-10		Repair	15	BLDG	✓	
Exterior walls, stucco/ siding	F	5	3	2		Prep and paint/stain	150,000	SF	✓	
Exterior walls, stucco/ siding	G	10	-1	11		Prep and paint/stain	142,000	SF		
Exterior steel stairs, scraping and recoating	F	10	25	-15	3					
Exterior steel stair / concrete treads	F	20	25	-5	3					
Windows (Frames and glazing)	P	30	25	5		Replace 1x during term	712	EA	✓	
<b>MISCELLANEOUS</b>										
Rental office	P	20	25	5		Replace finishes	1	LS	✓	
<b>MECHANICAL, ELECTRICAL, PLUMBING</b>										
Hot and cold water distribution	G	50	25	25						
DHW, instantaneous	G	25	2	23						
Sanitary waste and vent system	G	50	25	25						
Gas distribution system	G	50	25	25						
Electrical wiring	G	60	25	35						
Building lighting	G	20	25	-5	3					
<b>INTERIOR FINISHES &amp; APPLIANCES</b>										
Living area floors, carpet (older)	P	7	7	0		Replace	168	EA	✓	
Living area floors, carpet	G	7	-1	8		Replace	336	EA		
Living area floors, resilient (older)	P	15	15	0		Replace	168	EA	✓	
Living area floors, resilient	G	15	-1	16		Replace	168	EA		
Living area walls & ceilings, drywall	P	50	25	25		Repair and paint	168	EA	✓	
Interior doors	G	30	25	5		Replace	111	EA	✓	
Refrigerator (older)	F	15	15	0		Replace	168	EA	✓	
Refrigerator (newer)	G	15	5	10		Replace	101	EA		
Dishwasher (older)	F	10	10	0		Replace	168	EA	✓	
Dishwasher (newer)	G	10	6	4		Replace	202	EA		
Range (older)	F	15	15	0		Replace	168	EA	✓	
Range (newer)	G	15	-1	16		Replace	168	EA		
Cabinets, Countertop and sink	P	20	19	1		Replace original cabinetry	148	EA	✓	
Cabinets, Countertop and sink	G	20	5	15	3					
Refrigerator (newer)	G	15	-1	16		Replace	67	EA		
Dishwasher (newer)	G	10	-1	11		Replace	67	EA		
HVAC, fan coil units	F	25	25	0		Replace 1x during term	126	EA	✓	
HVAC, fan coil units	F	25	10	15	3					
HVAC: split DX system	F	15	4	11		Replace	112	EA		
HVAC: split DX system	F	15	14	1		Replace	56	EA	✓	
HVAC: split DX system	G	15	-1	16		Replace at least 1x during term	56	EA		
Bath Fixtures (Sink, toilet, tub)	P	20	25	-5		Replace	168	EA	✓	
Bath Fixtures (Sink, toilet, tub)	F	20	10	10	3					
Restroom ventilation	P	NA	NA	#VALUE!						
Electrical devices: switches & outlets	P	15	25	-10		Install GFCI in kitchen and bathroom / extend phone jacks	446	EA	✓	

Foot Notes Indicated in "Diff" Column:

1. Quality of original construction appears to be higher than typical industry standards, extending the remaining useful life.
2. Reported maintenance performed appears to be of a higher than typical industry standard, extending the remaining useful life.
3. Item/component is of such minimal quantity/cost that it is considered part of the routine maintenance program.
4. Item/component is owned by an outside contractor/lessee and is not the responsibility of the property owner.



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**Appendix D**  
**EMG Accessibility Checklist**



Property Name: Shiloh Village Apartments

Date: February 19, 2004

Project Number: 120286

EMG Accessibility Checklist					
	Building History	Yes	No	N/A	Comments
1.	Has the management previously completed an ADA review?		X		
2.	Does an ADA compliance plan exist for the property?		X		
3.	Has the plan been reviewed/approved by outside agencies (engineering firms, building department, other agencies)?		X		
4.	Have any ADA related complaints been received in the past?		X		
	Building Access	Yes	No	N/A	Comments
1.	Are there an adequate number (per regulation) of wheelchair accessible parking spaces available (96" wide/ 60" aisle)	X			
2.	Is there at least one wheelchair accessible van parking space (96" wide/ 96" aisle) for every 8 standard accessible spaces?	X			
3.	Are accessible parking spaces located on the shortest accessible route of travel from an accessible building entrance?	X			
4.	Does signage exist directing you to wheelchair accessible parking and an accessible building entrance?			X	
5.	Is there a ramp from the parking to an accessible building entrance (1:12 slope or less)	X			
6.	If the main entrance is inaccessible, are there alternate accessible entrances?			X	
7.	Is the accessible entrance doorway at least 32" wide?	X			



EMG Accessibility Checklist					
8.	Is the door handle easy to open? (lever/push type knob, no twisting required, no higher than 48" above floor)	X			
9.	Are entry doors other than revolving doors available?	X			
Building Corridors and Elevators		Yes	No	N/A	Comments
1.	Is the path of travel free of obstructions and wide enough for a wheelchair (at least 60" wide)?	X			
2.	Are floor surfaces firm, stable and slip resistant (carpets wheelchair friendly)?	X			
3.	Do obstacles (phones, fountains, etc.) protrude no more than 4" into walkways or corridor?		X		
4.	Are elevators controls low enough to be reached from a wheelchair (48" front approach/54" side approach)?			X	
5.	Are there raised elevator markings in Braille and Standard Alphabet for the blind?			X	
6.	Are there audible signals inside cars indicating floor changes?			X	
7.	Do elevator lobbies have visual and audible indicators of the cars arrival?			X	
8.	Does the elevator interior provide sufficient wheelchair turning area (51" X 68" minimum)?			X	
9.	Is at least one wheelchair accessible public phone available?	X			
10.	Are wheelchair accessible facilities (restrooms, exits, etc.) identified with signage?		X		Provide signage
Restrooms		Yes	No	N/A	Comments
1.	Are common area public restrooms located on an accessible route?	X			
2.	Are pull handles push/pull or lever type?	X			
3.	Are access doors wheelchair accessible (at least 32" wide)?	X			

EMG Accessibility Checklist					
4.	Are public restrooms large enough for wheelchair turnaround (60" turning diameter)?		X		
5.	Are stall doors wheelchair accessible (at least 32" wide)?			X	
6.	Are grab bars provided in toilet stalls (33"-36" above floor)?		X		Install grab bars
7.	Do sinks provide clearance for a wheelchair to roll under (29" clearance)?	X			
8.	Are sink handles operable with one hand without grasping, pinching or twisting?		X		Provide paddle faucet
9.	Are exposed pipes under sink sufficiently insulated against contact?		X		Insulate pipes
10	Are soap dispensers, towel, etc. reachable (48" from floor for frontal approach, 54" for side approach)?	X			
11	Is the base of the mirror no more than 40" off floor?	X			



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## Appendix E

### Pre Survey Questionnaire and Documentation Request Form



### Pre-Survey Questionnaire

Property Name: Shiloh Village Apartments

Respondent Name: Ms. Cynthia Perry-Bryant

This questionnaire must be completed by the property owner, the owner's designated representative (anyone knowledgeable about the subject property), and must be presented to EMC's Field Observer on the day of the site visit. During the site visit, EMC's Field Observer may ask for details associated with selected questions. This questionnaire will be utilized as an exhibit in EMC's final Property Condition Report.									
Unk = Unknown NA = Not Applicable									
	Yes	No	Unk	NA		Yes	No	Unk	NA
1. Does the property have full-time maintenance personnel or staff?	X				20. Is the HVAC equipment more than 10 years old?	X	X		
2. Have there been any major capital improvements in the last 5 years?	X				21. Does the HVAC equipment use R-22 as a refrigerant?	X			
3. Are there any unresolved building, fire or zoning code issues?		X			22. Are the water heaters/boilers more than 10 years old?		X		
4. Has a termite inspection occurred within the last year?		X			23. Is polybutylene piping used at the property?			X	
5. Are there any "down" units?		X			24. Are there any plumbing leaks or water pressure problems?		X		
6. Are there any problems with the foundations or structures?		X			25. Does any part of the electrical system use aluminum wiring?			X	
7. Is there any water infiltration in basements or crawl spaces?		X			26. Has any elevator equipment been replaced within the last 10 years?				X
8. Are there any wall or window leaks, or poorly insulated areas?		X			27. Are the elevators maintained by a contractor on a routine basis?				X
9. Are there any current roof leaks at the property?	X				28. Is the emergency communication equip. in the elevators functional?				X
10. Is the roof covered by a warranty or bond?			X		29. Have fire/life safety systems been inspected within the last year?				X
11. Is Fire Retardant Plywood used at the property?			X		30. Are there any smoke evacuation or pressurization systems?				X
12. Are any roof finishes more than ten years old?			X		31. Are any Omega or Central brand fire sprinkler heads installed?				X
13. Do utilities (water, sewer, electric, gas) provide adequate service?	X				32. Are emergency electrical generators routinely maintained?				X
14. Is the property served by an on site water well or septic system?		X			33. Do the tenants contract for their own tenant improvement work?		X		
15. Do irrigation systems function properly?		X			34. Are tenants responsible for roof, HVAC, OR exterior painting costs?		X		
16. Does your HVAC system provide the minimum quantity of outside air recommended by ASHRAE?	X				35. Are the HVAC systems inspected on a regular basis? If so, how often?	X			
17. Is the HVAC system inspected at least annually, and problems corrected?	X				36. Have problems with HVAC systems been corrected in a timely manner?	X			
18. Has the HVAC system or any part of the property ever contained visible mold growth? If yes, where? When?		X			37. Is there a response action planned and in place in order to prevent mold growth, or respond to its presence?			X	
19. Has the building been tested for indoor air quality or mold? If yes, what were the results?			X		38. Does the property have an exterior insulation and finish (EIFS) system with synthetic stucco (Dryvit) façade?			X	



### Request for Documentation

On the day of the site visit, provide EMG's Field Observer access to all of the available documents listed below. Provide copies if possible.

