

RENTAL HOUSING DEVELOPMENT ASSISTANCE (RHDA)

Application for Rental Development Financing



PLEASE NOTE: AHFC Reserves the right to fund projects at a lower amount than requested, and the right to deny applications that do not coincide with the City's FY 2011-12 Action Plan goals and policy direction from the Austin City Council.

Project Name: Austin Senior Living		
7 1 1 1 1 1 1 7 7 7 7 7 7 7 7 7 7 7 7 7		
Pr <mark>oject Address</mark> : 7501 U.S. 290 West, Austin Te	exas Zip Code 78736	
Total # units in project/property: 150 Total # units to be assisted with RHDA Fund	ing: 30	
Project type: UAcquisition URehabilitation	New construction	Refinance
Amount of funds requested: \$1,500,000	Terms R	tequested:
Role of applicant in Project (check all that a	pply): X Owner	🗷 Developer 🕒 Sponsor
 Applicant Information (If applicant is not a for the developer as well as for the applicant. I venture, please provide duplicative information organization). 	If the developer involves	s multiple entities, is a partnership or joint
Cadence Multifa <u>mily, LLC</u> Name		
3809 Juniper Trace Road Street Address		
Austin Texas City State		512-301-8888 Telephone #
Robert Ruggio 512-3 Contact Person Conta	01-8888 ct Telephone #	bobr@cadencetexas.com E-mail address
Federal Tax ID Number or SS#		
The applicant/developer certifies that the hereto are true and correct. <u>Unsigned/unda</u>		
Cadence Multifamily LLC.	(J) Y	t-[
Legal Name of Developer/Entity	Signature of Aut	horized Officer

Date

2.	For non-profit applicants/developers only, include copies of the following: a. Articles of Incorporation b. Certificate of Incorporation filed with the State of Texas
	c. Federal IRS certification granting non-profit status
	 Names, addresses and phone numbers of current board members Certified financial audit for most recent year which include the auditor's opinion and management letters.
	f. Board resolution approving the proposed project and authorizing the request for funding
3.	Project Type (Please check any that apply.) This project is considered:
	X Traditional Rental Housing (serving low-income households, and resident services may or may not be provided)
	Transitional Housing (case management services provided and residency limited to a certain length of time, usually no more than 24 months)
	Y Permanent Supportive Housing (Considered long-term rental housing for very low-income families and individuals who are among the hardest to serve and who are most vulnerable to homelessness. This type of housing provides case management services to residents as needed).
	If you checked Permanent Supportive Housing, please complete the information below.
	A. Types of proposed PSH Units: Multi-family X Single-family (1-4 units) B. Numbers of proposed PSH Units:
	2 Total Number of Permanent Supportive Housing (PSH) Units Proposed
	C. Check the population or sub-population(s) proposed to be served and indicate the number of units dedicated to that population or sub-population.
	Individuals or families headed by individuals that are:
	1Chronically homeless as established in the HEARTH Act (Homeless Emergency and Rapid Transition to Housing Act of 2009) found at 24 CFR Part 577. Number of Units
	2. Households that would otherwise meet the HUD definition of chronically homeless per the HEARTH Act, but have been in an institution for over 90 days , including a jail, Oprison, substance abuse facility, mental health treatment facility, hospital or other similar facility.
	Number of Units
	 Unaccompanied youth or families with children defined as homeless under other federal statutes who:
	 a. have experienced a long-term period without living independently in permanent housing;
	b. have experienced persistent instability as measured by frequent moves over such period; and
	c. can be expected to continue in such status for an extended period of time because of chronic disabilities, chronic physical health or mental health conditions, substance addiction, histories of domestic violence or childhood abuse, the presence of a child or youth with a disability, or multiple barriers to employment. Number of Units

NUMBER OF UNITS _____

risk of homelessness.

4. A single adult or household led by an adult 'aging out' of state custody of the foster care or juvenile probation system, where the head of household is homeless or at-

5	X	_ Any other	population	not de	efined above	but who	would d	therwise	be eligible	for
	or need	permanent	supportive	housin	g services.				-	
	1	NUMBER OF UN	VITS	2						

NOTE: APPLICANTS CHECKING C.1, C.2, C.3, or C.4 ABOVE MUST COLLECT AND REPORT INFORMATION INTO THE HOMELESS MANAGEMENT INFORMATION SERVICE (HMIS)

- 4. **Project Description**. Provide a brief project description that addresses items "A" through "L" below. (SEE ATTACHMENT A)
 - Describe the tenant population, income levels, and services, if any, to be provided to or made available to residents.
 - Include the type of structure (multi-family or single-family), number and size of units in square feet.
 - c. Indicate whether the property is occupied at the time this application is being submitted.
 - Indicate whether the project meets the requirements of the City's Vertical Mixed-Use (VMU) Ordinance, or is in a Planned-Unit Development (PUD) or Transit Oriented Development (TOD).
 - e. Indicate whether the project will preserve existing affordable rental units.
 - f. If there are existing structures, provide documentation from the taxing authority or another third-party source indicating the year the structure was built.
 - g. Indicate the number of units reserved for Housing Choice Voucher holders (Section 8).
 - h. Indicate the number of units that are or will be made accessible and adaptable for persons with mobility, sight or hearing disabilities.
 - i. Demonstrate the Project's compatibility with current Neighborhood Plan (if applicable).
 - j. In addition to providing an Itemized Development Budget through your response to Question 12 below, summarize the key financials of the project, clearly indicating the total project cost, the amount and intended use of AHFC funds being requested, and the amount(s) and provider(s) of other funding and the stage of those funding commitments.

Please attach the following to the description of the above items:

- k. A map (8 ½" x 11") indicating the property location and the distance to the nearest Capital Metro Transit Stop to which residents will have access.
- I. Locate on the "Opportunity Map of Austin" the census tract in which the property lies. The map is attached to the Program Guidelines.

5. Site Control and Demonstration of Value (SEE ATTACHMENT B)

Include evidence of site control such as a warranty deed or an current earnest money contract, and provide a real estate appraisal or current tax documentation that substantiates the value of the project.

6. Zoning

(SEE ATTACHMENT C)

Include a letter from the City of Austin's Planning and Development Review Department (PDRD) verifying that the current zoning of the site for the proposed project is compatible with the anticipated use, or include documentation verifying that a request to change current zoning has been submitted to PDRD. Should the project be approved for funding, the appropriate zoning must be in place prior to execution of loan documents.

7. S.M.A.R.T. Housing™ (SEE ATTACHMENT D)

Include a copy of the letter that indicates the project has been reviewed and meets S.M.A.R.T. Housing™ requirements.

8. **Development Team.** Identify below the persons or entities anticipated to be involved in the project, such as lenders, attorneys, accountants, architects, engineers, general contractor, sub-contractors, property managers and consultants. Also, indicate if any person or entity involved is <u>certified by the City of Austin</u> as a minority or women-owned business enterprise (MBE/WBE), or if any of the entities are also **non-profit** organizations.

	Name(s) & Any Comments on Role	MBE? (Mark X if Yes)	WBE? (Mark X if Yes)	Non- profit? (Mark X if Yes)
Owner	Austin Senior Living LP			
Developer	Cadence Multifamily LLC			
Architect	Stephen Gele Architect, Inc.	ļ		
Engineer	Austin Civil Engineering			
Construction Lender	PNC Bank - HUD(HUD 221 d4 Project)			
Other	N/A			
Lenders				
Attorney	Rick Hightower			
Accountant				
General Contractor				
Consultant (if Applicable)	S2A Development Consulting		X	
Property Management Provider	Capstone Real Estate Service, Inc.			
Other:				

9. Development Schedule. Complete the grid below. You may re-order the steps according to the appropriate sequence for your project and to add in any other significant steps integral to your project's development. If the multiple properties are involved, provide a development schedule for each property.

	DATE(S)
Acquisition (land Only)	June 16, 2011
Environmental and/or historic review (AHFC)	August 1,2011
HUD - Pre Appl. Screening and Issuance of	Oct. 21, 2011
Letter of Invitation	
Construction Specifications and Cost estimates	Oct. 21, 2011
Construction Bids	Nov. 1, 2011
HUD - MAP Firm Commitment	Jan. 15,2012
Construction Start	Feb. 15, 2012
Anticipated Draws (list all)	
End Construction	Oct. 15, 2012
Start of Rent-up	Oct. 15, 2012
Completion & Operation	Nov. 15,2012

- **10. Accessible and Adaptable Units**. Indicate the number of units proposed to be **accessible and adaptable** for persons with mobility, sight and hearing disabilities as required by RHDA Program Guidelines.
 - 142 Units adaptable for persons with mobility disabilities
 - 8 Units accessible for persons with mobility disabilities
 - 147 Units adaptable for persons with sight and hearing disabilities
 - 3 Units accessible for persons with sight and hearing disabilities

11	Experience and (Mualifications -	Pental D	avalonment :	and Droparts	Management
	EXPERIENCE and	Oudinicacions -	IXCHICAL D	CACIODIIICIIC	and riobeits	Manaucincii

a. Is this the developer's first housing project?

☐ Yes X No

b. Completed projects (please list below):

COMPLETED PROJECTS						
Address	Number of Units	New or Rehab	Type of Property (apartments, SF units, etc.)	Year Completed		
Blanco Park Apartments	186	New	Apartments	2011		

c. Describe the **experience and qualifications** and the developer's ability and capacity to implement the proposed project.

The principals of Cadence Multifamily, LLC have a combined 62 years' experience in real estate development, specifically, in the acquisition, planning, construction, leasing, and management of apartment communities in Central Texas.

d. Indicate who will provide **property management** services. Provide documentation to demonstrate the entity's level of experience and track record in operating properties of similar size, particularly incomerestricted properties. (SEE ATTACHMENT E).

Capstone Real Estate Services, Inc.

12. Detailed Project Budget. Use the following table, or comparable format, to provide a complete project budget. Add line-items as necessary. If this project has already received funding from AHFC, indicate by line item the amounts from the prior award.

	DETAILED	PROJECT BU	IDGET	
	Cost	Prior award of RHDA Funds (if any)	RHDA Funds Requested	Description or Comments
PREDEVELOPMENT				
Impact Fees	50,000			
Building Permits	50,000			
Soils Report	12,500			
Survey	12,500			
Architectural	375,000			
TOTAL PREDEVELOPMENT	500,000			
ACQUISITION				
Site and/or Land	1,050,000			
Structures				
Other (specify)				
TOTAL ACQUISITION	1,050,000			
CONSTRUCTION				

Earth Work	582,500		Engineering & Staking,
			Grading, Underground,
			Termite
Site Utilities	335,000		Site Water, Sewer, Storm
	·		Drains
Roads and Walks	162,500		Site Concrete
Concrete	1,586,000		Foundation/Slab, Parking
		X	Garage, Termite, Lt. Wt.
			Concrete, Gypcrete
Masonry	145,000		Stone Veneer
Metals	136,600		Steel Stairs, Rails
Rough carpentry	2,604,017		Rough Carpentry & Trusses
Finish carpentry	139,000		Install Trim, Handrail,
,			Molding, etc
Waterproofing	12,000		Caulking & Sealants
Insulation	104,500		Batt & Blown Insulation
Roofing	119,500		Asp. Shingles
Sheet Metal	9,500		Flashing and Other Sheet
	1,000		Metal
Plumbing/Hot Water	832,000		Plumbing System, Fire
	332,333		Sprinkler System
Heating and Ventilation	280,000	THE PARTY OF THE P	HVAC System
Air Conditioning	280,000		TIVAC SYSTEM
Electrical	1,014,614		Elec. System Including
Electrical	1,014,014		Switch Gear, Fire Alarms,
			Telephone & TV Outlets
Doors	298,500		Door, Hardware, Trim,
D0013	298,300	·	Access Doors
Windows	84,600		Windows and Sliding Glass
Willdows	84,000		Doors and Silding Glass
Mirrors	18,960		Doors
			Tatavias Classical & Fisher
Drywall Control Power and	588,000		Interior Sheetrock & Finish
Gutters and Downspouts	23,500		Charle William Co.
Resilient Flooring	92,400		Sheet Vinyl Floor Covering
Paint/Decorating	223,000		Interior/Exterior Paint
Specialties	39,200		Mailboxes, Toilet Part, Ident.
			Dev., Toil. Acc. F.E., Med.
			Cab.
Cabinetry	278,000		Fab. & Install all Cabinets
Appliances	252,000		Res. Equipment
Blinds and Shades, Artwork	29,900		Blinds & Drapes
Carpets	175,764		Carpet & Floor Mats
Special Construction	150,000		
Elevators	178,500		
Site Improvements	207,500		Pool, Deck, Pool Fence,
			Walking Trail
Lawns and Planting	200,000		Landscaping, Fine Grading
General Requirements	709,512		
Builder's Overhead	237,853		
TOTAL CONSTRUCTION	12,130,480		
SOFT & CARRYING COSTS			
Legal	25,000		
Tax Credit Fees	49,000		
HUD/FHA Inspection Fee	70,039		
Financing Fee	280,156		
Placement Fee	100,039		
HUD/FHA Mortgage Insurance	126,070	}	!

TOTAL PROJECT BUDGET	\$18,669,787		
Operating Reserve	184,994		
Reserve for Replacement	37,500		
Capital Interest Reserve	273,995		
Operating Deficit Escrows	456,006		
Partnership Hazard & Liability	70,074		-
Developer Fee	2,021,921		
Housing Consultant Fees	40,000		
Parkland Fee	40,000		
Real Property Taxes	10,500		
Construction Period Insurance			
Construction Interest	821,985		
Architectural (Inspections)	40,000		
Title/Recording	20,000		
Audit/Accounting			
Other	250,000		
Cost Certification Audit Fee	10,000		
HUD/FHA Exam/Application Fee	42,023		

- 13. Funds Proposal. Provide the following information to facilitate financial review of the proposed project:
 - a. Sources and Uses of Funds Complete Tables A (below) & B (on the following page), identifying all sources and uses of funds to implement project and include evidence of funds anticipated (financial statements, commitment letters, etc.).

TABLE A: SOURC (SEE ATTACHMEN	Intended Use of Funds (Predevelopment, Acquisition, Construction, Soft Costs)				
	Term	Interest Rate	Amount	Evidence (Deed Sales Contract)	
Equity from 4% Tax Credits			\$5,004,009	Commitment Letter	Construction
Private Financing (List Lenders)					
PNC Real Estate FHA 221(d)(4)	40 years	5.25%	\$11,000,000	Commitment Letter	Construction
Other Sources (List Below)					
Deferred Developer Fee			\$1,165,778		
Proposed RHDA Funds			\$1,500,000		Construction

TABLE B: USES OF FUNDS SUMMARY							
Total Cost Cost/Unit							
Acquisitíon	\$1,050,000	\$7,000.00					
Hard Costs	\$12,130,480	\$80,869.87					
Indirect Construction Costs	\$696,574	\$4,643.83					
Developer & Consulting Fees	\$2,061,927	\$13,746.18					
Financing Costs	\$1,769,312	\$11,795.41					

Total Project Costs	\$18,669,787	\$124,465.25
Reserves	\$961,495	\$6,409.97

b. **Leveraging** – Complete **Table C (below)**. Include evidence of other funds leveraged by AHFC funds to implement the project such as owner equity and commitments from private and/or other public resources.

TABLE C: LEVER	RAGE SUMMARY
TOTAL RHDA FUNDS	\$1,500,000
TOTAL OTHER FUNDS	\$17,169,787
LEVERAGE (%)	8.7%

c. **Operating Proforma** – In a format comparable to Table D below, prepare a minimum twenty (20) year financial Operating Proforma which realistically reflects the operation of the project relative to current and anticipated revenues, expenses and debt. The Proforma must indicate the anticipated debt coverage ratio (DCR) calculated as follows: net operating income (NOI)/debt service (DS) = DCR. For projects that will not carry debt, use the number "1" as the denominator in the equation. **(SEE ATTACHMENT F)**

	TA	BLE D: OPERA	TING PE	ROFORMA
Unit Size (BR/BA)	Number of Units	Monthly Rental Income	1	nual Income
1/1	1	\$764	\$ 9	,168
1/1	66	\$50,424	\$ 605	,088
1/1	1	\$764	\$ 9	,168
2/2	14	\$12,740	\$ 152	,880
2/2	38	\$34,580	\$ 414	,960
1/1	30	\$18,720	\$ 224	,640
FULL OCCUPANCY ANN	IUAL INCOME		\$1,415	···
Total Non-rental Incon	ne			360
Less Vacancy Loss (Inc	dicate % and An	nount of Loss	7% - \$	105,444
GROSS ANNUAL INCOM	1E		\$1,400	

Inflation Factor - Income 2%	
Inflation Factor - Expense 3%	

	Year 1	Year 2	Year 3	Year 4	Year 5
Gross Annual Income					
EXPENSES					
Utilities					
Insurance					
Maintenance/Repair					
Property Taxes					
Management					
Marketing					
Maintenance Reserve					
Other (specify)					
Other (specify)					
TOTAL EXPENSES					

INCOME (NOI)			
Sources of Funds & Debt Service			
TOTAL ANNUAL Debt Service (DS)			
Cash-flow after Debt Serv (CF = NOI - DS)			
Debt Coverage Ratio (DCR = NOI/DS)			

- **14. Community Engagement Strategy or Efforts.** Please provide a description of your organization's efforts or plans to engage neighborhood associations and other stakeholders in the area surrounding the proposed development. If no neighborhood association exists, provide an alternative plan to engage area residents, businesses and faith-based organization, for example.
 - (SEE ATTACHMENT G)
- **15. Description of Supportive Services.** <u>If supportive services are NOT to be provided, **please stop here**. For all other projects, if supportive services are to be provided to residents, provide a description of the services that includes the following information:</u>

(SEE ATTACHMENT H)

- a. A description of the supportive services to be provided to residents and/or clients.
- b. The number and types of residents/clients expected to be served annually.
- c. Describe the developer's experience and qualifications in providing the services to be offered.
- d. If services are not provided by the developer of the project, include a description of the organization(s) providing the services and a memorandum of understanding or some other type of agreement that indicates the relationship between the developer and service provider.
- d. Provide resumes of key personnel who will be actively involved in the delivery of services. Resumes should include information about certifications, licenses, years of experience, and education.
- f. Demonstrate financial capacity to provide support services and/or operate a supportive services program by providing the following information:
 - 1. <u>Sources of Funds</u>: Identify sources and amounts of funds that will be utilized to provide supportive services.
 - 2. <u>Budget</u>: Include a supportive services budget which reflects current and anticipated funding and expenses associated with the provision of services for three (3) years.

ATTENTION:

Please submit with the Application a completed "self-evaluation" using the following Scoring Criteria.

RHDA PROGRAM SCORING CRITERIA

Applications received will be reviewed and evaluated according to the following criteria:

REQUIRED INFORMATION:	
Applicant Information Non-profit List of Items	9. Accessible/Adaptable Units 10. Experience/Qualifications
RHDA Project Propos	al Application - Page 9 of 13 Revised 9/27/2011

	 Applicant Ir Non-profit I Project Des Site Contro Zoning S.M.A.R.T. Developme Developme 	List of Items cription I/Value Housing nt Team	9. Accessible/Adaptable Units	
EVA	LUATION CRIT	TERIA:		
belo	w. Applications	posed projects will be reviewed must receive a minimum scon ve the minimum score does no	d and scored on a competitive basis per the eva e of 150 points out of a maximum score of 225 t guarantee funding.	luation criteria points. PLEASE
1.	EXPERIENCE	AND QUALIFICATIONS (ma	aximum 15 points)	15
	15 points: 10 points: 8 points: 3 points:	Completed similar project but	who has completed project similar in size and se	cope.
2.	SOURCES & U	JSES OF FUNDS (maximum 1	.0 points)	10
	and/or comm	itments are included.	are clearly indicated and sufficient evidence of	
		are incomplete.	d are clearly indicated, but evidence of fund	ding availability or
3.	DEBT COVER	RAGE RATIO (maximum 10 po	oints)	4
	10 points: 6 points: 4 points:	DCR of 1.25 or greater DCR between 1.21 - 1.2 DCR between 1.15 - 1.2		
4.	LEVERAGE (maximum 10 points)		10
	RHDA Program 10 points: 8 points: 6 points: 4 points: 0 points:	n funding (prior and current) r 25% or less 26% - 30% 31% - 35% 36% - 50% 51% or greater	relative to Total Project Costs equals:	
5.	If development each income c	ategory up to the maximum	d/or 50% MFI units, add the results for the per of 25 points. If the project has a percentage iple of ten as shown in the chart, please rou	of units in a given

% of G.O. Bond-assisted Units in Total Project										
<u>% MFI</u>	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%
50%	3	5	7	9	11	13	15	17	19	25

multiple of 10 and use that point value.

5 7 7 9									
7 9	9	11	13	15	17	19	21	25	
	11	13	15	17	19	23	24	25	
OST PER UNIT in \$1	.000s (max	imum 1	0 points)					10	
· · · · · · · · · · · · · · · · ·	,		- p						
6 mars talktur	D - 6'		5 1 2 20		For-F		Non-Profit		
Acquisition Refinance Rehabilitation New Construction 10 points <\$45/unit <\$30/unit <\$30/eff. <\$40/unit							New Construction		
10 points <\$45/unit									
s <\$65/unit	<\$50/u		<\$40/		<\$60			3/unit 3/unit	
s <\$75/unit	<\$60/u		<\$45/i		<\$70			D/unit	
, .,	, , -		4 /-/		4,0	,	Ψ,	5, 41116	
TIONAL HOUSING (10 points)							0	
s: Project will be dev	veloped and	operate	ed as tran	sitional ho	ousing.				
ENT SUPPORTIVE I	HOUSING (PSH) (maximum	20 points	;)			10	
s: Project will reserv	e units for F	SH for	the follow	ina popula	ations:				
Chronically Hom	eless as est	ablished	I in the HE	EARTH Act	(24 CFR I	Part 577)			
Have been in an	institution f	or over	90 days						
Unaccompanied								al statut	
Youth "aging out	. Or state Ct	istody c	or the fost	er care or	tne Juven	iie probati	on system		
s: Project will reserv	e units for F	SH for	population	ns other th	nan those	listed abov	/e.		
•		·							
PHIC DISPERSION	(maximum	25 poin	ts)					20	
located in an area id	entified acco	ordina ta	o the Kirw	ıan İnstiti	te's Onno	rtunity Ma	n of Austin	(Man #1	
	for low-inco	me hou	seholds.	rair mstice	re a Oppo	turney Ma	p of Austin	(Map #2	
greater opportunity									
	iauitu auaa								
very High pr									
very High pr High priority	area								
Very High pr High priority Moderate pri	area ority area								
Very High pr High priority Moderate pri Low priority	area ority area area								
Very High pr High priority Moderate pri Low priority	area ority area area								
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Very High property Moderate print Low priority Very Location (10 points)	area ority area area ority area ority area						***************************************		
Very High priority Moderate pri Low priority Very Low priority	area ority area area ority area ority area oints)		Use (VMU) Corridor	, or is a Pl	anned-Uni	***************************************		
5: 5: 5: 5:	High priority Moderate pri Low priority Very Low pri	Very High priority area High priority area Moderate priority area Low priority area Very Low priority area	High priority area Moderate priority area Low priority area Very Low priority area	High priority area Moderate priority area Low priority area Very Low priority area	High priority area Moderate priority area Low priority area Very Low priority area	High priority area Moderate priority area Low priority area Very Low priority area	High priority area Moderate priority area Low priority area Very Low priority area	High priority area Moderate priority area Low priority area Very Low priority area	

replacement

25___

being constructed to replace existing affordable units at the same location on a one-to-one

basis or a greater than one-to-one replacement basis.

AFFORDABILITY PERIOD (25 points)

12.

25 points: Affordability of project is for 99-years. 13. **PROJECT READINESS** (maximum 10 points) 10 New construction 2 points each; maximum 10 points The project meets the normal eligibility requirements under the existing program guidelines. The property is already owned by the developer. The project has completed all necessary design work and received All environmental reviews have been completed. The project has firm commitments from all financing sources. **Acquisition and Rehab** 2 points each; maximum 10 points _The project meets the normal eligibility requirements under the existing program guidelines All environmental reviews have been completed. The project has firm commitments from all financing sources. A General Contractor has been selected. _Closing on the acquisition of the property can be achieved in less than 30 days. **Acquisition of Completed Units** 2.5 points each; maximum 10 points (A total score of 2.5 points will be rounded to 3; a total score of 7.5 points will be rounded to 8.) The project meets the normal eligibility requirements under the existing program guidelines All environmental reviews have been completed. The project has firm commitments from all financing sources. _Closing on the acquisition of the property can be achieved in less than 30 days. 14. **PROPERTY MANAGEMENT** (maximum 10 points) __10 10 points: Designated Property Management Entity has documented track record of success managing income-restricted properties of similar size and/or similar unit counts, and has the capacity to take on management of the proposed project. 8 points: Designated Property Management Entity has a documented track record of success managing income- restricted properties of smaller size and/or fewer units, and has the capacity to take on management of the proposed project. 4 points: Designated Property Management Entity has a documented track record of successful property management experience and has the capacity to take on management of the proposed project, but has not managed an income-restricted property.

15 points:

SUPPORTIVE SERVICES (maximum 15 points)

15.

a. The developer has secured <u>written agreements</u> with organizations that will provide resident services, or has experienced and qualified staff (7 or more years of experience) able to provide the same services.

10

- b. Funds have been secured for the operation of resident services programs.
- c. A 3-year operating budget for the operation of the resident services programs is provided.

10 points:

- a. The developer has secured <u>letters of intent</u> from organizations that intend to provide resident services, or has experienced and qualified staff (3 to 6 years of experience) able to provide the same services.
- b. Funds have been secured for the operation of the resident services programs.
- c. A 3-year operating budget for the operation of the resident services programs is provided.

5 points:

- a. The developer has experienced and qualified staff (1 to 2 years of experience) able to provide the same resident services.
- b. Funds have been secured for the operation of the resident services programs.
- c. A 3-year operating budget for the operation of the resident services programs is provided.

2 points:

a. The developer has arrangements with organizations to provide services, or has experienced and qualified staff able to provide the same resident services.

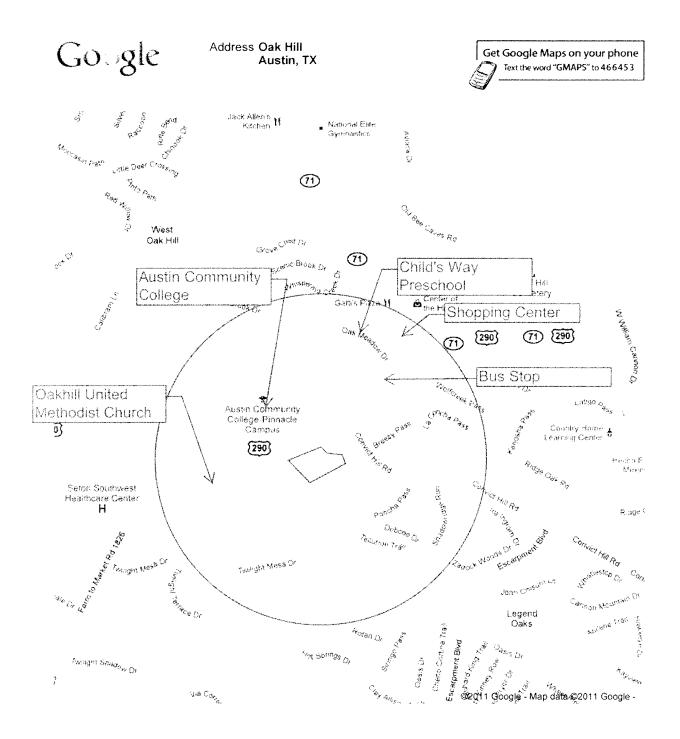
	b. Funds have been not been secured for the operation of the resident services programs.
16.	MBE/WBE PROJECT PARTICIPATION (5 points) 5
	5 points: Development Team includes <u>registered City of Austin minority- or women-owned business enterprises</u> (M/WBE).
17.	PARTNERSHIP WITH OTHER NON-PROFIT ENTITIES (5 points)
	5 points: Applicant provides evidence of commitment from another certified non-profit organization to partner on the project in some way.
	TOTAL SCORE164

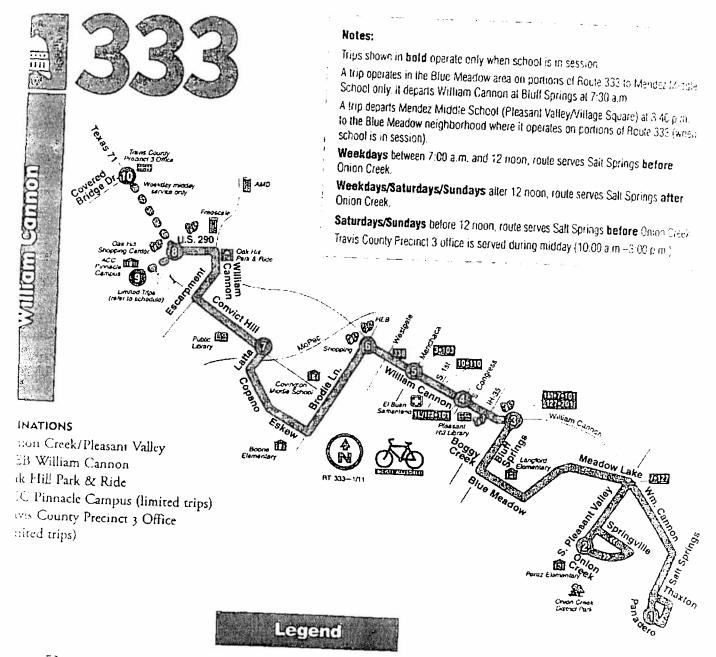
<u>ATTACHMENT A – PROJECT DESCRIPTION</u>