<p><b>INFORMATION REQUIRED</b></p> <ol style="list-style-type: none"> <li>1. All available construction documents (blueprints) for the original construction of the building or for any tenant improvement work or other recent construction work.</li> <li>2. A site plan, preferably 8 1/2" X 11", which depicts the arrangement of buildings, roads, parking stalls, and other site features.</li> <li>3. For commercial properties, provide a tenant list which identifies the names of each tenant, vacant tenant units, the floor area of each tenant space, and the gross and net leasable area of the building(s).</li> <li>4. For apartment properties, provide a summary of the apartment unit types and apartment unit type quantities, including the floor area of each apartment unit as measured in square feet.</li> <li>5. For hotel or nursing home properties, provide a summary of the room types and room type quantities.</li> <li>6. Copies of Certificates of Occupancy, building permits, fire or health department inspection reports, elevator inspection certificates, roof or HVAC warranties, or any other similar, relevant documents.</li> <li>7. The names of the local utility companies which serve the property, including the water, sewer, electric, gas, and phone companies.</li> </ol>	<ol style="list-style-type: none"> <li>8. The company name, phone number, and contact person of all outside vendors who serve the property, such as mechanical contractors, roof contractors, fire sprinkler or fire extinguisher testing contractors, and elevator contractors.</li> <li>9. A summary of recent (over the last 5 years) capital improvement work which describes the scope of the work and the cost of the improvements. Executed contracts or proposals for improvements. Historical costs for repairs, improvements, and replacements.</li> <li>10. Records of system and material ages (roof, MEP, paving, finishes, furnishings).</li> <li>11. Any brochures or marketing information.</li> <li>12. Appraisal, either current or previously prepared.</li> <li>13. Current occupancy percentage and typical turnover rate records (for commercial and apartment properties).</li> <li>14. Previous reports pertaining to the physical condition of property.</li> <li>15. ADA survey and status of improvements implemented.</li> <li>16. Current/pending litigation related to property condition.</li> </ol>
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Your timely compliance with this request is greatly appreciated.



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120286

## Appendix F

### Acronyms and Out of Scope Items



## ASTM E2018-99 Acronyms

*ADA* - The Americans with Disabilities Act

*ASTM* - American Society for Testing and Materials

*BOMA* - Building Owners and Managers Association

*BUR* - Built-up Roofing

*DWV* - Drainage, Waste, Ventilation

*EIFS* - Exterior Insulation and Finish System

*EMF* - Electro Magnetic Fields

*EMS* - Energy Management System

*EUL* - Expected Useful Life

*FEMA* - Federal Emergency Management Agency

*FFHA* - Federal Fair Housing Act

*FIRMS* - Flood Insurance Rate Maps

*FRT* - Fire Retardant Treated

*FOIA* - U.S. Freedom of Information Act (5 USC 552 et seq.) and similar state statutes.

*FOIL* - Freedom of Information Letter

*FM* - Factory Mutual

*HVAC* - Heating, Ventilating and Air-conditioning

*IAQ* - Indoor Air Quality

*MEP* - Mechanical, Electrical and Plumbing

*NFPA* - National Fire Protection Association

*PCA* - Property Condition Assessment

*PCR* - Property Condition Report

*PML* - Probable Maximum Loss

*RTU* - Rooftop Unit

*RUL* - Remaining Useful Life

*STC* - Sound Transmission Class

*UBC* - Uniform Building Code



Ref #	Section 8 - ASTM E-2018-99 Out of Scope Items
8.4.1.8	<b>Utilities:</b> Operating conditions of any systems or accessing manholes or utility pits.
8.4.2.2	<b>Structural Frame and Building Envelope:</b> Entering of crawl or confined space areas (however, field observer should observe conditions to the extent easily visible from the point of access to the crawl or confined space areas), determination of previous substructure flooding or water penetration unless easily visible or if such information is provided.
8.4.3.2	<b>Roofs:</b> Walking on pitched roofs, or any roof areas that appear to be unsafe, or roofs with no built-in access, or determining any roofing design criteria.
8.4.4.2	<b>Plumbing:</b> Determining adequate pressure and flow rate, fixture-unit values and counts, or verifying pipe sizes and verifying the point of discharge for underground systems.
8.4.5.2	<b>Heating:</b> Observation of flue connections, interiors of chimneys, flues or boiler stacks, or tenant-owned or maintained equipment.
8.4.6.2	<b>Air-conditioning and Ventilation:</b> Evaluation of process related equipment or condition of tenant owned/maintained equipment.
8.4.7.2	<b>Electrical:</b> Removing of electrical panel covers, except if removed by building staff, EMF issues, electrical testing, or operating of any electrical devices. Process related equipment or tenant owned equipment.
8.4.8.2	<b>Vertical Transportation:</b> Examining of cables, sheaves, controllers, motors, inspection tags, or entering elevator/escalator pits or shafts
8.4.9.1	<b>Life Safety/Fire Protection:</b> Determining NFPA hazard classifications, classifying, or testing fire rating of assemblies.
8.4.10.2	<b>Interior Elements:</b> Operating appliances or fixtures, determining or reporting STC (Sound Transmission Class) ratings, and flammability issues/regulations.

Ref #	Section 11 - ASTM E-2018-99 Out of Scope Items
11.1	<b>Activity Exclusions -</b> The activities listed below are generally excluded from or otherwise represent limitations to the scope of a PCA prepared in accordance with this <i>guide</i> . These should not be construed as all-inclusive or implying that any exclusion not specifically identified is a PCA requirement under this <i>guide</i> .
11.1.1	Removing or relocating materials, furniture, storage containers, personal effects, debris material or finishes; conducting exploratory probing or testing; <i>dismantling</i> or operating of equipment or appliances; or disturbing personal items or <i>property</i> which obstructs access or visibility.
11.1.2	Preparing <i>engineering</i> calculations (civil, structural, mechanical, electrical, etc.) to determine any <i>system's</i> , <i>component's</i> , or <i>equipment's</i> adequacy or compliance with any specific or commonly accepted design requirements or <i>building codes</i> , or preparing designs or specifications to remedy any <i>physical deficiency</i> .
11.1.3	Taking measurements or quantities to establish or confirm any information or representations provided by the <i>owner</i> or <i>user</i> such as: size and dimensions of the <i>subject property</i> or <i>subject building</i> , any legal encumbrances such as easements, dwelling unit count and mix, <i>building property</i> line setbacks or elevations, number and size of parking spaces, etc.



Ref #	Section 11 - ASTM E 2018-99 Out of Scope Items
11.1.4	Reporting on the presence or absence of pests such as wood damaging organisms, rodents, or insects unless evidence of such presence is readily apparent during the course of the <i>field observer's walk-through survey</i> or such information is provided to the <i>consultant</i> by the <i>owner, user, property manager, etc.</i> The <i>consultant</i> is not required to provide a <i>suggested remedy</i> for treatment or remediation, determine the extent of infestation, nor provide <i>opinions of probable costs</i> for treatment or remediation of any deterioration that may have resulted.
11.1.5	Reporting on the condition of subterranean conditions such as underground utilities, separate sewage disposal systems, wells; systems that are either considered process-related or peculiar to a specific tenancy or use; waste water treatment plants; or items or systems that are not permanently installed.
11.1.6	Entering or accessing any area of the premises deemed to pose a threat of <i>dangerous or adverse conditions</i> with respect to the <i>field observer</i> or to perform any procedure, which may damage or impair the physical integrity of the <i>property, any system, or component.</i>
11.1.7	Providing an opinion on the condition of any <i>system or component, which is shutdown, or whose operation by the field observer may significantly increase the registered electrical demand-load.</i> However, <i>consultant</i> is to provide an opinion of its physical condition to the extent reasonably possible considering its age, obvious condition, manufacturer, etc.
11.1.8	Evaluating acoustical or insulating characteristics of <i>systems or components.</i>
11.1.9	Providing an opinion on matters regarding security of the <i>subject property</i> and protection of its occupants or users from unauthorized access.
11.1.10	Operating or witnessing the operation of lighting or other <i>systems</i> typically controlled by time clocks or that are normally operated by the building's operation staff or service companies.
11.1.11	Providing an environmental assessment or opinion on the presence of any environmental issues such as asbestos, hazardous wastes, toxic materials, the location and presence of designated wetlands, IAQ, etc.
11.2	<i>Warranty, Guarantee and Code Compliance Exclusions</i> - By conducting a PCA and preparing a PCR, the <i>consultant</i> is merely providing an opinion and does not warrant or guarantee the present or future condition of the <i>subject property, nor may the PCA be construed as either a warranty or guarantee of any of the following:</i>
11.2.1	Any <i>system's or component's</i> physical condition or use, nor is a PCA to be construed as substituting for any <i>system's or equipment's</i> warranty transfer inspection;
11.2.2	Compliance with any federal, state, or local statute, ordinance, rule or regulation including, but not limited to, <i>building codes, safety codes, environmental regulations, health codes or zoning ordinances</i> or compliance with trade/design standards or the standards developed by the insurance industry. However, should there be any conspicuous <i>material</i> present violations <i>observed</i> or reported based upon <i>actual knowledge</i> of the <i>field observer</i> or the <i>PCR reviewer, they should be identified in the PCR;</i>
11.2.3	Compliance of any material, equipment, or <i>system</i> with any certification or actuation rate program, vendor's or manufacturer's warranty provisions, or provisions established by any standards that are related to insurance industry acceptance/approval such as FM, State Board of Fire Underwriters, etc.
11.3	Additional/General Considerations:
11.3.1	Further Inquiry - There may be physical condition issues or certain physical improvements at the <i>subject property</i> that the parties may wish to assess in connection with a <i>commercial real estate transaction</i> that are outside the scope of this <i>guide.</i> Such issues are referred to as non-scope considerations and if included in the PCR, should be identified under Section 10.9.
11.3.2	<i>Non-Scope Considerations</i> - Whether or not a <i>user</i> elects to inquire into non-scope considerations in connection with this <i>guide</i> is a decision to be made by the <i>user.</i> No assessment of such non-scope considerations is required for a PCA to be conducted in compliance with this <i>guide.</i>

04149 Seton Home  
Center for Teen  
Moms

## COATS | ROSE

TAMEA A. DULA  
OF COUNSEL

tdula@coatsrose.com  
Direct Dial  
(713) 653-7322  
Direct Fax  
(713) 890-3918

August 9, 2004

**cc : Tom Gouris**  
**512-475-4420**

**By Fax to (512) 472-8526**

Ms. Edwina Carrington, Executive Director  
TDHCA -Housing Tax Credit Program  
507 Sabine Street, Suite 300  
Austin, TX 78701

RE: Seton Home Center for Teen Moms (TDHCA # 04149);  
Appeal of Underwriting Analysis.