ATTACHMENT A - PROJECT DESCRIPTION

- a. Austin Senior Living is restricted to active adults 62 years of age or older and those who earn at or below 60% of the Area Median Gross Income. Supportive services provided to the residents include health care, meal planning, house cleaning assistance, money management and transportation. Community Services available to tenants include; a fully appointed clubhouse, resort style swimming area, spacious activity room with dance floor and kitchen, arts and crafts, business social services center, full library and study, coffee shop with terrace, game room, fitness studio, resident community garden, shuffleboard court, horseshoes and bocce court, walking trail and picnic area, storage units on site, social, recreational and cultural activities, scheduled activities on-site, and pet friendly.
- b. This is a multi-family development and will consist of 1 1-bedroom unit at 680 square feet, 96 1-bedroom units at 757 square feet, 1 1-bedroom unit at 954 square feet, 14 2-bedroom units at 948 square feet, and 38 2-bedroom units at 1,058 square feet.
- c. The development is new construction and the land is currently undeveloped and unoccupied.
- d. Does not meet VMU, PUD, or TOD requirements
- e. There are no existing units on site. All living units in the development will consist of affordable rental units.
- f. No existing structure.
- g. There are no units reserved for Housing Choice Voucher Holders (section 8).
- h. 142 units adaptable for persons with mobility disabilities; 8 units accessible for persons with mobility disabilities; 147 units adaptable for persons with sight and hearing disabilities; 3 units accessible for persons with sight and hearing disabilities.
- i. Austin City Living, located at 7501 US 290 West, is located in the Oak Hill Combined Neighborhood Planning Area. The project complies with the uses set forth on the Combined Neighborhood Plan Future Land Use Map. The Map indicates that the subject property should be set for commercial use; which is the intended use of the proposed development set forth by the applicant.
 - The current zoning designation of the property, identified in zoning ordinance no. 20081211-097 as tracts 315280 and 315281, is zoned GR-CO-NP. The proposed use of the subject property falls within the description of congregate living and meets the definition of the description of congregate living as defined by Section 25-2-6 (B)(11) of the Land Development Code of the City of Austin. The proposed use of the property as congregate living will be considered a legal conforming use of the property by complying with the applicable development regulations of the City of Austin as established through the Land Development Code of the City of Austin and supported by the Technical Manuals of the City of Austin.
 - It is the applicant's full intent to work with the neighborhood organization to develop Austin Senior Living to be compatible with the Neighborhood Plan and/or current desires.
- j. The partnership will obtain an \$11,000,000 FHA 221(d)(4) loan from PNC Bank for the construction of the development, which will also serve as the permanent loan. The interest rate on the loan is 5% and it will be amortized over 480 months. Equity will be advanced from PNC Bank in the estimated amount of \$5,004,009 with 80% of this amount projected to be disbursed

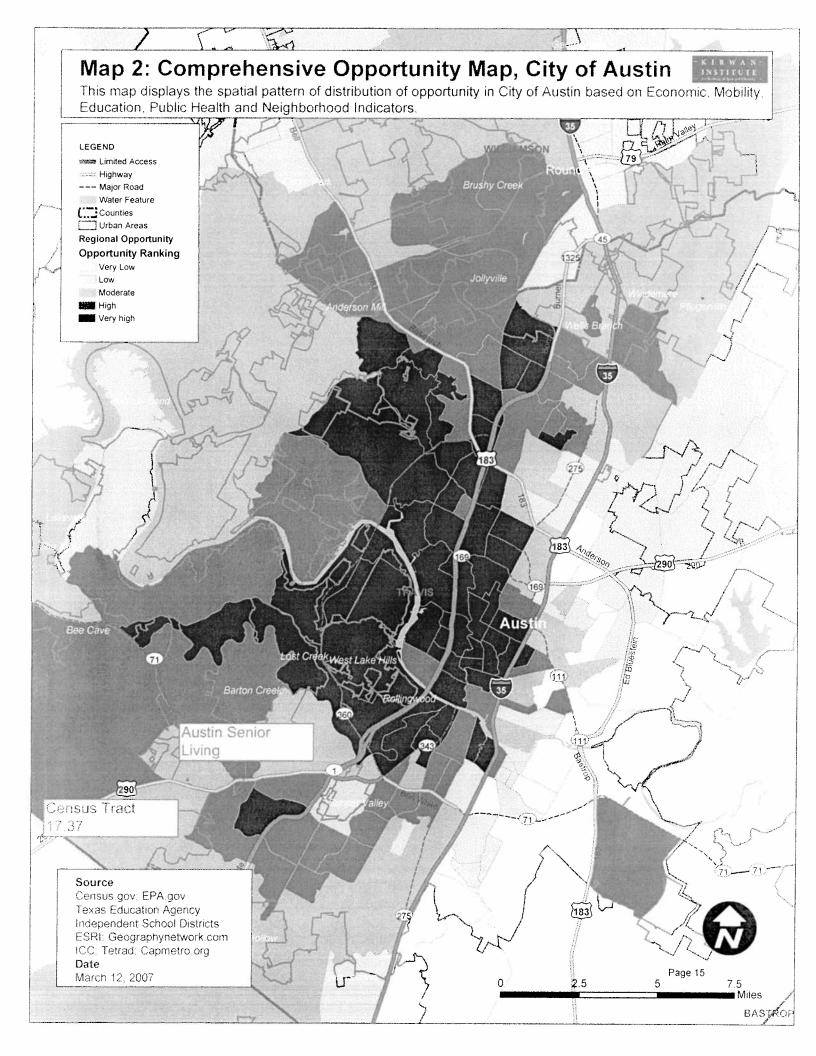
during the construction phase. The exact amount may be adjusted based on adjusters to be defined in the partnership agreement. The syndication proceeds are to be based on \$0.95 per dollar of tax credit allocation of \$526,790. The developer will defer \$1,165,778 of its developer fee. Given the total project cost of \$18,669,787, the developer is applying for \$1,500,000 in RHDA funds.





- **Business**
- Government Building
- Hospital or Clinic
- **国** Library
- A Park
- Passenger Rall Station
- Point of Interest

- 🛍 School
- D Shopping
- Texas State Capitol
- Timepoint—an intersection used as a reference point for trip planning and to estimate bus arrival or departure times. (Additional bus stops are located every two to three blocks along the route.)
- Transfer—a point along a route at which passengers may transfer to connecting routes.
 - Transit Center or Facility
- University of Texas
- University or College



ATTACHMENT B – SITE CONTROL & DEMONSTRATION OF VALUE

TRV

PGS

15/17c/6MH/1108855-COM RIGHTS: IF YOU ARE A PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL FOLLOWING INFORMATION FROM ANY INSTRUMENT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

SPECIAL WARRANTY DEED WITH VENDOR'S LIEN

THE STATE OF TEXAS

§ KNOW ALL PERSONS BY THESE PRESENTS:

COUNTY OF TRAVIS

§

That DAVAUS THREE, LP, a Texas limited partnership ("Grantor"), for and in consideration of the sum of TEN AND NO/100 DOLLARS (\$10.00) and other valuable consideration to the undersigned paid by the Grantee herein named, the receipt and sufficiency of which are hereby acknowledged, has GRANTED, SOLD and CONVEYED, and by these presents does GRANT, SELL and CONVEY, unto AUSTIN SENIOR LIVING, L.P., a Texas limited partnership ("Grantee") whose address is 5804 Anselm Court, Austin, Texas 78739, all of the following-described real property in Travis County, Texas, to wit:

Being all of that certain tract of land containing 6.7600 acres of land, more or less, out of the JESSE WILLIAMS SURVEY, NO. 62, ABSTRACT NO. 788, situated in Travis County, Texas, and being the same land conveyed to Norbert Johnson by deed recorded in Document No. 2008163850, Official Public Records, Travis County, Texas; said 6.7600 acre tract of land being more particularly described by metes and bounds description in **Exhibit A** attached hereto and made a part hereof; together with all improvements and utility facilities situated thereon, if any, and all of Seller's right, title and interest, in all streets, easements, alleys, rights of way, strips, gores and roadways in, upon and bounding such land, (collectively, the "Property").

TO HAVE AND TO HOLD the Property, together with all and singular the rights and appurtenances thereto in anywise belonging, unto Grantee, its successors and assigns forever; and Grantor does hereby bind itself, its successors and assigns to WARRANT AND FOREVER DEFEND all and singular the Property unto Grantee, its successors and assigns, against every person whomsoever lawfully claiming or to claim the same or any part thereof, by, through or under Grantor but not otherwise.

This conveyance is made by Grantor and accepted by Grantee subject to the title matters and exceptions set forth on **Exhibit "B"** attached hereto and incorporated herein by this reference (collectively, the "Permitted Exceptions").

Current ad valorem taxes on the Property having been prorated, the payment thereof is assumed by Grantee.

EXECUTED on this the 15 day of June, 2011.

GRANTOR: DAVAUS THREE, LP By: Davaus Three Parther By:	GP,	LLC,	General
Name: Curtis Davidson			
Title: Manager			

THE STATE OF TEXAS §
COUNTY OF TRAVIS §

This instrument was acknowledged before me on 5 day of June, 2011, by Curtis Davidson, manager of Davaus Three GP, LLC, a Texas limited liability company, General Partner of Davaus Three, LP, a Texas limited partnership, on behalf of said company and partnership.

[SEAL]

My Commission Expires:

NOTARY PUBLIC, State of Texas

Print Name:

Address for Grantee:

3809 Junion Tray \$207 Pusts, TX 78738

MY COMMISSION EXPIRES

Thomas Land Surveying surveying · Planning · Project Management

July 29, 2008 6.7600 Acres

Fieldnotes for a survey of 6.7600 scress of land out of the Jesse Williams Survey, Abstract No. 62, in Travis County, Toxes, being all of that certain 4.997 acre tract of land conveyed to the Bank of the Hills by deed recorded in Volume 11063, Page 1750 of the Deed Records of Travis County, Texes, and all of that certain 1.756 scre tract of land conveyed to the said Bank of the Hills by Substitute Trustee's Deed recorded in Volume 10995, Page 1243 of the said Deed Records, and all of that certain 6.7600 acres tract of land conveyed to Grant Ross, Trustee as described in deed recorded in Volume 11925 Page 727 of the said Deed Records, said 6.7600 acres of land being more particularly described by moies and bounds as follower

BECHNING at a 1/2 inch steel rod with cap found in a plastic pipe fence line at the most Southerly or Southewsterly corner of the above said 4.997 acre tract, said point being the most Northwesterly corner of Lot 1, Block A of First Baptist Church of Oak Hill Subdivision, the map or plat of same being recorded in Volume 89, Page 311 of the Plat Records of Travis County, Texas, said point also being in the Northeasterly line of Lot 2, 290 Commercial Subdivision, the map or plat of same being recorded in Volume 86, Page 42C of the said Plat Records, North 43° 00°15" West, 80.07 feet from a 1 inch steel pipe found marking its most Easterly corner;

- Thence, North 43°00°15° West with the Northessendy line of said Lot 2 and wife the Southwestedy line of the said 4.997 acre base and along a plastic pipe fence line, at 354.36 feet pessing a galvanized iron bolt found making the most Westedy corner of the said 4.997 acre tract and the most Southerly corner of the said 1.756 acre tract, and continuing with the Southwestedy line of the said 1.756 acre tract, in all a total distance of 522.17 feet to a 5/8° steel rod with cap found in the Southwestedy line of U.S. Highway No. 290, variable right-of—way, making the most Southedy corner of that certain 2.713 acre tract of land acquired by the State of Texas under Cause No. 1445, County Court at Law No. 4 for Travis County, Texas, and being the most Westerly corner of the said 1.756 acre tract and the herein described tract, said point also being in a non-tangent curve to the left having a radius of 3049.79 feet and a central angle of 10°57°44°;
- Thence, in a Northeasterly direction with the Southeasterly line of said U.S. Highway No. 290 and with the said curve to the left having a radius of 3049.79 (chord bearing North 67*43*29" Bast, 582.62 feet), an are distance of 583.51 feet to a steel rod with cap found at a point of language;
- Thence continuing with the Southeasterly line of said U.S. Highway No. 290, North 62°14'37" Bast, 1.13 feet to a stool rod with cap frond marking the most Northerly or Northeasterly corner of the said 1.756 acre tract and the herein described tract, said point being in a Westerly line of said Lot 1 of First Baptist Church of Oak Hill Subdivision, said point also being the most Easterly or Southeasterly corner of the said State of Texas 2.713 acre tract,
- Thence, South 27°25'00" East, 135.74 feet with the East line of the said 1.756 acre tract and the Westerly line of said Lot 1 to a galvanized iron bolt found marking the Southeast corner of the said 1.756 acre tract and an angle point in the Westerly line of said Lot 1, said point also being an angle point in the North line of the said 4.997 acre tract;
- Thence, South 85°25'00° East, \$10.78 feet with the North line of the said 4.997 sore tract and a Southerly line of said Lot 1 to a 5/8 inch steel rod with cap found marking the Northeast corner of the said 4.997 acre ract and the herein described tract, said point also being an inside all corner of said Lot 1;

Exhibit A

July 29, 2008 6.7600 acres Page 2

Thence, South 12°00°00" East, 155.14 feet with the East line of the said 4.997 acre tract and with a ... Westerly line of said Lot I to a ½ inch steel rod with cap found marking the Southeast corner of the said 4.997 acre tract and the herein described tract, said point also being a second inside ell corner of said Lot 1;

Therece, Scaule 62°31'00" West, 663.A1 first with the Southeasterly line of the said 4.997 acre tract and the northwesterly line of said Lot i to the PLACE OF BEGINNING and containing 6.7600 acres or 294,465 square feet of land, more or less.

This description is based on the land cale survey and plat (Job No. 93-11938) made under the direction of John G. Thomas, Registered Professional Land Surveyor on July 25, 2003.

160 G. Thomas R.P.L.S. No. 1494

JOHN G. THOMAS I

÷:

EXHIBIT B PERMITTED EXCEPTIONS TO THE DEED

- A. Limited access to and from the subject property per the terms and provisions set forth in that certain Release and Relinquishment of Access Rights to Highway Facility dated December 9, 2004, recorded in Document No. 2005024504, Official Public Records, Travis County, Texas.
- B. Terms, Conditions, Stipulations and Access Rights in and to that certain Access Easement described as "Deed Granting Easement" recorded in Volume 6365 Page 988 of the Deed Records of Travis County and as set forth in instruments recorded in Volume 10755, Page 1288; Volume 11063, Page 1750; and Volume 11925, Page 727; Real Property Records, Travis County. (AFFECTS 4.99 ACRES OF LAND).
- C. Matters reflected on survey prepared by John G. Thomas RPLS No. 1494, dated 7/28/2008:
 - The effect, if any, of the location of the service pole and overhead
 power service line located outside a dedicated easement along the
 east portion of subject property.