Dear Ms. Carrington:

This letter appeals the Real Estate Analysis Division's determination that Seton Home Center for Teen Moms (the "Project") will support only \$310,623 in Housing Tax Credits instead of the \$368,360 in Housing Tax Credits requested. In the interest of time, in the event this appeal is denied at the Executive Director level, this letter constitutes a simultaneous appeal to the Board of Directors of the TDHCA.

From the Multifamily Underwriting Analysis it appears that the primary reason for the reduction in tax credits is that part of the financing is shown to be a 20-year forgivable HOME Loan bearing zero interest, as is customary with HOME Loans. Section 42(i)(2)(E)(i) of the Internal Revenue Code (the "Statute") provides that a HOME Loan is an exception to the definition of a "Federally subsidized" loan if 40% of the units are occupied by tenants with 50% of the Area Median Income or less, and therefore the HOME Loan does not have to have an interest rate at or above the Applicable Federal Rate ("AFR"). The Statute, however, also provides that the use of HOME financing does result in the loss of the 130% increase in eligible basis provided for a project located in a Qualified Census Tract (a "QCT"). Since the Project is located in a QCT and the loss of the 130% increase in eligible basis would be more detrimental than deducting the HOME Loan from eligible basis, the Real Estate Analysis Division deducted the HOME Loan from eligible basis, which accordingly reduced the Housing Tax Credits supported by the Project.

We appeal the recommendation of the Real Estate Analysis Division on the grounds that the Applicant should have been afforded the opportunity to increase the interest rate to the AFR, thereby eliminating the need to utilize the exception provided by the Statute and avoiding the loss of the 130% increase in eligible basis. In that regard, enclosed please find a revised commitment letter for the HOME funding showing a 20-year \$525,000 loan of HOME funds at

COATS | ROSE | YALE | RYMAN | LEE

*A Professional Corporation*

3 Greenway, Suite 2000 Houston, Texas 77046-0307

Phone: 713-651-0111 Fax: 713-651-0220

Web: [www.coatsrose.com](http://www.coatsrose.com)

Ms. Edwina Carrington, Executive Director  
TDHCA -Housing Tax Credit Program  
August 9, 2004  
Page 2

AFR, with principal and accrued interest due at maturity. The loan is due and payable immediately upon sale or other conveyance. If the restrictive covenants required by the HOME financing (which will be somewhat more restrictive than that required by the TDHCA LURA) are complied with for 20 years, then the outstanding principal amount and accrued interest will be forgiven at maturity. Additionally enclosed is a letter from Novogradac & Company opining that the HOME financing should be considered a valid debt under the Internal Revenue Code.

We believe that the proposed revision to the HOME financing will resolve the problem legitimately raised by the Real Estate Analysis Division, and request the opportunity to implement this revision in order to achieve the maximum Housing Tax Credit award that can be supported by the Project. Thank you for your favorable consideration of this appeal.

Very truly yours,



Tamea A. Dula

Enclosures

cc: Brooke Boston, Director, Multifamily Finance Production Division  
George Littlejohn,  
Scott Marks  
Margret Starkey, Executive Director

04160 The Village  
Hobbs Road

## HOBBS ROAD VILLAGE, L.P.

July 2, 2004

Brooke Boston  
Texas Department of Housing and Community Affairs  
507 Sabine  
Suite 400  
P.O. Box 13941  
Austin, Texas 78711-3941

VIA FAX

Re: Appeal of Condition #1 of the Underwriting Analysis  
The Village on Hobbs Road  
TDHCA 04160

Dear Ms. Boston,

In response to your notification letter of July 22, 2004, we respectfully would like to appeal Condition #1 of the Underwriting Analysis.

The analyst conditions the recommendation of this allocation only if it outscores TDHCA #04079. Both allocations are currently recommended as currently scored.

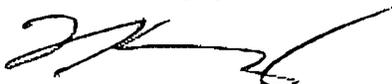
TDHCA #04079 lies to the north and east of this site and is considered to be in a distinctly different market with very little overlap. The markets are divided Clear Creek and Clear Lake, both major waterways. One is on the east side of I-45, one is on the west. The waterways separate Harris County from Galveston County. Furthermore, these projects are located in two different MSA's as recognized by the census bureau and TDHCA. The projects used different rent schedules as a result.

It makes no sense that the market feasibility could be affected if the point scoring were different. Point scoring has nothing to do with market feasibility or vice versa. Therefore, we do not believe #04160 should be disqualified in the event that #04079 outscores it based upon appeals.

Both market studies indicate both deals are feasible, either independently and/or on a combined basis, if the market areas selected by analysis are merged. To make the statement that #04160 is not recommended if #04079 outscores is not consistent with the findings of the individual market studies.

If you have any questions or require additional information, please do not hesitate to contact me at 713-785-1005.

Sincerely,  
Thomas H. Scott



04194 Lexington  
Court

EMANUEL H. GLOCKZIN, JR.

P.O. Box 3189  
Bryan, TX 77805  
(979) 846-8878

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August 3, 2004

Texas Department of Housing and Community Affairs  
P. O. Box 13941  
Austin, TX 78711-3941

Attn: Mr. Tom Gouris - Director of Real Estate Analysis  
Re: Lexington Court, Ltd. - TDHCA # 04194 Amenities

Dear Mr. Gouris:

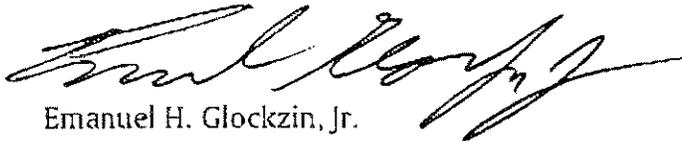
As per the instructions today from Mr. David Burrell, Underwriter for Lexington Court, Ltd., I am writing this letter to formally appeal three of the On-Site Amenities which are listed on page 2 of the Multifamily Underwriting Analysis.

We did not select, on the On-Site Amenities section of the application, and do not plan to offer a fitness room, daycare facility, nor a central mailroom.

Please respond to this appeal as soon as possible, so these items can be corrected.

Should you have any questions, please call me at the number listed above.

Sincerely,



Emanuel H. Glockzin, Jr.  
Developer

enclosures

04228 Stone Hearst

# STONE WAY LIMITED PARTNERSHIP

8455 Lyndon Lane  
Austin, TX 78729  
Office (512) 249-6240 Fax (512) 249-6660

July 29, 2004

Tom Gouris  
C/o Lisa Vecchietti  
P O Box 13941  
Austin, TX 78701

RE: TDHCA #04228, Stone Hearst

Dear Mr. Gouris,

Please accept this letter as written evidence of a formal appeal to the amount of housing tax credits being recommended by Texas Department of Housing & Community Affairs Real Estate Analysis Division as Underwriting analysis posted on the website on July 21, 2004. To facilitate this appeal, Stone Way Limited Partnership is simultaneously appealing to the Executive Director. Stone Way is also appealing to the Board in the event that we are not satisfied with the response from the Executive Director.

The Multifamily Underwriting Analysis completed on July 10, 2004 and posted on the website recommends an LIHTC allocation not to exceed \$622,615 annually for ten (10) years. Stone Way Limited Partnership respectfully requests that the Underwriting Department reanalyze the direct cost estimation (page 6 of the report) based on the following documentation:

1. Appliances and interior features on Page 2 and subsequently in the application changes Marshall and Swift evaluation from Average to Good. The Real Estate Analysis Division should reclassify this development in its evaluation.
2. Inadvertently in the application, Exhibit 3. Activity Overview, Page 1 Site Work, Fencing and Landscaping was included under Accessory Buildings in Direct Costs. This is reflected on a revised Exhibit 3 Pages 1 and 2 attached.
3. The Direct Construction Cost Analysis (Page 6 of report) does not take into consideration changes to the projected development.
  - A. The 2003 Stone Hearst application was for 144 units totaling 175,392 square feet of net rentable space. This equates to 1,218 square feet average per unit. The 2004 Stone Hearst application total square foot equates to 973 square feet per unit or 245 square feet per unit less, due to the change in unit mix. This change in development increases the cost per square foot.

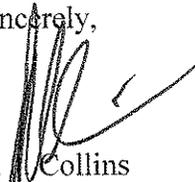
- B. Charter Builders, the general contractor for Stone Hearst, has the same product and amenity package in Abilene, Texas. The prime sub-contract for direct construction cost (including amenities and site work) is \$4,200,000 (see contract attached). The development has 72,192 square feet, which equates to 1,128 square feet per unit and the direct construction cost equals \$58.18 per square foot.
- C. Charter Builders projects for the 2004 Stone Hearst development the total development cost of \$5,490,520 as the total estimated cost for 1,180 square feet (average unit size 973) at a cost of \$54.26. This projected cost is \$3.92 per square foot less than the Abilene contracted price.