FILED AND RECORDED OFFICIAL PUBLIC RECORDS

DANA DEBEAUVOIR, COUNTY CLERK TRAVIS COUNTY, TEXAS

June 16 2011 10:59 AM

Rue Desaven

STAGE 1 "LIMITED APPRAISAL" for FHA Pre-Application

of

7501 U.S. 290 West Austin, TX 78749 Proposed 150 Units (Senior Age-Restricted) FHA, Section 221(d)(4) New Construction

Applicant: Bob Ruggio

As of:

May 7, 2011

Prepared for:

PNC Multi-Family Capital

Attn: Mary Filomeno 575 Market Street, Suite 2800 San Francisco, CA 94105

Prepared By:

Austin Valuation Consultants, Ltd.

3811 Bee Cave Road, Suite 210 Austin, Texas 78746 512-328-8122

AUSTIN VALUATION CONSULTANTS, LTD.

3811 Bee Cave Road, Suite 210 Austin, Texas 78746-6459 Rudy R. Robinson III, MAI

Fax: 512/328-6846 Email:

Phone: 512/328-8122

August 15, 2011

Ms. Mary Filomeno PNC Multi-Family Capital 575 Market Street, Suite 2800 San Francisco, CA 94105

Re: 7501 U.S. 290 West

Austin, TX 78749

Proposed 150 Units (Senior Age-Restricted) FHA, Section 221(d)(4) New Construction

Dear Ms. Filomeno,

As requested, I have performed a consulting assignment, known as a "limited appraisal" by HUD reporting standards.

In accordance with our prior agreement, this assignment is reported in a Restricted Report.

This assignment is referred to as "Stage 1" in the FHA Pre-Application process. This assignment has been limited to the following procedures:

- Completion of HUD-92273 form (Estimates of Market Rent By Comparison), and accompanying narrative, for each unit type.
- "Other Income" Analysis, by category (e.g., laundry, vending, owner-paid utility cost reimbursement, deposit forfeiture, etc), where applicable.
- Pro forma Vacancy
- Completion of HUD-92274 (Operating Expense Analysis Worksheet, assuming completion of construction), and accompanying narrative.
- As-is Value is not applicable as the project is proposed.

This is a *Restricted Appraisal Report*, in a narrative format, consistent with USPAP Standard Rule 2-2(c). As such, it presents very brief discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value.

Supporting documentation concerning the data, reasoning, and analyses is retained in the appraisal work file. The depth of discussion contained in this report is specific to your needs as the client for the intended uses stated in the report.

If you should have any questions concerning this report, please do not hesitate to call. Thank you for this opportunity to provide appraisal service.

Sincerely,

Rudy R. Robinson III, MAI

State of Texas Certified General Real Estate Appraiser #TX-1320144-G

Stage 1 Appraisal Report for HUD 221(d)(4) New Construction

Property Name: Southwest Austin Senior / Oak Hill Senior

HUD Project Number: Proposed Financing Under Section 221-(d)(4)

Property Type: 150-unit senior age-restricted apartment project

Legal Description: Attached in Addenda of this report

Property ID: R315280, R315281

Name of Applicant: Bob Ruggio

Location: 7501 U.S. 290 West

Austin, TX 78749

Purpose of the Report: To estimate the market rent, market vacancy, market expense ratios

and capitalization rates for the subject property

Client, Intended Use

and User of Report: The client and user of this appraisal is PNC Multi-Family Capital and its

assignees. The intended use of the appraisal is to aid in making

decisions regarding financing property development.

Property Rights Appraised: Fee Simple Estate

Function of the Appraisal: This report is intended to facilitate underwriting for proposed

refinancing through HUD's 221(d)(4) MAP program.

Effective Date of Appraisal: May 7, 2011

Date of Site Visit: May 7, 2011

Date of Report: August 15, 2011

Census Tract: 0017.37

Exposure Time: 8 - 12 months. Exposure time is the length of time the subject property

would have been exposed for sale in the market had it sold at the market value concluded in this analysis as of the date of this valuation.

Marketing Time: 8 - 12 months. Marketing time is the amount of time it would probably

take to sell the subject property if exposed in the market beginning on

the date of this valuation.

¹ The rental rates projected in this appraisal are base rates and do not include additional services. The comparables selected represent base market rental rates for age-restricted senior apartments.

² This property is located in the same immediate location as the subject. It is <u>not</u> an age-restricted facility. However, it was included for reference because of its very close proximity to the subject and because of the lack of similar age-

These estimates are based on other data on marketing times of sold properties in this area, and discussions with real estate agents and appraisers active in this area.

Sale History of Subject Property:

The subject property (land) is currently under contract to be purchased by the developer of the proposed project, Bob Ruggio. The contract price is \$790,000, or \$5,267 per buildable unit. Mr. Ruggio reported that he purchased the subject site for less than market value because he was able to offer an all cash closing and quick close. He stated that, when working with all-cash buyers, sellers can be confident that adequate funds will be available and that this alternative proves much more desirable to sellers as they have no incentive to wait for a long and drawn out closing process with a buyer trying to secure financing from a lender. Mr. Ruggio continued to explain that, in this poor financing environment, sellers cannot rely on buyers being able to obtain lender financing. This opens the way for buyers with cash in hand and the ability to do a quick-close, to purchase properties for less than properties that are exposed to the market for the typical eight to twelve month period.

The terms of this contract were conveyed verbally by Mr. Ruggio. The appraiser did not receive a copy of the sale contract. The client is urged to obtain a copy of the sale contract for details regarding this transaction.

Exclusions: No personal property is included in this valuation.

Site Description: The subject site is a mostly rectangular shaped mid-block parcel that is

generally level. The site has ample frontage along U.S. Highway 290

West.

Land Area: 6.76 acres/ 294,465 square feet

Frontage/Access: According to the Travis County Appraisal District's plat map, the site

has about 584 feet along the southerly side of U.S. Highway 290. Access is available to the subject from one curb-cut along Highway 290. Please see site plan attached in the Addenda of this report.

Flood Hazard: The site is characterized as mostly level with some minor gradients

throughout. According to FEMA map, community panel

#48453C0560H, dated September 26, 2008, the subject is situated in

Zone X. Properties in Zone X do not require flood.

Zoning: GR-CO-NP

Permitted Uses: The GR-CO-NP. The proposed subject property qualifies as a

congregate living project and meets zoning requirements as a legal conforming use. Please see Addenda for copy of letter from Hutson

Land Planners.

Code Violations: The appraiser is not aware of any building code or safety violations

and the valuation is based on full compliance to all building codes.

Soil Conditions: In the absence of a soil survey, it is assumed that the subject soils are

capable of supporting a moderate scale development.

Easements/

Encroachments: A set of proposed architectural plans were provided. Physical

inspection indicated no apparent encroachments, and only typical utility and drainage easements throughout the property. The appraiser is not aware of any adverse easements or encroachments, and it is

specifically assumed that none exist.

Improvement Description: The property 'as proposed' will be improved with an apartment

complex containing 150 units. The net rentable area is 129,086

square feet, according to the developer's proforma.

Total Revenue Units: 150

Total Non-Revenue Units: 0

Apartment Buildings: One

Stories: Four

Accessory Buildings: None

Project Amenities¹: Project amenities include a swimming pool, dining room, fitness center,

library, classrooms, theatre, arts studio, salon and barbershop, wall street room, wood working shop, putting green, vegetable garden,

guest suites and 24 hour security and services.

Unit Amenities: Unit amenities include mini blinds, and appliances including ice maker,

refrigerator, range/oven, disposal, dishwasher, microwave oven and

washer/dryer hook-up.

Condition: New (as proposed)

Parking Spaces: 121 surface spaces; 102 garage spaces plus 19 surface

¹ The rental rates projected in this appraisal are base rates and do not include additional services. The comparables selected represent base market rental rates for age-restricted senior apartments.

Stage 1 Appraisal Report for HUD 221(d)(4) New Construction

Parking Ratio: 0.81 per unit

Anticipated Completion: 2012

Total Economic Life (Yrs): 55 Overall Effective Age: 0

Remaining Economic Life: 55

Average Unit Size (SF): 861

Project Density: 22.5 units per acre

Unit Breakdown:

lki		SE/UNIT (LEASING)		FLOOR :	FL 110 k 2	PL008 3	FL008 4	2.SAULY	IDTAL SF (HLE)	TOTAL SF (LEASING)	BR/UNIT	TOTAL BETROE
A'	717	757	5 8	??	- 22	26	76	94	68832	72572		76
42	640	580	0	1	6	e	3	1	643	680	:	1
*3	964	954	95	1	į.	į.	3	:	904	954		1
EI.	943	:65B	58	8	19	13	15	7 8	35758	40004	3	76
ĸ	102	:048	114	ž	4	4	4	14	143/28	14672	ž	.7B
LUEST SUITE 4	452	453	73	ð	ı	6	Ş		6 2	453	:	1
CLEST WITE I	717	757	68	3	- ?	8	\$?	1434	1514	<u>;</u>	3
TUTAL IANTS				34	39	43	45	150				F.075
THE LINE OF GILLS				35850	31078	38962	32960		122648	(36)49		
TUTAL COMMON AREA ST				15968	12459	15146	19346		59919	59919		
TOTAL SF	1			43818	43737	47206	47296		18196/	191068		
TOTAL BALCONY AREA SE				1955	2841	2994	299a		10694	13664		
TOTAL ST (INCLUDING BALCONIES)				45/73	46578	501:0	5000		192511	30672		
TOTAL SARACE ST								108 SPACES	38766	38268		

Net Rentable Area (SF): 131,149

Other Common Areas (SF): 59,919

Occupancy/Leases: 0% (not built)

Stabilized Vacancy

& Collection Loss: 7.0% (93% occupancy)

Current Average Rent/SF: N/A

Proposed Potential Rent: \$1.06 to \$1.22/SF/month by developer; \$1.06 to \$1.21/SF/month by

appraiser

Property Tax: Property tax is projected based on a review of expense comparables.

The concluded tax rate of \$850 per unit is within the range of the comparables presented in this report. Note, these projections are just for the purposes of this report and no warranties are made regarding

present or future property tax liabilities or valuations.

Stage 1 Appraisal Report for HUD 221(d)(4) New Construction

Highest & Best Use

As Vacant: Future multi-family residential development; age restricted for seniors

Highest and Best Use

- As Improved: Continued use as a 150-unit (proposed) apartment project

Appraisal Procedures Followed (Scope of the Appraisal) and Reporting Process:

In preparing this appraisal, the appraiser inspected the subject property, observed significant factors of the subject's site orientation and subject's immediate neighborhood, gathered confirmed information on comparable rentals and expense comparables in this market area so that an opinion of market rental rates for the subject's various unit types as well as an expense ratio and net operating income could be formed. The traditional approaches to value, namely the Cost Approach, Sales Comparison Approach and the Income Approach, were not applicable in this "Stage 1, Limited Appraisal" per the client's requirements.

Zoning information was obtained from the Austin Department of Planning and Zoning. For further comments related to the scope of the appraisal, please refer to the Assumptions and Limiting Conditions and the Certification of the Appraiser at the conclusion of this report.

This is a Restricted Appraisal Report as it sets forth essentially only the appraiser's conclusions. Restricted Reports may not be relied on by any other party except the client the appraisal is addressed to. Restricted Reports present only the value conclusion and do not present the supporting data and analysis. Supporting documentation is retained in the appraiser's work file.

AUSTIN AREA ANALYSIS

Austin is the capital of Texas, the seat of government for Travis County, the fourth largest city in Texas and the 15th largest city in the country. Austin lies on the Colorado River where the river emerges from the Texas hill country and the Balcones Escarpment. Located in the south-central part of the state, Austin is 190 miles south of the Dallas-Fort Worth Metroplex, 160 miles northwest of Houston and 70 miles northeast of San Antonio. Its central location makes it accessible from all parts of the state. Austin is 541 feet above mean sea level and an average temperature of 68° with hot summers and mild winters. The normal range in winter is 42° to 62° and the normal range in summer is 75° to 95°. The average annual rainfall is 33.8 inches, with the heaviest amounts occurring in May and October. On occasion, dissipating tropical storms affect the city with strong winds and heavy rains. Austin enjoys an average of 300 days of sunshine each year and snowfall is rare.

Austin and its surroundings have achieved a highly successful combination of industry, business, education and quality of life. The Austin area is also becoming an increasing popular place for retirement. With this success come challenges of transportation issues, regional water and wastewater issues, quality and availability of labor, and high living costs.

The primary vehicle artery in the Austin area is Interstate 35, which runs south to San Antonio and to the Mexican border in Laredo and to the north through Dallas-Fort Worth and into the upper Midwest. Long a source of frustration to commuters and through-traffic, I-35 has been expanded to at least six lanes wide from the northern end of Williamson County to just north of San Marcos.

During the last ten years, US Highways 183 and 290 have undergone major expansions. The southern portion of Highway 290 is a divided, limited-access expressway from I-35 west to near William Cannon Road. The city and state continue to plan on the expansion west beyond the intersection with State Highway 71 (the "Y" in Oak Hill) to FM 1826, though the timetable for this expansion is not firm. The intersection of US 290 and I-35 has undergone a major renovation to a "cloverleaf" interchange and travel to Austin-Bergstrom International Airport to the east along Highway 71. Plans for four flyover bridges to the southside of the interchange are estimated to begin in midyear 2010.

US 183 is an extended freeway from FM 620 in north Austin to US 290 to the east of Austin. Another project, the toll road 183A, opened in 2007 and intersects U.S. 183 between Lakeline Boulevard and Lakeline Mall Drive, extending north parallel and east of existing U.S. 183. The next phase of this road is due to begin in early 2010, extending it from north of RM 1431 to RM 2243.

The state is constructing several new major projects to relieve congestion on I-35 and other highways. State Highway 130 is a 49-mile tollway located east of I-35 through Williamson and Travis counties, extending from I-35 north of Georgetown to US 183 southeast of Austin with four divided lanes and major interchanges at IH 35, US 79, SH 45 North, US 290 and SH 71. An extension is planned to Seguin with four tolled express lanes and continuous frontage roads.

State Highway 45 is a highway loop around Austin that exists in two open segments. The official designation of the highway is to form a complete loop, a distance of roughly 80 miles. One segment in southwest Austin runs southeast from RM 1826 to the southern part of Loop 1 (Mopac

Expressway). The other segment, SH 45 North, is approximately 13 miles with the western terminus at US 183 and RM 620 northwest of Austin in Cedar Park. Heading east, the freeway intercepts Loop 1's northern terminus and crosses Interstate 35, ending at SH 130 near

Pflugerville, but the SH 45 designation continues southward along SH 130. SH 45 Southeast is a 7.4 mile segment southeast of Austin near Creedmoor. Paralleling FM 1327, it is a four-lane, controlled-access facility that links SH 130 and US 183 to Interstate 35 north of Buda and completes the SH 45 eastern bypass loop around the Austin metropolitan area.