The Stone Hearst development product and amenities should be classified by the underwriters' Marshall and Swift residential cost as Good because of total package that is being projected.

Stone Way Limited Partnership would appreciate a reevaluation and a reinstatement of our tax credit amount, less the overage of the developer fee and the adjustment for the Home Fund grant.

Thank you for your consideration in this matter.

Sincerely,



R. Collins  
President of General Partner

Enclosures: Exhibit 3. Activity Overview  
Prime Sub-Contract



	TOTAL DEVELOPMENT SUMMARY			Expected Payee Taxpayer Identification Number (TIN) <sup>1</sup> (and % of cost if item involves multiple payees)
	Total	Eligible Basis (If Applicable)		
	Development Cost	Acquisition	New/Rehab.	
<b>DIRECT CONSTRUCTION COSTS (Continued):</b>				
Plumbing	351,500		351,500	20-0441451
HVAC	187,300		187,300	20-0441451
Doors	222,000		222,000	20-0441451
Windows	88,000		88,000	20-0441451
Glass	0		0	
Lath & plaster	0		0	
Drywall	380,000		380,000	20-0441451
Tile work	22,000		22,000	20-0441451
Acoustical	0		0	
Resilient or other flooring	81,000		81,000	20-0441451
Carpeting	79,000		79,000	20-0441451
Painting & decorating	135,200		135,200	20-0441451
Specialties	23,000		23,000	20-0441451
Cabinets	114,400		114,400	20-0441451
Appliances	109,200		109,200	20-0441451
Fireplaces	0		0	
Carports or garages	0		0	
Accessory buildings	215,700		215,700	20-0441451
Elevator	0		0	
Lead-Based Paint Abatement	0		0	
Asbestos Abatement	0		0	
Other <sup>2</sup> : (specify)	0		0	
<b>Subtotal Hard Costs</b>	<b>\$4,580,000</b>	<b>\$0</b>	<b>\$4,580,000</b>	
<b>OTHER CONSTRUCTION COSTS</b>				
General requirements (<6%)	321,360		321,360	20-0441451
Field supervision (within GR limit)	0		0	
Contractor overhead (<2%)	107,120		107,120	20-0441451
G & A Field (within overhead limit)	0		0	
Contractor profit (<6%)	321,360		321,360	20-0441451
Contingency	160,680		160,680	20-0441451
Other <sup>2</sup> : (specify)	0		0	
<b>Subtotal Direct Const. Costs</b>	<b>\$910,520</b>	<b>\$0</b>	<b>\$910,520</b>	
<b>INDIRECT CONSTRUCTION COSTS<sup>4</sup></b>				
Architectural - Design fees	88,400		88,400	03-0519517
Architectural - Supervision fees	15,600		15,600	03-0519517
Engineering fees	104,000		104,000	TBD
Housing consultant fees <sup>5</sup>	0		0	
Real estate attorney/other legal fee	40,000		40,000	
Accounting fees	12,000		12,000	93-3108253
Impact Fees	0		0	
Building permits & related costs	98,800		98,800	74-6000278
Appraisal	6,900		6,900	TBD
Market analysis	6,000		6,000	74-2885874
Environmental assessment	6,500		6,500	74-2924830
Soils report	7,000		7,000	TBD
Survey	36,400		36,400	TBD
Marketing	26,000		0	
Course of construction insurance	0		0	

TOTAL DEVELOPMENT SUMMARY			Expected Payee Taxpayer Identification Number (TIN) <sup>1</sup> (and % of cost if item involves multiple payees)
Total	Eligible Basis (If Applicable)		
Development Cost	Acquisition	New/Rehab.	

**INDIRECT CONSTRUCTION COSTS (Continued)**

Hazard & liability insurance	57,200		57,200	TBD
Real property taxes	26,000		26,000	74-6000278
Personal property taxes	0		0	
Tenant relocation expenses	0		0	
Other <sup>2</sup> : (specify)	0		0	
<b>Subtotal Indirect Const. Cost</b>	<b>\$530,800</b>	<b>\$0</b>	<b>\$504,800</b>	

**DEVELOPER FEES<sup>4</sup>**

General & administrative	286,328		286,328	59-2822706
Profit or fee	787,405		787,405	59-2822706
<b>Subtotal Developer's Fees</b>	<b>\$1,073,733</b>	<b>\$0</b>	<b>\$1,073,733</b>	

**FINANCING:**

**CONSTRUCTION LOAN(S)<sup>4</sup>**

Interest	249,000		249,000	59-2869297
Loan origination fees	26,740		26,740	59-2869297
Title & recording fees	41,160		41,160	59-2869297
Closing costs & legal fees	40,000		40,000	59-2869297
Inspection fees	30,000		30,000	59-2869297
Credit Report	0		0	
Discount Points	0		0	
Other <sup>2</sup> : (specify)	0		0	

**PERMANENT LOAN(S)**

Loan origination fees	30,305			59-2869297
Title & recording fees	0			
Closing costs & legal	0			
Bond premium	0			
Credit report	0			
Discount points	0			
Credit enhancement fees	0			
Prepaid MIP	0			
Other <sup>2</sup> : (specify)	0			

**BRIDGE LOAN(S)**

Interest	0			
Loan origination fees	0			
Title & recording fees	0			
Closing costs & legal fees	0			
Other <sup>2</sup> : (specify)	0			

**OTHER FINANCING COSTS<sup>4</sup>**

Tax credit fees	29510			74-2610542
Tax and/or bond counsel	0			
Payment bonds	0			
Performance bonds	0			
Credit enhancement fees	0			
Mortgage insurance premiums	0			
Cost of underwriting & issuance	0		0	
Syndication organizational cost	0			
Tax opinion	0			
Other <sup>2</sup> : (specify)	0			
<b>Subtotal Financing Cost</b>	<b>\$446,715</b>	<b>\$0</b>	<b>\$386,900</b>	

TOTAL DEVELOPMENT SUMMARY			Expected Payee Taxpayer Identification Number (TIN) <sup>1</sup> (and % of cost if item involves multiple payees)
Total	Eligible Basis (If Applicable)		
Development Cost	Acquisition	New/Rehab.	

**RESERVES**

Rent-up	36,000		
Operating	36,400		
Replacement	0		
Escrows	0		
<b>Subtotal Reserves</b>	<b>\$72,400</b>	<b>\$0</b>	<b>\$0</b>

**COSTS<sup>o</sup>**

- Commercial Space Costs <sup>7</sup>	8640168	0	\$8,231,953
<b>TOTAL RESIDENTIAL COSTS</b>	<b>\$8,640,168</b>		

If the contractor is guaranteeing financing for the transaction for a fee, such fees are:

\$ \_\_\_\_\_

**X** The following calculations are for LIHTC Applications only.

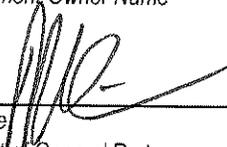
**Deduct From Basis:**

Fed. grant proceeds used to finance costs in eligible basis			
Fed. B.M.R. loans used to finance costs in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units (42.(d)(5))			
Historic Credits (residential portion only)			
<b>Total Eligible Basis</b>		\$0	\$8,231,953
High Cost Area Adjustment (100% or 130%)			130%
<b>Total Adjusted Basis</b>		\$0	\$10,701,539
Applicable Fraction <sup>o</sup>			78.24%
<b>Total Qualified Basis</b>	\$8,372,884	\$0	\$8,372,884
Applicable Percentage <sup>o</sup>			8.19%
<b>Owner's Requested Credits</b>	\$685,739	\$0	\$685,739

Applicant and contractor certify that, to the best of their knowledge, the provided costs and supporting information represent an accurate, uninflated estimate of the costs associated with this development. They also certify that no fees, other than for activities identified in this form, will be paid to the contractor.

Stone Way Limited Partnership  
Development Owner Name

Charter Contractors, Inc.  
Contractor Name

By:   
Signature  
Its: President of General Partner  
Date: 2/27/2004

By:   
Signature  
Its: President  
Date: 2/27/2004

*As Amended 7/29/2004.*

TOTAL DEVELOPMENT SUMMARY			Expected Payee Taxpayer Identification Number (TIN) <sup>1</sup> (and % of cost if item involves multiple payees)
Total	Eligible Basis (If Applicable)		
Development Cost	Acquisition	New/Rehab.	

**Footnotes:**

<sup>1</sup>The taxpayer identification number (TIN) of the Person(s) or Entity(s) to whom payment for the cost associated with each line item **must be provided** to fulfill the requirements of HB2577, Sec. 2306.184. If multiple payees are involved, indicate the estimated percentage of the total fee that the payee will receive next to their TIN. If the payee has not been determined at this time, enter "Undetermined." All known payees must be described in the *Project Development Team Members* form.

<sup>2</sup>An itemized description of all "Other" costs must be included at the end of this exhibit.

<sup>3</sup> All Off-Site costs must be justified by a third party engineering in accordance with the Department's format provided in Part E of this exhibit.

<sup>4</sup>(LIHTC Only) Site work expenses, indirect construction costs, developer fees, construction loan financing and other financing costs may or may not be included in the eligible basis.

<sup>5</sup>(LIHTC Only) Only fees paid to a consultant for duties which are not ordinarily the responsibility of the developer, as defined in the Developer's Service Agreement, can be included in eligible basis. Otherwise, consulting fees are included in the calculation of maximum developer fees.

<sup>6</sup>(LIHTC Only) Provide **all** costs & eligible basis associated with the project.

<sup>7</sup>(LIHTC Only) Costs associated with construction of facilities that generate revenue through commercial uses or from fees charged to tenants (covered parking, individual storage units, etc.) must not be included in eligible basis and must be removed from "Total Development Costs" to determine "Total Residential Costs".

<sup>8</sup>(LIHTC Only) Applicable Fraction Percentage as calculated in the Square Footage and *Applicable Fraction Calculation* form.