In conclusion, Austin's high technology industries, strong business and cultural communities, educational opportunities and beautiful recreation areas combine to make Austin a very desirable city in which to live. These factors, along with Austin's key role as the capital of Texas, ensure it will remain a major force behind most important operations and decisions within the state.

Boundaries: The subject is located in the City of Austin in the Oak Hill District at the southwest edge of town. The boundaries of this submarket are generally considered State Highway 71 to the north, Hays County Line to the south, Interstate 35 to the east and Ranch Road 620 to the west.

Location: This is a quickly developing area with much of the city's residential growth occurring along the Highway 71 and 290 corridors. There are several newer commercial developments in the area including the Hill Country Galleria along Highway 71, as well as new tenants being drawn to the area because of population growth. The outlook for the subject neighborhood is considered good.

Major Thoroughfares: State Highway 71 is the major east/west traffic artery in the city. Highway 290 provides access from the center of Austin, southwest into Hays County and beyond. Other major highways include Interstate 35 and Mopac Expressway as major north/south arteries.

Predominant Development: The predominant development in the specific neighborhood includes new retail uses which have developed along the frontages Highway 290 and 71. Residential growth has been concentrated in background pockets off of thee major highways.

Conformity of Development: The subject neighborhood is an area with a mixture of older improvements being constructed over 50 years ago along with newer commercial developments and retail centers. However, the majority of development which comprise the character of the neighborhood as it stands today, has occurred within the last ten to 15 years. Overall, the specific neighborhood has conformity of use.

Utilities: Utilities provided by the City of Austin include: water and sewer and electricity; natural gas by Texas Gas Service; and telephone by Sprint and AT & T (SSC).

Schools: The Austin Independent School District provides education for both the neighborhood and the City of Austin.

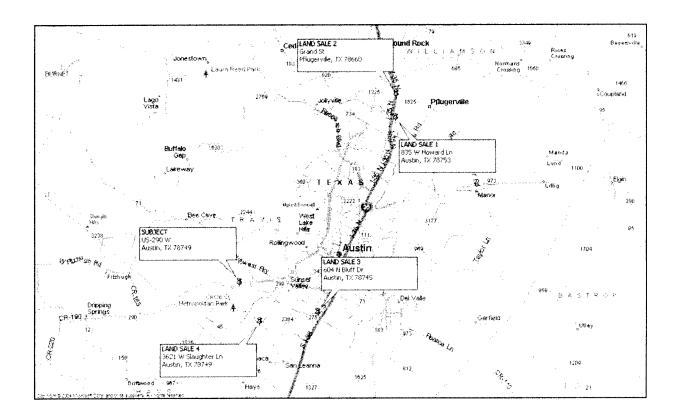
Stage 1 Appraisal Report for HUD 221(d)(4) New Construction

Zoning: The City of Austin has established a zoning ordinance which has zoned land in the city. The majority of the land in the specific neighborhood is zoned for commercial uses along the major traffic arteries with residential zoning beyond. The subject site is zoned GR-CO-NP for Commercial Services uses.

Conclusion: The specific neighborhood is provided with good access via US Highway 290, State Highway 71 and Mopac Expressway. Access to the remaining portions of Austin is good. It appears that this area is increasing in its desirability as a center of new development for the City of Austin. Therefore, real estate values should continue to stabilize upward within the foreseeable future.

LAND VALUE ANALYSIS

Land Sales Map



Summary of Land Sales and Adjustments

Comp No.	Subject	1	2	3	4
Reference Location	Oak Hill/Southwest 7501 US 290 W, Austin	Villa Tech Ridge 13838 The Lakes Blvd., Austin	Broadstone 1720 Grand Ave, Pflugerville	North Bluff 604 N. Bluff Dr	Ranch House 3621 W. Slaughte Lane, Austin
				Austin	
Date of Sale Total Consideration	Pending \$790,000	April-07 \$3,572,475	December-07 \$2,933,800	December-2010 \$1,200,000	October-2009 \$2,050,000
Terms	Cash	Cash	Cash	Cash	Cash
Size (Acres)	6.76	16.35	13.93	6.47	19.34
Price / Unit	\$5,627	\$10,207	\$10,478	\$10,169	\$10,000
Shape	Irregular	Square	Irregular	Irregular	Irregular
Topography	Basically Level	Basically Level	Basically Level	Basically Level	Basically Level
Corner	No	No	No	No	No
Zoning	Multi-Family	ETJ	ETJ	MF-2-CO-NP	MF
Utilities	All available	All available	All available	All available	All available
Frontage	US 290	Howard Lane & The Lakes Blvd.	Grand Avenue Parkway	N. Bluff Drive/Crow Lane	Slaughter Lane
Density (Units/Ac.)	22.5	21.4	20.10	18.2	16.4
Comments	150 unit apartment project	Villas Tech Ridge containing 350 units was constructed on site.	280 unit apartment project constructed on- site.	Proposed 118 unit community.	The Ranch House apartments is under construction with 272 units.
ADJUSTMENTS					
Market Condition	0.00%	0.00%	0.00%	0.00%	0.00%
Adjusted Figure	\$5,627	\$10,207	\$10,478	\$10,169	\$10,000
Location	0.00%	-20.00%	0.00%	-10.00%	-10.00%
Density	0.00%	0.00%	0.00%	+2.00%	<u>+5.00%</u>
Net Adjustments	0.00%	-20.00%	0.00%	-8.00%	-5.00%
Adj.\$/Unit	\$5,627	\$8,165	\$10,478	\$9,355	\$9,500

Land Value Conclusion

Land Sale 1 and 2 were adjusted upward for market conditions. Data retained in our files indicate that rent within the Austin Market from the fourth quarter of 2006 through the third quarter of 2008 increased steadily and then experienced a decline into 2009; from 2010 to present there has been a general increase in rental rates. Occupancy ran in the low 90% range until the fourth quarter of 2008 and once again they are beginning to climb. Sales 1 and 2 used in this analysis are thought to have sold during a period of superior market conditions. In consideration of the trend in rental rates, since the time period when Land Sales 1 and 2 sold, market conditions are considered to have increased up to 2008 and then declined in 2009, with stabilization occurring thereafter. Hence, the net adjustment for these comparables is considered to be zero, since any appreciation that occurred was offset by the subsequent drop on prices. Land Sale 3 and 4 occurred during a period of stabilization and no adjustments were required.

Land Sales 1, 3 and 4 were adjusted downward for their respective superior location characteristics. Land Sale 2 was considered overall similar in location factors to the subject.

Land Sales 3 and 4 were adjusted upward for their respective degrees of inferiority in density.

The adjusted values ranged from \$5,627 to \$10,478 per unit. Excluding the subject's pending sale price, the range narrows to \$8,165 to \$10,478. As noted earlier in this report, the subject is under contract to be purchased for \$790,000, or \$5,627 per buildable unit. The contract sale price is subject to some atypical market influences and is not an arms length transaction. Nevertheless, some consideration has been given to the pending sale of the subject. Thus, as part of concluding to an estimate of value, consideration has been given to the adjusted sale prices as well as the pending sale price of the subject. It has also been noted that the original asking price of the subject site was \$1,000,000. Based upon the data used, the adjusted sale price of the subject falls on the low side of the adjusted range. In concluding to a final estimate of value, Sales 1, 3 and 4 have been given the greater weight because they are most proximate top the subject geographically, but the pending sale price of the subject has not been totally discounted. A market value for the subject site has been estimated at \$7,000 per unit given its slightly higher overall density (units per acre) and one point of entry from US Highway 290.

MARKET VALUE OF LAND 'AS IS'

<u>Value Per</u> <u>Unit</u>	Х	Number of Units	=	Market Value
\$7,000	Х	150	=	\$1,050,000
Indicated	Lanc	l Value (rounded)		\$1,050,000

Market Rental Rate

Rental Comparable 1

Name: Quarry Hill

Address: 7000 Convict Hill, Austin, TX 78749

Number of Units: 148

Distance to Subject: 1 block east Building Type: 3-walk up

Class/Quality: B+
Year of Construction: 2010
Occupancy: 100%
Condition: Good

Concessions: No concession reported

Date of Survey: August 5, 2011 Contact Person: Scott (512) 288-7900

Not age restricted²

Rental Comparable 2

Name: Heritage Pointe

Address: 1950 Webberville Road, Austin, TX 78721 Number of Units: 239 (191 affordable housing; 48 market rate)

Distance to Subject: 13 miles east
Building Type: 3-story garden style

Class/Quality: B
Year of Construction: 2005
Occupancy: 90%
Condition: Good

Concessions: None reported at time of inspection

Date of Survey: May 20, 2011

Contact Person: Veronica Castillo (512) 926-7100

² This property is located in the same immediate location as the subject. It is <u>not</u> an age-restricted facility. However, it was included for reference because of its very close proximity to the subject and because of the lack of similar age-restricted facilities in the subject's immediate area. It is similar to the subject in condition, as a newly built facility.

Rental Comparable 3

Name: Heatherwilde Park

Address: 16500 Yellow Sage Blvd., Pflugerville, TX 78660 Number of Units: 168 (128 affordable housing; 40 market rate)

Distance to Subject: 21 miles northeast Building Type: 2-story garden style

Class/Quality: B
Year of Construction: 2002
Occupancy: 96%
Condition: Good

Concessions: None reported at time of inspection

Date of Survey: May 20, 2011

Contact Person: Abby (512) 670-7900

Rental Comparable 4

Name: Cambridge Villas

Address: 15711 Dessau Road, Pflugerville, TX 78660

Number of Units: 208 (8 market rate, 200 affordable)

Distance to Subject: 19 miles northeast Building Type: 2-story garden style

Class/Quality: B
Year of Construction: 2009
Occupancy: 89%
Condition: Good

Concessions: One month free weeks with "look and lease"

Date of Survey: May 20, 2011

Contact Person: Fonda McConnel and Melissa (512) 990-2348

Rental Comparable 5

Name: The Wellington

Address: 600 Leah Drive, San Marcos, TX

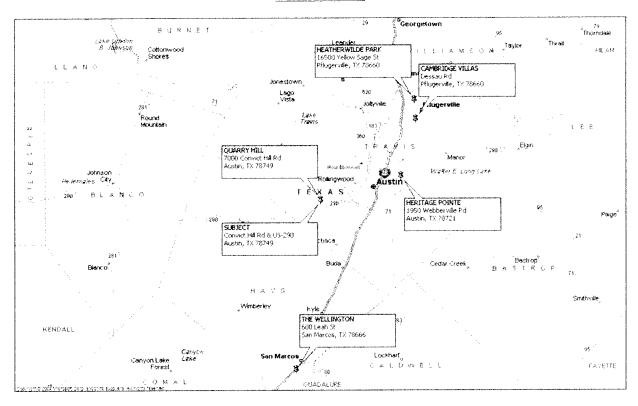
Number of Units: 80 market rate
Distance to Subject: 26 miles south
Building Type: 2-story garden style

Class/Quality: B
Year of Construction: 1999
Occupancy: 98%
Condition: Good
Concessions: None

Date of Survey: May 3, 2011

Contact Person: Andrea (512) 754-6006

RENTAL MAP



Adjustments

Rent Concessions: Rent Comparables 1, 2, 3 and 5 offered no concessions. The subject is

expected not to offer concessions. Rental 4 offers one month free with "look and lease" (one free month to any tenants who sign on their initial visit to the property). This equates to an effective rental rate of \$803. Hence, the asking rate of \$835 was adjusted downward \$32. No adjustments are required to

Rentals 1 through 3.

Year Built: All of the comparables are relatively recently built or recently renovated and

have a similar tenant appeal. No adjustments are warranted to the Rental

Comparables.

Unit Size: The Subject and the comparables vary in square footage. Most market

observers agree that with all other variables being equal, a larger unit is more desirable than a smaller unit. However, the value of the additional square footage is mitigated to some degree by the similarity in perceived unit function (i.e. a 600 square foot one bedroom functions similarly to a 700 square foot one bedroom) reflective of economies of scale. In other words, there is a diminishing return of value for additional square footage, as each additional square foot does not necessarily equal additional functional utility. Matched pairs are the preferred method to use for derivation of an adjustment, particularly in the case of differences in square footage. However, no applicable matched pure pairs were available in the market. Therefore, we have applied market standards that have been observed as follows: the square foot difference between the comparable and the Subject is divided by

three and then multiplied by the rent per square foot of the comparable. In other words, we are estimating that the additional square footage is worth

approximately 33 percent of the rent per square foot in comparison to the base square footage.

No. of Bedrooms and Bathrooms:

The comparable data indicated a range from \$0 to \$25 for an additional full bathroom, after all size and utility adjustments were considered. Hence, where a comparable had a full bathroom differential to the subject, an adjustment of \$25 was applied. Comparable 1 only offers one bedroom units at market rate. The paired sale data indicates a difference of roughly \$100 for bedrooms. Rental Comparable 1 was adjusted \$100 when compared to the two bedroom

units.

Carport Parking: The subject offers surface parking included in the base rent. The subject

proforma estimates that an average of 74 covered parking spaces will rent at \$20 per space. The appraiser has concurred with this estimate. The rental comparables that offer covered parking, charge \$25 to \$30 per space. The base rental rate for Rental 3 and 5 include parking for their market rate tenants. Rentals 3 and 5 are adjusted downward \$20 for the inclusion of

covered parking in the rent.

Washer/Dryers: The subject will provide washer and dryer connections in all units. Rental

Comparables 1 through 4 similarly include washer and dryer connections. No adjustments are required to Rentals 1-4. Rental 5 includes the washer and dryer appliances with the rental rate. A downward adjustment of \$40 is

warranted for this superior amenity.

Storage: The subject and the comparables appear to provide some moderate storage

included in the rent. The comparables appear to be similar to the subject in

this feature and no adjustments are warranted.

Project Location: The subject and all Rentals are in similar quality locations in the greater Austin

MSA. All locations have similar proximity to linkages and services such as retail centers and health care centers. No adjustments are warranted.

Potential Gross Income

According to a proforma provided by the developer, the anticipated asking rents for the subject's various units are as follows:

Sch	eduled Rents			L	eveloper's				
	Gross				Scheduled	Rent	Monthly		Annual
Туре	Units	Area			Rent	per sf	Income		Income
1 BR/ 1 BA	96	757	72,672	\$	925	1.22	88,800	\$	1,065,600
1 BR/ 1 BA	1	680	680	\$	825	1.21	825	\$	9,900
1 BR/ 1 BA	1	954	954	\$	950	1.00	950	\$	11,400
2 BR/2 BA	38	1,058	40,204	\$	1,120	1.06	42,560	\$	510,720
2 BR/2 BA	14	1,048	14,672	\$	1,120	1.07	15,680	\$	188,160

A survey of senior apartment complexes in the Austin MSA area was performed in order to obtain market rental rates for one and two bedroom market-rate units. The appraiser has estimated market rent for the subject units as outlined on the HUD forms attached in the Addenda. In addition to analyzing the units on a comparative basis, I will also analyze the range of rents collected for each unit type to aid in concluding the appropriate market rental rates. At present, the subject is proposed and no actual leases have been signed. The quoted rents in the previous table are rents anticipated by the developer to be achieved. However, after taking into consideration and adjusting for the various project and unit amenities as well as for locational and physical factors, the market rental rates for the subject have been concluded to be overall lower than the developer's quoted rates.