<sup>9</sup>(LIHTC Only) Use the appropriate *Applicable Percentage* s defined in the QAP.

\* (LIHTC Only) If the project is located in a QCT and includes a community service facility designed to serve primarily individuals whose income is 60% or less of the area median income, the adjusted basis of the facility should not exceed 10% of the eligible basis of the project.



# AIA® Document A111™ – 1997

## Standard Form of Agreement Between Owner and Contractor

where the basis for payment is the **COST OF THE WORK PLUS A FEE** with a negotiated **Guaranteed Maximum Price**

AGREEMENT made as of the 17th day of May in the year 2004.  
(In words, indicate day, month and year)

BETWEEN the Owner: Contractor:  
(Name, address and other information)

Charter Builders  
8455 Lyndon Lane  
Austin, TX 78729  
Telephone Number: 512-249-6240

and the Contractor: Subcontractor:  
(Name, address and other information)

ICI Construction, Inc.  
13155 Noel Road, Suite 1900  
Dallas, TX 75240  
Telephone Number: 972-387-8000  
Fax Number: 972-387-4022

The Project is:  
(Name and location)

Anson Park  
2800 Block Old Anson Road  
Abilene, TX

The Architect is:  
(Name, address and other information)

L.K. Travis and Associates  
1511 Fredericksburg Rd  
San Antonio, Texas 78201  
Telephone Number: 210-732-2828

The Owner and Contractor agree as follows

It is understood that all reference to Owner and Contractor in this document and the A201 General Conditions shall mean the Owner is Charter Builders and the Contractor shall mean ICI Construction. Charter will function as follows-the General Contractor on this job and ICI will be a Subcontractor to Charter. Charter is not the Owner of the land upon which the Project is to be constructed (the "Main Contract"). This Contract between Charter and ICI Construction is a Subcontract and is not subject to all of the terms and provisions of the Main Contract.

This document has important legal consequences. Consultation with an attorney is encouraged with respect to its completion or modification.

This document is not intended for use in competitive bidding.

AIA Document A201-1997, General Conditions of the Contract for Construction, is adopted in this document by reference. Do not use with other general conditions unless this document is modified.

This document has been approved and endorsed by the Associated General Contractors of America.

## ARTICLE 1 THE CONTRACT DOCUMENTS

The Contract Documents consist of this Agreement, Conditions of the Contract (General, Supplementary and other Conditions), Drawings, Specifications, Addenda issued prior to execution of this Agreement, other documents listed in this Agreement and Modifications issued after execution of this Agreement; these form the Contract, and are as fully a part of the Contract as if attached to this Agreement or repeated herein. The Contract represents the entire and integrated agreement between the parties hereto and supersedes prior negotiations, representations or agreements, either written or oral. An enumeration of the Contract Documents, other than Modifications, appears in Article 15. If anything in the other Contract Documents is inconsistent with this Agreement, this Agreement shall govern.

## ARTICLE 2 THE WORK OF THIS CONTRACT

The Contractor ~~SubContractor~~ shall fully execute the Work described in the Contract Documents, except to the extent specifically indicated in the Contract Documents to be the responsibility of others.

## ARTICLE 3 RELATIONSHIP OF THE PARTIES

The Contractor accepts the relationship of trust and confidence established by this Agreement and covenants with the Owner to cooperate with the Architect and exercise the Contractor's skill and judgment in furthering the interests of the Owner; to furnish efficient business administration and supervision; to furnish at all times an adequate supply of workers and materials; and to perform the Work in an expeditious and economical manner consistent with the Owner's interests. The Owner agrees to furnish and approve, in a timely manner, information required by the Contractor and to make payments to the Contractor in accordance with the requirements of the Contract Documents.

## ARTICLE 4 DATE OF COMMENCEMENT AND SUBSTANTIAL COMPLETION

§ 4.1 The date of commencement of the Work shall be the date of this Agreement unless a different date is stated below or provision is made for the date to be fixed in a notice to proceed issued by the Owner.

*(Insert the date of commencement, if it differs from the date of this Agreement or, if applicable, state that the date will be fixed in a notice to proceed.)*

If, prior to commencement of the Work, the Owner requires time to file mortgages, mechanic's liens and other security interests, the Owner's time requirement shall be as follows:

§ 4.2 The Contract Time shall be measured from the date of commencement.

§ 4.3 The Contractor shall achieve Substantial Completion of the entire Work not later than 310 days from the date of commencement, or as follows:

*(Insert number of calendar days. Alternatively, a calendar date may be used when coordinated with the date of commencement. Unless stated elsewhere in the Contract Documents, insert any requirements for earlier Substantial Completion of certain portions of the Work.)*

Portion of Work

Substantial Completion date

, subject to adjustments of this Contract Time as provided in the Contract Documents.

*(Insert provisions, if any, for liquidated damages relating to failure to complete on time, or for bonus payments for early completion of the Work.)*

## ARTICLE 5 BASIS FOR PAYMENT

### § 5.1 CONTRACT SUM

§ 5.1.1 The Owner shall pay the Contractor the Contract Sum in current funds for the Contractor's performance of the Contract. The Contract Sum is the Cost of the Work as defined in Article 7 plus the Contractor's Fee.

**§ 5.1.2 The Contractor's Fee is:**

*(State a lump sum, percentage of Cost of the Work or other provision for determining the Contractor's Fee, and describe the method of adjustment of the Contractor's Fee for changes in the Work.)*

8% of the Cost of the Work, computed on the following basis: Overhead 2% of the Cost of the Work and Profit 6% of the Cost of the Work. The Contractor's fee shall be eight percent (8%) of any additive change orders and eight percent (8%) of any deductive change orders. Upon completion of the Work, the Contractor shall deliver a final accounting of the Cost of the Work to the Owner, and provided (I) the actual Cost of the Work, plus the Contractor's Fee, is less than the Guaranteed Maximum Price, as adjusted pursuant to this Agreement, and (II) Substantial Completion of the Work and Final Completion of the Work have been achieved as required in the Agreement, the savings shall accrue fifty percent (50%) to the Owner and fifty percent (50%) to the Contractor. If the total cost of the Work and the Contractor's Fee is greater than the Guaranteed Maximum Price, then the Guaranteed Maximum Price shall be the total amount payable by the (contractor)Owner to the subContractor, and all costs of completing the Work in excess of the Guaranteed Maximum Price shall be paid by the Contractor. Not unless there is a approved change order provided ahead of time.

**§ 5.2 GUARANTEED MAXIMUM PRICE**

**§ 5.2.1** The sum of the Cost of the Work and the Contractor's Fee is guaranteed by the Contractor not to exceed Four Million Two-hundred Thousand Dollars And Zero Cents (\$ 4,200,000.00 ), subject to additions and deductions by Change Order as provided in the Contract Documents. Such maximum sum is referred to in the Contract Documents as the Guaranteed Maximum Price. Costs which would cause the Guaranteed Maximum Price to be exceeded shall be paid by the Contractor without reimbursement by the Owner.

*(Insert specific provisions if the Contractor is to participate in any savings.)*

**§ 5.2.2** The Guaranteed Maximum Price is based on the following alternates, if any, which are described in the Contract Documents and are hereby accepted by the Owner:

*(State the numbers or other identification of accepted alternates. If decisions on other alternates are to be made by the Owner subsequent to the execution of this Agreement, attach a schedule of such other alternates showing the amount for each and the date when the amount expires.)*

See Exhibit B

**§ 5.2.3** Unit prices, if any, are as follows:

Description	Units	Price (\$ 0.00)
<u>See Exhibit B</u>		

**§ 5.2.4** Allowances, if any, are as follows

*(Identify and state the amounts of any allowances, and state whether they include labor, materials, or both.)*

Allowance	Amount (\$ 0.00)	Included items
<u>See Exhibit B</u>		<u>labor</u>

**§ 5.2.5** Assumptions, if any, on which the Guaranteed Maximum Price is based are as follows:

See Exhibit B

**§ 5.2.6** To the extent that the Drawings and Specifications are anticipated to require further development by the Architect, the Contractor has provided in the Guaranteed Maximum Price for such further development consistent with the Contract Documents and reasonably inferable therefrom. Such further development does not include such things as changes in scope, systems, kinds and quality of materials, finishes or equipment, all of which, if required, shall be incorporated by Change Order.

## ARTICLE 6 CHANGES IN THE WORK

§ 6.1 Adjustments to the Guaranteed Maximum Price on account of changes in the Work may be determined by any of the methods listed in Section 7.3.3 of AIA Document A201-1997.

§ 6.2 In calculating adjustments to subcontracts (except those awarded with the Owner's prior consent on the basis of cost plus a fee), the terms "cost" and "fee" as used in Section 7.3.3.3 of AIA Document A201-1997 and the terms "costs" and "a reasonable allowance for overhead and profit" as used in Section 7.3.6 of AIA Document A201-1997 shall have the meanings assigned to them in AIA Document A201-1997 and shall not be modified by Articles 5, 7 and 8 of this Agreement. Adjustments to subcontracts awarded with the Owner's prior consent on the basis of cost plus a fee shall be calculated in accordance with the terms of those subcontracts.

§ 6.3 In calculating adjustments to the Guaranteed Maximum Price, the terms "cost" and "costs" as used in the above-referenced provisions of AIA Document A201-1997 shall mean the Cost of the Work as defined in Article 7 of this Agreement and the terms "fee" and "a reasonable allowance for overhead and profit" shall mean the Contractor's Fee as defined in Section 5.1.2 of this Agreement.

§ 6.4 If no specific provision is made in Section 5.1 for adjustment of the Contractor's Fee in the case of changes in the Work, or if the extent of such changes is such, in the aggregate, that application of the adjustment provisions of Section 5.1 will cause substantial inequity to the Owner or Contractor, the Contractor's Fee shall be equitably adjusted on the basis of the Fee established for the original Work, and the Guaranteed Maximum Price shall be adjusted accordingly.

## ARTICLE 7 COSTS TO BE REIMBURSED

### § 7.1 COST OF THE WORK

The term Cost of the Work shall mean costs necessarily incurred by the Contractor in the proper performance of the Work. Such costs shall be at rates not higher than the standard paid at the place of the Project except with prior consent of the Owner. The Cost of the Work shall include only the items set forth in this Article 7.

### § 7.2 LABOR COSTS

§ 7.2.1 Wages of construction workers directly employed by the Contractor to perform the construction of the Work at the site or, with the Owner's approval, at off-site workshops.

§ 7.2.2 Wages or salaries of the Contractor's supervisory and administrative personnel when stationed at the site and the salary of the Project Manager, Assistant Project Manager, and Administrative Assistant, although such Project Manager, Assistant Project Manager, and Administrative Assistant will be stationed at Contractor's office with the Owner's approval.

*(If it is intended that the wages or salaries of certain personnel stationed at the Contractor's principal or other offices shall be included in the Cost of the Work, identify in Article 14 the personnel to be included and whether for all or only part of their time, and the rates at which their time will be charged to the Work.)*

§ 7.2.3 Wages and salaries of the Contractor's supervisory or administrative personnel engaged, at factories, workshops or on the road, in expediting the production or transportation of materials or equipment required for the Work, but only for that portion of their time required for the Work.

§ 7.2.4 Costs paid or incurred by the Contractor for taxes, insurance, contributions, assessments and benefits required by law or collective bargaining agreements and, for personnel not covered by such agreements, customary benefits such as sick leave, medical and health benefits, holidays, vacations and pensions, provided such costs are based on wages and salaries included in the Cost of the Work under Sections 7.2.1 through 7.2.3. In no event will the total labor costs described in this Subparagraph 7.2.4 exceed thirty five percent (35%) of the total labor costs.

### § 7.3 SUBCONTRACT COSTS

§ 7.3.1 Payments made by the Contractor to Subcontractors in accordance with the requirements of the subcontracts.

## § 7.4 COSTS OF MATERIALS AND EQUIPMENT INCORPORATED IN THE COMPLETED CONSTRUCTION

§ 7.4.1 Costs, including transportation and storage, of materials and equipment incorporated or to be incorporated in the completed construction.

§ 7.4.2 Costs of materials described in the preceding Section 7.4.1 in excess of those actually installed to allow for reasonable waste and spoilage. Unused excess materials, if any, shall become the Owner's property at the completion of the Work or, at the Owner's option, shall be sold by the Contractor. Any amounts realized from such sales shall be credited to the Owner as a deduction from the Cost of the Work.

**§ 7.5 COSTS OF OTHER MATERIALS AND EQUIPMENT, TEMPORARY FACILITIES AND RELATED ITEMS**

§ 7.5.1 Costs, including transportation and storage, installation, maintenance, dismantling and removal of materials, supplies, temporary facilities, machinery, equipment, and hand tools not customarily owned by construction workers, that are provided by the Contractor at the site and fully consumed in the performance of the Work; and cost (less salvage value) of such items if not fully consumed, whether sold to others or retained by the Contractor. Cost for items previously used by the Contractor shall mean fair market value.

§ 7.5.2 Rental charges for temporary facilities, machinery, equipment, and hand tools not customarily owned by construction workers that are provided by the Contractor at the site, whether rented from the Contractor or others, and costs of transportation, installation, minor repairs and replacements, dismantling and removal thereof. Rates and quantities of equipment rented shall be subject to the Owner's prior approval.

§ 7.5.3 Costs of removal of debris from the site.

§ 7.5.4 Costs of document reproductions, facsimile transmissions and long-distance telephone calls, postage and parcel delivery charges, telephone service at the site and reasonable petty cash expenses of the site office.

§ 7.5.5 That portion of the reasonable expenses of the Contractor's personnel incurred while traveling in discharge of duties connected with the Work.

§ 7.5.6 Costs of materials and equipment suitably stored off the site at a mutually acceptable location, if approved in advance by the Owner.

**§ 7.6 MISCELLANEOUS COSTS**

§ 7.6.1 That portion of insurance and bond premiums that can be directly attributed to this Contract:

§ 7.6.2 Sales, use or similar taxes imposed by a governmental authority that are related to the Work.

§ 7.6.3 Fees and assessments for the building permit and for other permits, licenses and inspections for which the Contractor is required by the Contract Documents to pay.

§ 7.6.4 Fees of laboratories for tests required by the Contract Documents, except those related to defective or nonconforming Work for which reimbursement is excluded by Section 13.5.3 of AIA Document A201-1997 or other provisions of the Contract Documents, and which do not fall within the scope of Section 7.7.3.

§ 7.6.5 Royalties and license fees paid for the use of a particular design, process or product required by the Contract Documents; the cost of defending suits or claims for infringement of patent rights arising from such requirement of the Contract Documents; and payments made in accordance with legal judgments against the Contractor resulting from such suits or claims and payments of settlements made with the Owner's consent. However, such costs of legal defenses, judgments and settlements shall not be included in the calculation of the Contractor's Fee or subject to the Guaranteed Maximum Price. If such royalties, fees and costs are excluded by the last sentence of Section 3.17.1 of AIA Document A201-1997 or other provisions of the Contract Documents, then they shall not be included in the Cost of the Work.

§ 7.6.6 Data processing costs related to the Work.

§ 7.6.7 Deposits lost for causes other than the Contractor's negligence or failure to fulfill a specific responsibility to the Owner as set forth in the Contract Documents.

§ 7.6.8 Legal, mediation and arbitration costs, including attorneys' fees, other than those arising from disputes between the Owner and Contractor, reasonably incurred by the Contractor in the performance of the Work and with the Owner's prior written approval; which approval shall not be unreasonably withheld.

§ 7.6.9 Expenses incurred in accordance with the Contractor's standard personnel policy for relocation and temporary living allowances of personnel required for the Work, if approved by the Owner.

#### § 7.7 OTHER COSTS AND EMERGENCIES

§ 7.7.1 Other costs incurred in the performance of the Work if and to the extent approved in advance in writing by the Owner.

§ 7.7.2 Costs due to emergencies incurred in taking action to prevent threatened damage, injury or loss in case of an emergency affecting the safety of persons and property, as provided in Section 10.6 of AIA Document A201-1997.

§ 7.7.3 Costs of repairing or correcting damaged or nonconforming Work executed by the Contractor, Subcontractors or suppliers, provided that such damaged or nonconforming Work was not caused by negligence or failure to fulfill a specific responsibility of the Contractor and only to the extent that the cost of repair or correction is not recoverable by the Contractor from insurance, sureties, Subcontractors or suppliers.

#### ARTICLE 8 COSTS NOT TO BE REIMBURSED

§ 8.1 The Cost of the Work shall not include:

§ 8.1.1 Salaries and other compensation of the Contractor's personnel stationed at the Contractor's principal office or offices other than the site office, except as specifically provided in Sections 7.2.2 and 7.2.3 or as may be provided in Article 14.

§ 8.1.2 Expenses of the Contractor's principal office and offices other than the site office.

§ 8.1.3 Overhead and general expenses, except as may be expressly included in Article 7.

§ 8.1.4 The Contractor's capital expenses, including interest on the Contractor's capital employed for the Work.

§ 8.1.5 Rental costs of machinery and equipment, except as specifically provided in Section 7.5.2.

§ 8.1.6 Except as provided in Section 7.7.3 of this Agreement, costs due to the negligence or failure to fulfill a specific responsibility of the Contractor, Subcontractors and suppliers or anyone directly or indirectly employed by any of them or for whose acts any of them may be liable.

§ 8.1.7 Any cost not specifically and expressly described in Article 7.

§ 8.1.8 Costs, other than costs included in Change Orders approved by the Owner, that would cause the Guaranteed Maximum Price to be exceeded.

#### ARTICLE 9 DISCOUNTS, REBATES AND REFUNDS

§ 9.1 Cash discounts obtained on payments made by the Contractor shall accrue to the Owner if (1) before making the payment, the Contractor included them in an Application for Payment and received payment therefor from the Owner, or (2) the Owner has deposited funds with the Contractor with which to make payments; otherwise, cash discounts shall accrue to the Contractor. Trade discounts, rebates, refunds and amounts received from sales of surplus materials and equipment shall accrue to the Owner, and the Contractor shall make provisions so that they can be secured.

§ 9.2 Amounts that accrue to the Owner in accordance with the provisions of Section 9.1 shall be credited to the Owner as a deduction from the Cost of the Work.

#### ARTICLE 10 SUBCONTRACTS AND OTHER AGREEMENTS

§ 10.1 Those portions of the Work that the Contractor does not customarily perform with the Contractor's own personnel shall be performed under subcontracts or by other appropriate agreements with the Contractor. The Owner may designate specific persons or entities from whom the Contractor shall obtain bids. The Contractor shall obtain bids from Subcontractors and from suppliers of materials or equipment fabricated especially for the Work and shall deliver such bids to the Architect. The Owner shall then determine, with the advice of the Contractor and the

Architect, which bids will be accepted. The Contractor shall not be required to contract with anyone to whom the Contractor has reasonable objection.

§ 10.2 If a specific bidder among those whose bids are delivered by the Contractor to the Architect (1) is recommended to the Owner by the Contractor; (2) is qualified to perform that portion of the Work; and (3) has submitted a bid that conforms to the requirements of the Contract Documents without reservations or exceptions, but the Owner requires that another bid be accepted, then the Contractor may require that a Change Order be issued to adjust the Guaranteed Maximum Price by the difference between the bid of the person or entity recommended to the Owner by the Contractor and the amount of the subcontract or other agreement actually signed with the person or entity designated by the Owner.

§ 10.3 Subcontracts or other agreements shall conform to the applicable payment provisions of this Agreement, and shall not be awarded on the basis of cost plus a fee without the prior consent of the Owner.