The following chart summarizes the estimated potential gross rental income (PGRI) for the subject, as well as current rents in place for each unit type.

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Туре	Units	Gross Area		P	opraiser's Projected arket Rent	Rent per sf
1 BR/ 1 BA	96	757	72,672	\$	905	\$ 1.20
1 BR/ 1 BA	1	680	680	\$	825	\$ 1.21
1 BR/ 1 BA	1	954	954	\$	950	\$ 1.00
2 BR/2 BA	38	1,058	40,204	\$	1,120	\$ 1.06
2 BR/2 BA	14	1,048	14,672	\$	1,120	\$ 1.07
		, -	,			

Parking Income

The subject's proforma has projected 74 of the 102 covered parking spaces will regularly rent and will generate revenue. This is roughly half of the 150 covered spaces available. The remaining parking is open common area parking that is free. The anticipated rate for parking is \$20 per space. This appears reasonable when compared to other facilities in the market. Therefore, parking income is projected at 74 spaces x \$20 per month, or \$1,480 per month.

Other Income

This income category includes the net proceeds to the property owner from other sources such as typical washer/dryer income and other miscellaneous income. The subject will have in-suite washer/dryer hook ups. No laundry income is projected in the developer's proforma. The appraiser has not projected laundry income for the subject.

The developer's proforma indicates income from deposit forfeitures and other such miscellaneous sources. The appraiser has considered this when selecting a vacancy factor for the subject property. This income is considered to be generally offset by collection loss. Therefore, no income for deposit forfeitures has been included.

The developer's proforma indicates income from utility reimbursement. This accounts for an average pro-rata share of utilities paid for by the landlord, such as master-metered water, hot water and waste water. The developer's projected reimbursement income from utilities is \$30 per month per unit. This appears to be reasonable based on my study of the market. Hence, \$30 per unit per month has been projected for other income. 150 Units x \$30 = \$4,500 per month.

Finally, the subject property will offer 120 storage spaces containing 5' x 7' of space. These will rent for \$30 per month. This appears to be reasonable based on my study of the market. Hence, \$30 per unit per month has been projected for this source of other income. 120 units x \$30 = \$3,600 per month.

Vacancy and Collection Loss

The subject is proposed and no actual or historical occupancy figures exist. Among the rent comparables presented, current occupancy levels range from 89% to 99%. The property with 89% is a newly constructed project and is completing its lease up phase. Because of additional supply being introduced to the market, including the subject itself, the stabilized vacancy factor for the subject property is anticipated to be greater than the average of the competing properties as of the date of this report. For purposes of this analysis, I have adopted a stabilized vacancy and collection loss allowance of 7%, allocated as $\pm 6\%$ for vacancy and $\pm 1\%$ for collection loss.

Effective Gross Income

Given the preceding assumptions regarding rental rates, other income, vacancy and collection loss, and loss to lease factors, the subject's effective gross income (EGI) is estimated as follows:

INCOME:							S	ize \$	/SF
96 - (A1) 1BR/1BA	757 Sq.Ft.	Units	x	\$90	5 /Mo.	=	\$86,880	72,672	1.1955
1 - (A2) 1BR/1BA	680 Sq.Ft.	Units	x	\$82	5 /Mo.	=	\$825	680	1.2132
1 - (A3) 1BR/1BA	954 Sq.Ft.	Units	x	\$95) /Mo.	=	\$950	954	0.9958
38 ~ (B1) 2BR/1BA	1,058 Sq.Ft.	Units	×	\$1,12) /Mo.	=	42,560	40,204	1.0586
14 - (B2) 2BR/2BA	1,048 Sq.Ft.	Units	X	\$1,12) /Mo.	=	15,680	14,672	1.0687
150 Potential Gross Monthly Rental Income							\$146,895	129,182	1.1371
Other Income:							[А	verage
Covered Parking	7	74 each x	\$20	Mo. =		1,480			
Utility Reimbursement	15	50 each x	\$30	/Mo. =		4,500			
Storage Units (5' x 7")	12	20 each x	\$30	/Mo. ≃		3,600			
Misc.		0 Units x	\$0	/Mo. ≃		0			
Total Monthly Other Income							9,580		
Potential Gross Monthly Income							\$156,475		
						×	12		
Total Potential Gross Annual Income							\$1,877,700		
Less 7% Vacancy & Collection Loss							\$131,439		
Effective Gross Annual Income							\$1,746,261		

Expense Analysis

The appraiser was provided with a proforma operating statement by the developer. Thus, in order to develop a proforma operating statement for this appraisal, the appraiser has analyzed the provided proforma as well as expense comparables in the market. The appraiser projected reasonable expenses for the various categories outlined on the HUD form 92274. The HUD form 92274 (Operating Expense Analysis Worksheet) is presented in the Addenda of this report.

In the narrative appraisal, the appraiser has estimated some expenses based on the developer's projected levels, as these were based on figures compiled by Capstone, a professional management company with a large database of properties to analyze. In some categories, the appraiser applied a different expense so that it conformed with the range of the expense comparables presented in the HUD 92274 grid. Also included are some implied increases to reflect inflationary factors. This HUD form presents expenses as if they were based exclusively on the expense comparables, then a uniform inflation factor is applied to each line item, if applicable. Thus, the line items presented in this form do not precisely correspond to the figures utilized in the narrative report. Instead, each line item is equal to the projection set forth in the narrative, divided by "one plus the trend adjustment." Once the trend adjustment is applied on the form, the totals are identical. Furthermore, it is noted that some individual line items may fall outside the range of the comparables. This is because the appraiser has placed greatest weight on the subject's proforma expenses, which have been projected to specifically reflect the subject's physical characteristics.

In accordance with HUD appraisal reporting guidelines, the appraiser has utilized the expense categories stipulated on HUD form 92274 (Operating Expense Analysis Worksheet). It is understood that several categories will not apply to any given property, but the reader should be aware that each category has been considered by the appraiser. In the following paragraphs, each expense category is addressed individually. All estimates assume that the subject is operating at a stabilized occupancy levels, as were the expense comparables.

Administrative Expenses

As defined by HUD, this broad category includes advertising, management fees, and miscellaneous administrative expenses (telephone, office expenses, postage, professional fees, etc.).

- 1) Advertising: This item includes advertising and promotion costs and includes commissions paid to outside leasing agents, locator fees, tenant referral fees, and tenant relations. Among the expense comparables, advertising expenses range from \$41 to \$83 per unit. The proforma provided by the developer projects an expense of \$128 per unit. The proforma amount is above the range but may reflect the aggressive advertising campaigns required during the lease-up/stabilization phase. The appraiser has projected advertising expenses at \$15,000, which equates to \$100/unit, between the comparables and the developer's proforma.
- 2) Management Fee: Management expenses are typically calculated as a percentage of effective gross income (EGI). Over the past few years, expense audits for the subject have not included a management fee since it is managed by the non-profit owner. The appraiser has appraised

numerous apartment projects, and management fees typically range from 3.0% to 5.0%, depending on rent levels and the number of units. The subject is of such size and quality that a 3.0%-4.0% management fee should be adequate. For this analysis, management expense is projected at 3.00%, which equates to an amount roughly similar to the developer's proforma. Among the expense comparables, management expenses range from \$286 to \$297 per unit. Overall, the comparables and the developer's proforma have been reconciled to conclude the management expense projected for the subject.

- **3)** Other Administrative: This figure typically includes office equipment/supplies, copies, printing, telephones, professional fees, answering service, and miscellaneous administrative expenses. Among the expense comparables, administrative expenses range from \$63 to \$210 per unit. The proforma projects this expense within the range at \$22,500/yr or \$160 per unit. Therefore, for this analysis, other administrative expenses are projected at \$150/unit.
- 4) Total Administrative: Among the expense comparables, total administrative expenses (categories 1-3) range from \$442 to \$575 per unit. Based on the preceding paragraphs, the subject's total administrative expenses are projected at \$599/unit.

Operating Expenses

As defined by HUD, "operating expenses" include utilities, payroll, trash removal, and elevator expenses.

- *5) Elevator:* The subject has elevators, so this expense is projected at \$40, based on the one comparable providing data.
- 6) Fuel: The subject does not utilize heating fuel, so this expense item is projected at \$0.
- 7) Lighting and Miscellaneous Power: The subject units are individually metered for electric, so this category includes common area electric, as well as unit electric for vacant units. Among the expense comparables, electric expenses range from \$180 to \$330 per unit. The developer's proforma appears to have all utilities including water and sewer lumped into the category for a grand total of \$745 per unit. The appraiser has allocated \$300 per unit for electricity.
- 8) Water (and Sewer): Among the expense comparables, water and sewer expenses range from \$290 to \$621 per unit. The subject proforma does not have a separately categorized water and sewer expense. The total Water/Sewer expense has been estimated at \$400/unit. NOTE: When combining the projected Water/Sewer expense of \$400 per unit and the Lighting & Miscellaneous Power expense of \$300, it adds up to \$700, which is similar to the developer's combined utilities expense of \$745 per unit.
- 9) Natural Gas: No natural gas expense is incurred at the subject property.
- **10)** *Garbage and Trash Removal*: In the comparables, trash removal ranges from \$60 to \$142 per unit. This expense appears to have been lumped into the 'monthly services' category on the developer's proforma. Based on the range established by the comparables, the appraiser has projected \$100 per unit.

- 11) Payroll: This category includes salaries, contract labor, and employee apartments (if any). Payroll taxes and employee benefits are addressed later. The expense comparables report payroll expenses ranging from \$854 to \$1,163. As a rule of thumb, a property should have one management person and one maintenance person for every 100-120 units. The developer's proforma projects \$1,091 per unit within the range of the comparables. The appraiser has concluded within the range of the comparables, at \$950/unit.
- **12) Other Operating:** This is a miscellaneous expense category. The comparables show CATV and internet expense ranging from \$48 to \$135 per unit. The appraiser has adopted the \$50 per unit, from within the range of the comparables.
- 13) Total Operating Expenses: Among the expense comparables, total operating expenses (categories 5-12 per HUD definition) range from \$1,579 to \$2,264 per unit. Based on the preceding paragraphs, the subject's total operating expenses are projected at \$276,000, which equates to \$1,840/unit.

Maintenance Expenses

As defined by HUD, "maintenance" expenses include decorating, repairs, exterminating, insurance, and grounds expenses.

- 14) Decorating: This category typically includes painting, carpet cleaning, and miscellaneous items associated with make ready between tenants. Historically, this expense category has been included in the "repairs" expense category. Among the expense comparables, decorating expenses range from \$24 to \$126 per unit. The proforma appears to lump this expense in with general repairs and maintenance. Based on the range established by the comparables, the appraiser has used an expense of \$50 per unit. It should be noted that some expenses categorized in Decorating such as carpet and paint are partially considered in the Replacement Reserves. The comparables do not allocate a Replacement Reserves expense. Therefore, when considering the reserves and all maintenance expense estimates the total charges will fall in line with industry standards.
- 15) Repairs: The repairs expense category includes expenses for basic building maintenance, mechanical repairs, windows, doors, locks, drywall, plumbing, and electrical. The subject will be a new building, presumably with little needed in the way of repairs. Among the expense comparables, maintenance and repair expenses range from \$45 to \$144 per unit. The proforma indicates a repair expense of \$159 per unit, slightly above the range. However, as noted above, it appears that decorating may be lumped in to that figure. On a stabilized basis, this expense category was increased by the appraiser to \$100/unit, which is in line with the expense comparables.
- **16)** Exterminating: Among the expense comparables, maintenance and repair expenses range from \$13 to \$19 per unit. The developer's proforma appears to lump this expense in with the 'monthly services' category. The appraiser has projected \$15 per unit, which is in line with range established by the comparables.

- 17) Insurance: Among the expense comparables, insurance expenses range from \$167 to \$255 per unit. The subject's proforma insurance premium of \$198 per unit is supported by the comparables. Considering its size, new construction and amenities, the appraiser has adopted an insurance expense of \$200/unit.
- 18) Grounds Expenses: This category includes all landscaping and grounds maintenance. Among the expense comparables, grounds expenses range from \$95 to \$185 per unit. The developer's proforma has evidently included this expense in their 'monthly services' category. Considering the moderate grounds area at the subject property, the appraiser has adopted the proforma figure for projected grounds expenses at \$100/unit.
- 19) Other Maintenance: This is a miscellaneous expense category. Among the expense comparables, other maintenance expense ranges from \$19 to \$102 per unit. The appraiser has concluded that all maintenance expenses have been accounted for in the previous discussed categories.
- 20) Total Maintenance Expenses: Among the expense comparables, total maintenance expenses (categories 14-20) range from \$549 to \$643 per unit. Based on the preceding paragraphs, the subject's total maintenance expenses are projected below the range, at \$465/unit. Note that the individual expense categories that comprise the total maintenance expense fall within the range of the comparables. And it should be noted that some expenses categorized in Decorating and Repairs are partially considered in the Replacement Reserves estimate and are not typically reported by comparables. When considering the reserves and all maintenance expense estimates the total charges are within the range of the comparables.
- 21) Reserves for Replacement: The reserves for replacement expense is an account that is set up for the ultimate replacement of such short-lived items such as HVAC, roofs, parking lot, kitchen appliances, and floor coverings. Generally this account is an interest-bearing account that is only utilized when necessary. It is recognized that many property owners do not utilize this procedure, but merely consider the replacement of such items a capital expenditure, and some of these expenses may be included in the repairs and maintenance category. HUD specifically requires that reserves be calculated as 0.6% of the total replacement cost of the structures, excluding site improvements, profit, fees, and personal property. For rehab properties, the HUD formula is 0.4% of the mortgage amount. At this stage in the appraisal process, cost figures were not provided. The subject's proforma does not indicate a reserve. Based on industry standards and reserve allowances experienced at other apartment projects in the region, for the purpose of this analysis, the appraiser has adopted a reserved allowance of 2.5% of effective gross income, or \$43,657/yr. This equates to \$291 per unit.
- **22)** Total Operating Expenses With Reserves: Based on the preceding paragraphs, the subject's total operating expenses with reserves are projected at \$485,043, which equates to \$3,234/unit.

Taxes

The following paragraphs address various types of taxes paid by the subject property.