#### ARTICLE 11 ACCOUNTING RECORDS

The Contractor shall keep full and detailed accounts and exercise such controls as may be necessary for proper financial management under this Contract, and the accounting and control systems shall be satisfactory to the Owner. The Owner and the Owner's accountants shall be afforded access to, and shall be permitted to audit and copy, the Contractor's records, books, correspondence, instructions, drawings, receipts, subcontracts, purchase orders, vouchers, memoranda and other data relating to this Contract, and the Contractor shall preserve these for a period of three years after final payment, or for such longer period as may be required by law.

#### ARTICLE 12 PAYMENTS

##### § 12.1 PROGRESS PAYMENTS

§ 12.1.1 Based upon Applications for Payment submitted to the Architect by the Contractor and Certificates for Payment issued by the Architect, the Owner shall make progress payments on account of the Contract Sum to the Contractor as provided below and elsewhere in the Contract Documents.

§ 12.1.2 The period covered by each Application for Payment shall be one calendar month ending on the last day of the month, or as follows:

§ 12.1.3 Provided that an Application for Payment is received by the Architect not later than the twenty-fifth day of a month, the Owner shall make payment to the Contractor not later than the tenth day of the following month. If an Application for Payment is received by the Architect after the application date fixed above, payment shall be made by the Owner not later than fifteen ( 15 ) days after the Architect receives the Application for Payment.

§ 12.1.4 With each Application for Payment, the Contractor shall submit payrolls, petty cash accounts, receipted invoices or invoices with check vouchers attached, and any other evidence required by the Owner or Architect to demonstrate that cash disbursements already made by the Contractor on account of the Cost of the Work equal or exceed (1) progress payments already received by the Contractor; less (2) that portion of those payments attributable to the Contractor's Fee; plus (3) payrolls for the period covered by the present Application for Payment.

§ 12.1.5 Each Application for Payment shall be based on the most recent schedule of values submitted by the Contractor in accordance with the Contract Documents. The schedule of values shall allocate the entire Guaranteed Maximum Price among the various portions of the Work, except that the Contractor's Fee shall be shown as a single separate item. The schedule of values shall be prepared in such form and supported by such data to substantiate its accuracy as the Architect may require. This schedule, unless objected to by the Architect, shall be used as a basis for reviewing the Contractor's Applications for Payment.

§ 12.1.6 Applications for Payment shall show the percentage of completion of each portion of the Work as of the end of the period covered by the Application for Payment. The percentage of completion shall be the lesser of (1) the percentage of that portion of the Work which has actually been completed; or (2) the percentage obtained by dividing (a) the expense that has actually been incurred by the Contractor on account of that portion of the Work for which the Contractor has made or intends to make actual payment prior to the next Application for Payment by (b) the share of the Guaranteed Maximum Price allocated to that portion of the Work in the schedule of values.

§ 12.1.7 Subject to other provisions of the Contract Documents, the amount of each progress payment shall be computed as follows:

- 1 take that portion of the Guaranteed Maximum Price properly allocable to completed Work as determined by multiplying the percentage of completion of each portion of the Work by the share of the Guaranteed Maximum Price allocated to that portion of the Work in the schedule of values. Pending final determination of cost to the Owner of changes in the Work, amounts not in dispute shall be included as provided in Section 7.3.8 of AIA Document A201-1997;
- 2 add that portion of the Guaranteed Maximum Price properly allocable to materials and equipment delivered and suitably stored at the site for subsequent incorporation in the Work, or if approved in advance by the Owner, suitably stored off the site at a location agreed upon in writing;
- 3 add the Contractor's Fee, less retainage of ten percent ( 10.00% ). The Contractor's Fee shall be computed upon the Cost of the Work described in the two preceding Clauses at the rate stated in Section 5.1.2 or, if the Contractor's Fee is stated as a fixed sum in that Subparagraph, shall be an amount that bears the same ratio to that fixed-sum fee as the Cost of the Work in the two preceding Clauses bears to a reasonable estimate of the probable Cost of the Work upon its completion;
- 4 subtract the aggregate of previous payments made by the Owner;
- 5 subtract the shortfall, if any, indicated by the Contractor in the documentation required by Section 12.1.4 to substantiate prior Applications for Payment, or resulting from errors subsequently discovered by the Owner's accountants in such documentation; and
- 6 subtract amounts, if any, for which the Architect has withheld or nullified a Certificate for Payment as provided in Section 9.5 of AIA Document A201-1997.

§ 12.1.8 Except with the Owner's prior approval, payments to Subcontractors shall be subject to retainage of not less than ten percent ( 10.00% ). The Owner and the Contractor shall agree upon a mutually acceptable procedure for review and approval of payments and retention for Subcontractors.

§ 12.1.9 In taking action on the Contractor's Applications for Payment, the Architect shall be entitled to rely on the accuracy and completeness of the information furnished by the Contractor and shall not be deemed to represent that the Architect has made a detailed examination, audit or arithmetic verification of the documentation submitted in accordance with Section 12.1.4 or other supporting data; that the Architect has made exhaustive or continuous on-site inspections or that the Architect has made examinations to ascertain how or for what purposes the Contractor has used amounts previously paid on account of the Contract. Such examinations, audits and verifications, if required by the Owner, will be performed by the Owner's accountants acting in the sole interest of the Owner.

## § 12.2 FINAL PAYMENT

§ 12.2.1 Final payment, constituting the entire unpaid balance of the Contract Sum, shall be made by the Owner to the Contractor when:

- 1 the Contractor has fully performed the Contract except for the Contractor's responsibility to correct Work as provided in Section 12.2.2 of AIA Document A201-1997, and to satisfy other requirements, if any, which extend beyond final payment; and
- 2 a final Certificate for Payment has been issued by the Architect and approval of TDHCA inspection, ADA inspection and signed off punch lists provided such inspections are performed immediately after substantial completion.
- 3 Charter will inspect and approve trade finishes on the clubhouse and 1st building, all other buildings to be finished to Charters approval of the Architect-first two.

§ 12.2.2 The Owner's final payment to the Contractor shall be made no later than 30 days after the issuance of the Architect's final Certificate for Payment, or as follows:

§ 12.2.3 The Owner's accountants will review and report in writing on the Contractor's final accounting within 30 days after delivery of the final accounting to the Architect by the Contractor. Based upon such Cost of the Work as the Owner's accountants report to be substantiated by the Contractor's final accounting, and provided the other conditions of Section 12.2.1 have been met, the Architect will, within seven days after receipt of the written report of the Owner's accountants, either issue to the Owner a final Certificate for Payment with a copy to the Contractor, or notify the Contractor and Owner in writing of the Architect's reasons for withholding a certificate as provided in Section 9.5.1 of the AIA Document A201-1997. The time periods stated in this Section 12.2.3 supersede those stated in Section 9.4.1 of the AIA Document A201-1997.

§ 12.2.4 If the Owner's accountants report the Cost of the Work as substantiated by the Contractor's final accounting to be less than claimed by the Contractor, the Contractor shall be entitled to demand arbitration of the disputed amount without a further decision of the Architect. Such demand for arbitration shall be made by the Contractor within 30 days after the Contractor's receipt of a copy of the Architect's final Certificate for Payment; failure to demand arbitration within this 30-day period shall result in the substantiated amount reported by the Owner's accountants becoming binding on the Contractor. Pending a final resolution by arbitration, the Owner shall pay the Contractor the amount certified in the Architect's final Certificate for Payment.

§ 12.2.5 If, subsequent to final payment and at the Owner's request, the Contractor incurs costs described in Article 7 and not excluded by Article 8 to correct defective or nonconforming Work, the Owner shall reimburse the Contractor such costs and the Contractor's Fee applicable thereto on the same basis as if such costs had been incurred prior to final payment, but not in excess of the Guaranteed Maximum Price. If the Contractor has participated in savings as provided in Section 5.2, the amount of such savings shall be recalculated and appropriate credit given to the Owner in determining the net amount to be paid by the Owner to the Contractor.

#### ARTICLE 13 TERMINATION OR SUSPENSION

§ 13.1 The Contract may be terminated by the Contractor, or by the Owner for convenience, as provided in Article 14 of AIA Document A201-1997. However, the amount to be paid to the Contractor under Section 14.1.3 of AIA Document A201-1997 shall not exceed the amount the Contractor would be entitled to receive under Section 13.2 below, except that the Contractor's Fee shall be calculated as if the Work had been fully completed by the Contractor, including a reasonable estimate of the Cost of the Work for Work not actually completed.

§ 13.2 The Contract may be terminated by the Owner for cause as provided in Article 14 of AIA Document A201-1997. The amount, if any, to be paid to the Contractor under Section 14.2.4 of AIA Document A201-1997 shall not cause the Guaranteed Maximum Price to be exceeded, nor shall it exceed an amount calculated as follows:

§ 13.2.1 Take the Cost of the Work incurred by the Contractor to the date of termination;

§ 13.2.2 Add the Contractor's Fee computed upon the Cost of the Work to the date of termination at the rate stated in Section 5.1.2 or, if the Contractor's Fee is stated as a fixed sum in that Section, an amount that bears the same ratio to that fixed-sum Fee as the Cost of the Work at the time of termination bears to a reasonable estimate of the probable Cost of the Work upon its completion; and

§ 13.2.3 Subtract the aggregate of previous payments made by the Owner.

§ 13.3 The Owner shall also pay the Contractor fair compensation, either by purchase or rental at the election of the Owner, for any equipment owned by the Contractor that the Owner elects to retain and that is not otherwise included in the Cost of the Work under Section 13.2.1. To the extent that the Owner elects to take legal assignment of subcontracts and purchase orders (including rental agreements), the Contractor shall, as a condition of receiving the payments referred to in this Article 13, execute and deliver all such papers and take all such steps, including the legal assignment of such subcontracts and other contractual rights of the Contractor, as the Owner may require for the purpose of fully vesting in the Owner the rights and benefits of the Contractor under such subcontracts or purchase orders.