- 23) Real Estate Taxes: As detailed in the expense grid (attached in the Addenda of this report) real estate taxes are estimated at \$127,500 (\$850/unit), which is within the range of the comparables.
- 24) Personal Property Taxes: Personal property taxes are estimated at \$0.
- **25) Payroll Taxes:** This expense includes payroll taxes for personnel, as well as worker's compensation and insurance benefits. This item is usually estimated as a percentage of salaries. Among the expense comparables, payroll taxes were mostly lumped in with payroll. Similarly, in the developer's proforma, the estimates payroll expense included payroll taxes, according to the developer. As detailed in the preceding paragraphs, the subject's total salary expenses are projected at \$142,500. This includes payroll taxes. Therefore, total payroll taxes and related benefits are not itemized in this category.
- **26)** Other Taxes: This category is for miscellaneous taxes, which the appraiser has projected at **\$0** annually.
- **27)** Other Taxes: This is another category for miscellaneous taxes, which the appraiser has projected at **\$0** annually.
- **28) Total Taxes:** As detailed in the preceding paragraphs, total taxes are estimated at \$850 per unit. Among the expense comparables, total taxes range from \$835 to \$900 per unit. The subject falls below the range since the comparables include non-property taxes, whereas the subject's projected taxes only include property tax.
- **29) Total Expenses:** Total operating expenses for the subject property are estimated at \$606,794 (\$4,045/unit) without trending adjustment. Total operating expenses for the subject property are estimated at \$612,543 (\$4,084/unit) with trending adjustment. The expense comparables do not include reserves. For comparison purposes, it is necessary to adjust the subject's projected expenses to pre-reserves levels. With the trending adjustment figure, excluding reserves, projected expenses equate to \$3,793/unit. Among the expense comparables, total expenses (net of reserves) range from \$3,601 to \$4,365 per unit. All factors considered, the projections made for the subject are reasonable and well supported.

Net Operating Income

Net operating income (NOI) is the income remaining after all operating expenses have been satisfied, including reserves. This income provides a return to the owner or a means of servicing debt on the subject property. Based on the preceding estimates of income and expenses, the resulting stabilized NOI *without trending* is \$1,139,467, which equates \$7,596/unit. The resulting stabilized NOI *with trending* is \$1,133,718, which equates \$7,558/unit. The following is a summary tabulation of the expense comparables and the pro-forma operating projections for the subject property.

Stabilized Proforma for Subject – Southwest Seniors

Net Opera	rung mcome .	Summary - So	JUIWOSLAU	3011 39	mors						
OME:										Size \$/SF	
96 - (A1) 1BR/1BA	757 Sq.F	t. Units	,	<	\$905	/Mo.	=		\$86,880	72,672	1.195
1 - (A2) 1BR/1BA	680 Sq.F	t Units	,	<	\$825	/Mo.	**		\$825	680	1.21
1 - (A3) 1BR/1BA	954 Sq.F	t. Units	,	<	\$950	/Mo.	=		\$950	954	0.99
38 - (B1) 2BR/1BA	1,058 Sq.F	t. Units)	<	\$1,120	/Mo.	=		42,560	40,204	1.05
14 - (B2) 2BR/2BA	1,048 Sq.F	t. Units)		\$1,120	/Mo.	#		15,680	14,672	1.06
150 Potential Gross Monthly Rental Income									\$146,895	129,182	1.13
Other Income:									F	Average	<u> </u>
Covered Parking		74 each x	\$20	/Mo.	#		1,480		_		
Utility Reimbursement		150 each x	\$30	/Mo.	±		4,500				
Storage Units (5' x 7")		120 each x	\$30	/Mo.	=		3,600				
Misc.		0 Units x	\$0	/Mo.	=		0				
Total Monthly Other Income									9,580		
Potential Gross Monthly Income							,	,	\$156,475		
•							х		12		
Total Potential Gross Annual Income							-		\$1,877,700		
Less 7% Vacancy & Collection Loss							-		\$131,439		
Effective Gross Annual Income							-	:	\$1,746,261		
PENSES:			Total			Do	r Unit				
Advertising		\$	15,000			S	100				
Management Fees		\$	52,388			\$	349				
Other Administrative		\$	22,500			\$	150				
Other Administrative		Ф	22,300			*\$	130				
Elevator		\$	6,000			\$	40				
Elevator		Ψ	0,000			rŝ	40				
Utilities:	Electric	\$	45.000			\$	300				
Otalities.	Water/Sewer	\$	60,000			\$	400				
	Natural Gas	\$	60,000			\$	400				
	Trash P.U.	\$	15,000			\$	100				
Payroll	Hasii F.O.	\$	142,500			\$	950				
Cleaning/Decorating		Š	7,500			\$	50				
Bldg. Repair/Maintenance		\$	15,000			\$	100				
Exterminating		\$ \$	2,250			3 \$	15				
Grounds keeping		\$	15,000			≯ \$	100				
Real Estate Taxes		\$				\$	850				
Payroll Taxes/Employee Benefits		e (\$ \$	200				
Insurance Other/Misc/CATV, etc		\$	30,000								
		\$ \$	7,500 43,657			\$	50 291				
Replacement Reserves						\$					
Trending		\$	5,749	-		\$ \$	38		C40 E40 F	05.000/ 15.00	
Total Expenses		. \$	612,543			\$	4,084	\$	612,543	35.08% of EGI \$4.74	\$4.08
										\$4.74 (SF)	\$4,08 (Un
								_		<u></u>	
Net Operating Income:								\$	1,133,718		

CONTINGENT AND LIMITING CONDITIONS

This appraisal is subject to the following limiting conditions:

The legal description furnished is assumed to be correct. The firm assumes no responsibility for matters legal in character, nor renders any opinion as to the title, which is assumed to be good. The property is appraised as having knowledgeable ownership and competent management.

The firm has made no survey and assumes no responsibility in connection with such matters. The information identified in this report as being furnished by others is believed to be reliable, but no responsibility for its accuracy is assumed. The construction and condition of the improvements mentioned in the body of this report are based on observation, and no engineering study has been made which would discover any latent defects. No certification as to any of the physical aspects could be given unless a proper engineering study was made.

Unless otherwise stated in this report, the appraiser has no knowledge of the existence of hazardous or toxic waste/substances on or in the subject property other than the substances that have been identified in the report. Furthermore, the appraisers are not qualified to detect such substances and has relied on technical and engineering information provided in the referenced reports and consulting information. While the technical and engineering information is considered reliable and has been relied on by the appraiser, the appraisers accept no responsibility for the expertise related to the detection and analysis of hazardous substances. The value estimates are predicated on the assumption that there are no such materials or substances on property that would cause a loss in value other than what has been identified in the referenced reports and consulting information. If these opinions change or if hazardous waste or any hazardous material other than the type of contamination that has been identified in this report is present within the subject property boundaries, then this appraisal may need revision.

We are not required to give testimony or attendance in court by reason of the appraisal with reference to the property in question, unless prior arrangements have been made previously.

Possession of this report or a copy thereof does not carry with it the right of publication. It may not be used for any purpose by anyone other than the addressee without the previous written consent of the appraiser.

Neither all nor any part of the contents of this report shall be conveyed to the public through advertising, public relations, news, sales, or other media without the written consent and approval of the authors, particularly as to valuation conclusions, the identity of the appraisers or firm with which he is connected or any reference to the Appraisal Institute, the SRA, SRPA, RM or MAI designation.

This analysis is reflective of surface rights only and does not consider the transfer of any royalty interests associated with the mineral rights.

The appraisers are aware of the Americans with Disabilities Act enacted in 1992. Due to the complexity and detail involved with determining compliance with this Act, the appraisers are not qualified to detect all potential violations for the subject property. We reserve the right to modify this valuation if a qualified expert detects any violations of the Act.

CERTIFICATE AND VALUE CONCLUSIONS

The undersigned does hereby certify that, except as otherwise noted in this report:

I certify that I have personally conducted a site visit and inspected the general area and the subject property.

My compensation is not contingent upon the development or reporting of a predetermined value, minimum value or direction in value that favors the cause of the client, the attainment of a stipulated result, the approval of a loan, or the occurrence of any other subsequent event directly related to the intended use of this appraisal.

I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved. I have no bias with respect to the property or to the parties involved with the assignment and my engagement was not contingent upon developing or reporting predetermined results of the subject of this report.

To the best of my knowledge and belief the statements of fact contained in this report, upon which the analyses, opinions and conclusions expressed herein are based, are true and correct. The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions. All of my opinions and conclusions are impartial, personal and unbiased.

This report sets forth all of the limiting conditions (imposed by the terms of my assignment or by the undersigned) affecting the analyses, opinions and conclusions contained in this report.

The reported analyses, opinions and conclusions were developed and this report has been prepared in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute which include the Uniform Standards of Professional Appraisal Practice as adopted by the Appraisal Standards Board of the Appraisal Foundation, Supplemental Standards of Professional Appraisal Practice, Title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989, Federal Home Loan Bank Board Insurance Regulation 12 CFR 563.17-1a and Policy Statement 12 CFR 571.1b, and of the Texas Real Estate Commission and Texas Appraiser Licensing and Certification Board.

The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

As of the date of this report, I, Rudy R. Robinson III, MAI, have completed the continuing education program of the Appraisal Institute.

Recognition is hereby given to Mr. Robert Ohana, an associate of my firm, who provided real property appraisal assistance in researching and analyzing of market data used in this report.

Respectfully submitted,

AUSTIN VALUATION CONSULTANTS, LTD.

Rudy R. Robinson III, MAI

State of Texas Certified General Real Estate Appraiser #TX-1320144-G

RUDY R. ROBINSON III, MAI

Mr. Robinson has been active in the real estate profession since 1971 and is managing partner of Austin Valuation Consultants, Ltd. of Austin, Texas. His background includes a broad range of appraisal and consulting assignments throughout the southwestern region of the United States with special emphasis on Texas, and he has worked on real estate appraisals or consulting assignments in Arizona, Alabama, Arkansas, California, Colorado, Georgia, Illinois, Oklahoma, New Mexico, New York, Michigan, Montana and Utah.

Prior property projects have included large industrial properties, medical, dental and general office buildings, regional and neighborhood shopping centers, multifamily projects, student dormitories, apartments and cooperatives, hotels, motels, landfills, mental health/mental retardation centers, nursing homes, golf courses, ski resorts, historic landmarks, municipal utility districts, special taxing authorities, hazardous and non-hazardous landfills, incinerators and disposal wells, subsurface contamination from leaking underground storage tanks, tank farms, State and Federal Superfund sites, CERLA and RCRA sites, other special purpose assets.

Consulting/Development

Mr. Robinson is frequently requested to render opinions regarding land use studies and other types of consulting reports. Special assignments have included economic impact studies involving the measurement of environmental pollution/contamination, quantification of transfer of development rights, obstruction of views to the Texas State Capitol, facade easements and investment tax credits on historic properties. Mr. Robinson has been an innovator in the development of computer software and its usage in the valuation and evaluation processes. These computer programs have allowed his firm to regularly utilize computer-assisted analysis to better quantify and qualify their findings. Mr. Robinson's past development experience has included new office buildings, restoration of three historic office buildings, residential subdivisions, a 400-acre mixed-use land development project and residential condominium projects in the west campus area of The University of Texas as well as west Austin, Texas.

Education

BA Degree-Psychology, The University of Texas at Austin, December 1971 Other Areas of Undergraduate Science Studies: Biology, Cellular and Development Biology, General Bacteriology, Chemistry and Physics Basic Mediation Training, The Center for Public Policy Dispute Resolution, The University of Texas School of Law

Appraisal Courses

SREA Course 101, 102, 301 SREA Professional Practice Seminar AIREA Course IA, IB, II, IV and VI AIREA R4Ib Seminar AIREA R41c Seminar AIREA Cash Equivalency Seminar

Appraisal Courses (Continued)

AIREA Mortgage Equity Analysis

Texas Association of Assessing Officers Course I and II

Current Issues and Misconceptions in the Appraisal Industry, Appraisal Institute

Fair Lending and the Appraiser, Appraisal Institute

Real Estate Issues, 1998

Appraising Manufactured Housing, 1999

Partial Interest Valuation - Undivided, Appraisal Institute, 2001

Environmental and Property Damages, 2002

Appraising the Tough Ones, Appraisal Institute, 2002

Re-Certification Seminar, 2002

Business Practices and Ethics, 2004

Professional Guide to the Uniform Residential Appraisal Report, 2005

Standards of Professional Practice, USPAP Update, 2003, 2004, 2006, 2008, 2011

Standards of Professional Practice, USPAP, Part B, 2004

Standards of Professional Practice, USPAP, Part C, 1999, 2001

Litigation Shared Interest Group Event, 2007

Uniform Appraisal Standards for Federal Land Acquisitions:

Practical Applications for Fee Appraisers, 2008

"Requirements of UASFLA - The 'Yellow Book'",

American Society of Farm Managers and Rural Appraisers, 2009

Professional Memberships

Member of the Appraisal Institute (MAI)

Texas Real Estate Commission:

Broker License #0160751; State Certified General Real Estate Appraiser #TX-1320144-G

Member and Past President of the Heritage Society of Austin, Inc.

Member and past President of the Society of Real Estate Appraisers, Austin Chapter #80; now Appraisal Institute Chapter #80

Leadership Austin - 1982-83

Member of Forensic Expert Witness Association (FEWA); President of FEWA Texas 2008-2009

Other Clinics/Conferences

EPA Asbestos Inspector/Management Planning Training Course, Texas Engineering Extension Service, Texas A&M University, Audited July 1988

Hazardous Waste Seminar, Society of Real Estate Appraisers Houston, Texas, May 1989

"The Impact of Hazardous and Toxic Materials on Real Estate Appraising and Real Estate Appraisers," American Institute of Real Estate Appraisers, Santa Fe, New Mexico, June 1989

"Environmental Liability in Real Estate Transactions," American Real Estate Society, Lake Tahoe, Nevada, March 1990

"The Effects of Hazardous Waste Material Contamination on Property Value and on the Value of Surrounding Properties," Society of Real Estate Appraisers, San Antonio, Texas, August 1990

"A Case Study Application in a Standardized Format for Measuring the Effect of Asbestos Contamination in Property Value," Society of Real Estate Appraisers, San Antonio, Texas, August 1990

"Asbestos and Other Environmental Concerns," Professional Service Industries, Inc., December 1990

Other Clinics/Conferences (Continued)

"Measuring the Effects of Property Contamination from Hazardous Materials on Real Estate Prices: Techniques and Applications," Appraisal Institute, Philadelphia, Pennsylvania. October 1991

"Phase III Environmental Site Assessment, Remediation Technologies for Hydrocarbon Contaminated Soils and Groundwater," TEEX, Texas A&M University, January 1993 "Sixth Annual Solid Waste Management Conference," Texas Water Commission, January 1993

"Hazardous Waste Management Training," TEEX, Texas A&M University, August 1993 "Hidden Factors: Environmental Risk Evaluation and the Real Estate Appraiser," Appraisal Institute, May 1994

"Environmental Site Assessment Refresher Course," TEEX, Texas A&M University, July 1994

"Regulatory Takings Conference," IRWA, September 1995

"Environmental Impacts on Real Property Appraisal," IRWA Thirty-fourth Annual Education Seminar, College Station, Texas, August 1996

"The Impact of Contamination on Property Value," Eight Annual Texas Environmental Superconference, Austin, Texas, State Bar of Texas and TNRCC, August 1996 "New Industrial Valuation Seminar," Appraisal Institute, Chicago, Illinois, April 1997

"Appraising Contaminated Real Estate: Problems and Solutions," Advanced

Environmental Law Seminar, State Bar of Texas, December 1997

"Appraising Environmentally Challenged Real Estate for Tax Purposes," Texas Mid-Continent Oil and Gas Association, Austin, Texas, February 1998

"High Profile Disasters: Insights & Applications," Appraisal Institute, San Antonio, Texas, June 1998

"Valuation of Contaminated Properties", IRWA, June 2000

"Fifteen Annual Legal Seminar on Ad Valorem Taxation", Texas A&M University and State Bar of Texas, 2001

"The Mold Remediation Workshop", Investigation and Remediation of Fungal Contamination in Buildings, Mycotech Biological Inc., Indoor Environmental Solutions Inc., September 2001

"Texas Mold Litigation Conference 2001", Mealey Publication, September 2001 "Indoor Air Quality in the Real Estate Industry", Appraisal Institute, Austin, Texas, October 2001

"Environmental and Property Damages", Appraisal Institute, Toronto, Canada, 2002 "Upstream/Downstream" Petroleum Refinery/Property Tax, Real Estate Research Center.