§ 13.4 The Work may be suspended by the Owner as provided in Article 14 of AIA Document A201-1997; in such case, the Guaranteed Maximum Price and Contract Time shall be increased as provided in Section 14.3.2 of AIA Document A201-1997 except that the term "profit" shall be understood to mean the Contractor's Fee as described in Sections 5.1.2 and Section 6.4 of this Agreement.

#### ARTICLE 14 MISCELLANEOUS PROVISIONS

§ 14.1 Where reference is made in this Agreement to a provision AIA Document A201-1997 or another Contract Document, the reference refers to that provision as amended or supplemented by other provisions of the Contract Documents.

§ 14.2 Payments due and unpaid under the Contract shall bear interest from the date payment is due at the rate stated below, or in the absence thereof, at the legal rate prevailing from time to time at the place where the Project is located.

*(Insert rate of interest agreed upon, if any.)*

10.00% per annum

*(Usury laws and requirements under the Federal Truth in Lending Act, similar state and local consumer credit laws and other regulations at the Owner's and Contractor's principal places of business, the location of the Project and elsewhere may affect the validity of this provision. Legal advice should be obtained with respect to deletions or modifications, and also regarding requirements such as written disclosures or waivers.)*

§ 14.3 The Owner's representative is:  
*(Name, address and other information.)*

Jay Collins  
Duval Construction Specialties  
8455 Lyndon Lane  
Austin, TX 78729  
Telephone Number: 512-249-6240

§ 14.4 The Contractor's representative is:  
*(Name, address and other information.)*

Steve Williams  
13155 Noel Road, Suite 1900  
Dallas, TX 75240  
Telephone Number: 972-387-8000  
Fax Number: 972-387-4022  
swilliams@icidallas.com

§ 14.5 Neither the Owner's nor the Contractor's representative shall be changed without ten days' written notice to the other party.

§ 14.6 Other provisions:

#### ARTICLE 15 ENUMERATION OF CONTRACT DOCUMENTS

§ 15.1 The Contract Documents, except for Modifications issued after execution of this Agreement, are enumerated as follows: See Exhibit A attached for additional terms to this Agreement. Should any other terms of this Agreement conflict with Exhibit A then this Exhibit shall take precedence.

§ 15.1.1 The Agreement is this executed 1997 edition of the Standard Form of Agreement Between Owner and Contractor, AIA Document A111-1997.

§ 15.1.2 The General Conditions are the 1997 edition of the General Conditions of the Contract for Construction, AIA Document A201-1997.

§ 15.1.3 The Supplementary and other Conditions of the Contract are those contained in the Project Manual dated and are as follows:

Document	Title	Pages
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§ 15.1.4 The Specifications are those contained in the Project Manual dated as in Section 15.1.3, and are as follows: *(Either list the Specifications here or refer to an exhibit attached to this Agreement.)*

Section	Title	Pages
<u>Title of Specifications exhibit:</u>		

§ 15.1.5 The Drawings are as follows, and are dated unless a different date is shown below: *(Either list the Drawings here or refer to an exhibit attached to this Agreement.)*

Number	Title	Date
<u>Title of Drawings exhibit: See attached Exhibit C for a list of Drawings</u>		

§ 15.1.6 The Addenda, if any, are as follows:

Number	Date	Pages
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Portions of Addenda relating to bidding requirements are not part of the Contract Documents unless the bidding requirements are also enumerated in this Article 15.

§ 15.1.7 Other Documents, if any, forming part of the Contract Documents are as follows: *(List here any additional documents, such as a list of alternates that are intended to form part of the Contract Documents. AIA Document A201-1997 provides that bidding requirements such as advertisement or invitation to bid, Instructions to Bidders, sample forms and the Contractor's bid are not part of the Contract Documents unless enumerated in this Agreement. They should be listed here only if intended to be part of the Contract Documents.)*

**ARTICLE 16 INSURANCE AND BONDS**

*(List required limits of liability for insurance and bonds. AIA Document A201-1997 gives other specific requirements for insurance and bonds.)*

Type of insurance	Limit of liability (\$ 0.00)
<u>General Liability by ICI</u>	

This Agreement is entered into as of the day and year first written above and is executed in at least three original copies, of which one is to be delivered to the Contractor, one to the Architect for use in the administration of the Contract, and the remainder to the Owner.

*Chapter Builders*

OWNER (Signature)

*Ben Williams*

(Printed name and title)

*R. J. Collins*

CONTRACTOR (Signature)

Steve Williams, Vice President

(Printed name and title)

**Certification of Document's Authenticity**  
AIA® Document D401™ – 2003

I, Cindy Cruz, hereby certify, to the best of my knowledge, information and belief, that I created the attached final document simultaneously with this certification at 17:35:46 on 05/18/2004 under Order No. 1000085098\_1 from AIA Contract Documents software and that in preparing the attached final document I made no changes to the original text of AIA® Document A111™ – 1997 - Standard Form of Agreement Between Owner and Contractor where the basis for payment is the COST OF THE WORK PLUS A FEE with a negotiated Guaranteed Maximum Price, as published by the AIA in its software, other than changes shown in the attached final document by underscoring added text and striking over deleted text.

*Cindy Cruz*

(Signed)

*Project Assistant*

(Title)

*5/18/04*

(Dated)

04246 Wildwood  
Trail

# ZIMMERMAN PROPERTIES, LLC

July 27, 2004

Tom Gouris  
 David Burrell  
 Texas Dept. of Housing & Community Affairs  
 Tax Credit Underwriting Department  
 507 Sabine, Suite 400  
 Austin, Texas 78711-3941

Re: **Request for Appeal Sent via facsimile 512-475-3362**  
 TDHCA #:04246  
 Wildwood Trails Apartments  
 Brownwood, Texas

Dear Tom & David:

Attached for your use and review is a page from your underwriting analysis that was published on the underwriting web page. As you will see, the square foot costs for direct construction costs was recalculated according to Marshall & Swift to \$42.49 per square foot of net rentable area.

In calculating the amount of net rentable square footage, you have 67,708. In looking at this number, we believe that there is an error in the cell on your worksheet that makes this calculation. We have used the numbers on your worksheet and have arrived at the following:

<u>Type of Unit</u>	<u>Number</u>	<u>Size in SF</u>	<u>Total SF</u>
1 Br / 1 Ba	3	712	2,136
1 Br / 1 Ba	4	712	2,848
1 Br / 1 Ba	13	712	9,256
2 Br / 2 Ba	4	964	3,856
2 Br / 2 Ba	4	964	3,856
2 Br / 2 Ba	23	964	22,172
3 Br / 2 Ba	3	1,131	3,393
3 Br / 2 Ba	4	1,131	4,524
3 Br / 2 Ba	17	1,131	19,227
2 Br / 2 Ba	1	964	964
<b>Total Net Rentable Square Footage</b>			<b>72,232</b>

Pursuant to our conversation, I would like to appeal to the Underwriting Department to reconsider this application and use the number of 72,232 to calculate the direct

1730 E. Republic Road, Suite F  
 Office: 417/883-1632

Springfield, MO 65804  
 Fax: 417/883-6343

construction costs and recalculate the amount of eligible basis and amount of tax credits.

Thank you for the opportunity to present this information to your office. Please contact me with any questions or comments that you may have.

Cordially,

A handwritten signature in black ink, appearing to read "Justin M. Zimmerman", with a long horizontal flourish extending to the right.

Justin M. Zimmerman

04268 Lansborough

**Lansborough Apartments, L.P.**  
**723 Main Street, Suite 924**  
**Houston, TX 77002**

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Phone: (713) 224-5526

Fax : (713) 224--6320

August 7, 2004

Ms. Edwina Carrington  
Executive Director  
TDHCA  
P.O.Box 13941  
Austin, TX 78711-3941

Re: Appeal of Underwriting Report  
Lansborough Apartments  
TDHCA # 04268

Pursuant to section 50.18(b) of the 2004 QAP, I am writing to appeal the conclusion of the underwriting report with respect to the reduction of the recommended credit amount. The underwriters' reduced the credit from \$1,075,907 to \$1,003,544 based a determination that the Applicant's effective gross income is understated by \$168,137, which translates to an additional \$875,494 in serviceable debt.

This conclusion is a misinterpretation of data presented in the Market study that the project can generate the maximum program rents allowable at 30%, 40%, 50% and 60% of AMGI. The reconciled rents presented in the Market Study cannot be considered without reference to the direct tax credit comparables. Of the six comparables presented in the Market Study, three are Class A properties far superior to the subject are not direct comparables. The remaining three mixed income tax credit projects, Plum Creek, Scott Street Townhomes and Reed Parque Townhomes are direct comparables whose rents are below the maximum allowable under the program. In light of this fact, the underwriters' decision to adjust Lansborough's rents to the maximum program rents is not supported by the data in the Market Study as shown in the enclosed chart.

For example, the maximum rent for one bedroom unit at 50% for Lansborough is \$38 higher than the average rent for the three comparable tax credit projects. At the 60% level, it is \$47 higher than the average for the comparables, etc. The overestimation also applies to rents at 30% and 40% of AMGI. Since these projects do not command the maximum rents at 50% and 60% AMGI, and do not have 30% and 40% units, the rents we proposed for these units are reasonable and should have been utilized in the underwriters' report.

The total overestimation of gross income for the subject is \$76,492, which is 45% higher than the amount projected by the underwriters. This translates to a reduction in the projected serviceable debt by \$393,972 and a commensurate increase in the recommended tax credit amount by approximately \$30,000. We respectfully request that the additional credits be awarded to this project.

**LANSBOUROUGH APPEAL - PAGE 2**

I am also requesting that this appeal be forwarded to the Board in the event the Executive Director denies it.

Sincerely,

  
Margie L. Bingham  
General Partner

Attachments