San Antonio, Texas, August 2001

"Eminent Domain Conference" CLE International, Austin, TX, February 2003, February 2005.

March 2006, March 2007, February 2008, February 2010, February 2011 Eminent Domain Seminar", IRWA, 1993, September 2002, September 2003, September 2004,

September 2006, September 2007

Water: Valuating the Ultimate Resource", The Centre for Advanced Property Economics, November 2005

"The Heart of Conflict Resolution: Advanced Skills for the Dispute Resolution Practitioner",

Center for Public Policy Dispute Resolution of The University of Texas School of Law, April 2007

Waste Expo, May 2007

Other Clinics/Conferences (Continued)

- "Conservation Easements Seminar, CLE International, August 2007
- "TXDOT's Turnpike Row Acquisition Program", Appraisal Institute, July 2008
- "What Clients Want: Advice from Users of Experts", Forensic Expert Witness Association, September 2008
- "The Top Ten Things That Every Expert Should Know of Relevant Cases Concerning Real Estate Appraisers as Expert Witnesses", Forensic Expert Witness Association, December 2008
- "Introducing Valuation for Financial Reporting, Appraisal Institute, April 2009
- "Updates on Appraisal Regulations", Appraisal Institute, July 2009
- "What Clients Want from Construction Defect and Environmental Experts", Forensic Expert Witness Association, July 2009
- "Hot Topics in Real Estate and Eminent Domain", IRWA, September 2007, September 2009
- "Mock Trial", Forensic Expert Witness Association, October 2009
- "Self Storage: Looking at the Past Are These Indications for the Future?", Appraisal Institute, January 2010
- "Case Biopsies and Specialty Panels", Forensic Expert Witness Association, February 2010
- "Expert Deposition Skills Workshop", Forensic Expert Witness Association, February 2010
- "Real Time Valuation vs. FAS 157 Fair Value", Appraisal Institute, March 2010
- "The Appraisal Industry: Current Government Issues and Member Update" Appraisal Institute, March 2010
- "What's Ahead for the Local Housing Market?", Home Builders Association, January 2011

Numerous other seminars and clinics sponsored by appraisal, lending organizations and associations.

<u>ATTACHMENT C – ZONING</u>

Hutson Land Planners Development Consultants, LLC

March 31, 2011

Greg Guernsey, AICP, Director Planning and Development Review Department City of Austin 505 Barton Springs Road Austin, Texas 78704

RE: Austin Senior Living 7501 US 290 West Austin, Texas 78737

Dear Mr. Guernsey:

Cadence Multifamily is preparing a loan application pursuant to the U.S. Department of Housing and Urban Development (HUD). Section 221(d)(4) mortgage insurance program. As part of the loan submission, HUD requires that a zoning verification be evidenced by the proper jurisdiction. Hutson Land Planners & Development Consultants, LLC acting as the agent for Cadence Multifamily through the development review process hereby request your cooperation in establishing the following:

- The zoning designation of the property located at 7501 US 290 West and as identified in the attached location map and as identified in zoning ordinance no. 20081211-097 as tracts 315280 and 315281 is zoned GR-CO-NP.
- The proposed use of the subject property falls within the description of congregate living and meets the definition of the description of congregate living as defined by Section 25-2-6 (B) (11) of the Land Development Code of the City of Austin.
- 3. The proposed use of the property as congregate living will be considered a legal conforming use of the property by complying with the applicable development regulations of the City of Austin as established through the Land Development Code of the City of Austin and supported by the Technical Manuals of the City of Austin.

Additionally, please provide us, along with this acknowledgement, a copy of the applicable zoning map. A copy of the legal description of the subject property and zoning ordinance 20081211-097 are attached to assist you in your confirmation.

Hutson Land Planners Development Consultants, LLC

Thank you for your assistance and cooperation. Should you have any questions, please feel free to contact me at 542-327-8222.

Sincerely,

Duane Hutson, AICP

Hutson Land Planners & Development Consultants, LLC

ACKNOWLEDGEMENT:

By: Man Please

Tille: Planner Senier

City of Austin. Planning and Development Review Department

<u>ATTACHMENT D - S.M.A.R.T. HOUSING</u>



City of Austin

N - DEXP

 P_sO_s Box 1088, Austra, TX_s $X(\alpha)$ when the functioning towards

Neighborhood Housing and Community Development Department

Gina Copic, S.M.A.R.T. Housing Program Manager

(512) 974-3180, Part (512) 974-3112, reginal aproperties in territorio

November 10, 2011

S.M.A.R.T. Housing Certification Austin Senior Living, LP.: Austin Senior Living-7504 U.S. Hwy 290 West

TO WHOM IT MAY CONCERN.

Austin Semior Living, LP: development contact Robert Ruggio, 512-301-8888 to a bob disadence teste contact planning to constitute 150 unit milit tamily rental dwellings at 7501-U.S. Hwy 200-West. The project is located in the West Oak Hill Planning area.

NHCD certifies that the proposed construction meets the S.M.A.R.T. Housing standards at the pre-submittal stage. Eleven percent (11%) of the total units 47 units) in this development will serve households with meones at or below 50%. MET, and another two percent (2%) of the total units in this development will serve households with meones at or below 30% (MET). Therefore the development is eligible for a x-uver of 25% of the fees listed in the S.M.A.R.T. Housing Ordninge adopted by the Cits Cotacit. Type is face waivers include, but are not limited to, the following fees:

Papird Recovers Dees Six Plan Resistant Associated Period Political Period Peri

Prior to issuance of building permits and starting construction, the developer must-

- Obtain a signed Conditional Approval from the Austin Energy Green Building Program straing that
 the plans and specifications for the proposed development meet the enteria for a Green Boilding
 Rating, (Austin Energy, Katherine Murray (512) 482-5351).
- Submit plans demonstrating compliance with accessibilities and aids.

Before a Certificate of Occupancy will be granted, the development must:

- Pass a final inspection and obtain a signed Final Approval from the Green Burking Program. Separate from any other inspections required by the City of Austin of Austin Liganov.
- Pass a final inspection to certify that accessibility standards have been mee.

The applicant must demonstrate compliance with 8.M.A.R.T. Housing standards after the completion of the units, or repay the City of Austin in full the feet waved for this 8.M.A.R.T. Housing certife mon

Please contact me at 9" + 3151 if you need additional information.

Taylor V. Delgado

Nighborhood Housing and Community Development

Control (1986) Delive the second (1980) Historical (1981) the control (1981) Control (1984) Section Means of the American Machinery Miles Markett Browning to the American Markett Browning and Markett Browni

<u>ATTACHMENT E – EXPERIENCE AND QUALIFICATIONS</u>

COMMITMENT TO AFFORDABLE HOUSING

In the early 1990's, Capstone made a corporate decision to dedicate its time and resources to managing under a variety of affordable programs. We made this commitment because we believe it is good for the communities where we work and live, as well as the company.

Few firms, if any, make the effort we do. We send most of our Officers, District Managers and site Supervisors to inhouse Capstone training as well as training provided by the appropriate state agencies. We have experience managing affordable communities in Arkansas, Arizona, California, Florida, Iowa, Kansas, Louisiana, Missouri, Mississippi, New Mexico, Oklahoma, Tennessee, and Texas. Consequently, we know the requirements and procedures in each state to be considered "in compliance" under the appropriate programs.



Affordable Housing Experience

In addition, we have years of experience with affordable housing of all types. This includes the LIHTC (Section 42) Program (family and seniors), Tax Exempt Bond (501 C3), HOME Programs, Project-Based Section 8, the RTC/ADHP Affordable Housing Program, Military Rent-Restricted, etc. All the programs have many similarities, especially with managing "in compliance". The income restrictions, forms, recertifying and reporting to the appropriate agencies are essential components of each. Currently, Capstone manages affordable apartment communities totaling approximately 20,000 units. The size of our portfolio ranks us as the 10th overall largest affordable multifamily management firm in the nation.



Compliance Monitoring

To better serve our clients, Capstone Real Estate Services, Inc. has a fully staffed <u>Compliance Department</u> to more effectively monitor properties we manage with government reporting requirements. The Compliance Department is responsible for reviewing and approving all new move-ins and recertifications to ensure compliance with the various affordable programs managed by Capstone. This department provides support, training, and technical assistance to onsite staff and their supervisors while working with other enforcement authorities, such as lenders, government agencies, and investors. This enables us to produce information and recommendations to the appropriate internal and external contacts on a timely basis. There are also periodic property file reviews to help ensure proper reporting is occurring. In fact, Compliance training is an integral part of our Compliance Department's efforts to keep our employees current with respect to the ever-changing requirements of the multiple programs we monitor.



Summary

Our commitment to our clients and residents under the various affordable programs is <u>long-term</u>. You can see we have dedicated the full strength of our firm to allow for maximum success. By investing in our clients through consistent and specialized training for our people, we are certain that only Capstone is best positioned to make the difference.







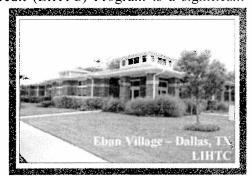
CAPSTONE'S AFFORDABLE PROGRAMS

Capstone has extensive experience in managing affordable housing and currently boasts a portfolio of approximately 20,000 affordable communities. While there are certain income limitations associated with these programs, these communities are not second rate. Our focus is to provide the residents and their families a quality living environment where the resident finds it memorable long beyond their stay there. Capstone continues to successfully enhance both the client's investment and the quality of life of the residents. Below is a brief overview of the types of affordable housing that Capstone has experience in managing.



FAMILY (LIHTC)

Established in 1986, the Low Income Housing Tax Credit (LIHTC) Program is a significant resource for creating affordable housing in the United Since 1987, over 120,000 units of affordable multifamily housing have been constructed or renovated under this program throughout Texas. The value associated with the tax credits allows residences in LIHTC developments to be leased to qualified families at below market rate rents. A large part of Capstone's affordable management portfolio. approximately 150 tax-credit properties totaling 20,000 units, is LIHTC.





SENIORS (AGE-RESTRICTED - LIHTC)

Senior housing has experienced a dramatic increase in demand over the last few years, causing a noticeable change in the multi-family housing market. Capstone's seniors' management experience is extensive and extends throughout Texas to Florida. Moreover, many senior (Age-Restricted) communities Capstone manages are rent-restricted, offering reasonably priced options which would otherwise not be available. Capstone manages over 35 senior



communities and is a recognized leader in this discipline. The communities we are associated with are designed to accommodate the needs of and preferences of seniors in an independent living environment. Each property offers a variety of supportive services to residents, ranging from meals. transportation, social services, counseling, recreational programs, etc. The array of supportive services will vary from one community to another.

As the population of seniors continues to grow, investors, developers, and institutions in the multi-housing market will see a large portion of the market turn to catering the elderly. Capstone understands the many factors that go into a senior's choice of living arrangements, ensuring that resident's expectations are exceeded and that our clients' investments continue to be valuable assets.



HUD PROJECT-BASED SECTION 8

The HUD Project Based Section 8 program was established in 1974 and provides mortgage insurance to HUD-approved lenders to facilitate the construction, substantial rehabilitation, purchase and refinancing of multifamily housing projects and healthcare facilities. HUD's Office of Multifamily Housing Programs is responsible for the overall management, development, direction and administration of HUD's Multifamily

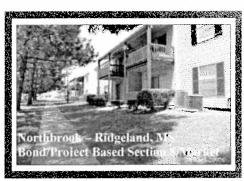


Housing Programs. Communities may be tied to HUD loans, HAP Contracts or both. Capstone's Project Based Section 8 portfolio currently consists of 30+ communities totaling approximately 3,150 units.



BOND

Agencies issue tax-exempt and taxable multifamily Mortgage Revenue Bonds to fund loans to for-profit and qualifying nonprofit 501(c)(3) organizations for the acquisition or development of affordable rental units. Properties financed through these programs are subject to unit set aside restrictions for lower income tenants

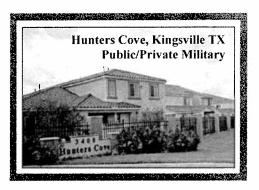


and persons with special needs, tenant program initiatives, maximum rent limitations, as well as other requirements. Capstone oversees over 40 Bond properties, or approximately 5,700 units.



MILITARY HOUSING (Rent Restricted) HISTORIC PUBLIC / PRIVATE JOINT VENTURE DEPARTMENT OF DEFENSE

Capstone has experience with management assignments that are a result of a limited partnership formed between the U.S. Department of Defense and a private developer for the purpose of providing housing to military families stationed at U.S. Naval Station Ingleside, NAS Corpus Christi, NAS Kingsville and Lackland Air Force Base, San Antonio. While civilian residents are allowed, the units at each community were leased to military personnel and their families on a preferential basis. Rental rates and apartment types are restricted and "rank designated".



Family size was another criteria and determined "bedroom eligibility".

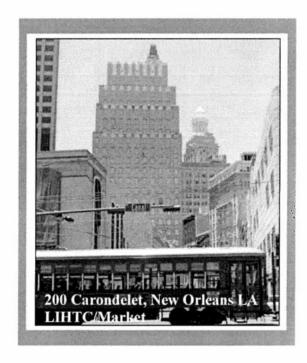


In addition to the programs above, Capstone also has experience overseeing communities under the following affordable programs:

- **❖** HOME
- ❖ Housing Trust Fund (HTF)
- Rural Development
- ❖ Affordable Housing Disposition Program
- Community Development Block Grant (CDBG)
- Walker Program







EXPERIENCE.

SUCCESS HIGHLIGHTS

Currently, Capstone manages affordable apartment communities totaling approximately 20,000 units. In 2010, the size of our portfolio ranked us as the 12th overall largest affordable multifamily management firm in the nation.

- Affordable Housing

 * Zero Material Non-Compliance issues on the Affordable Communities we manage
- 63% of the properties managed by Capstone have a score of 0 (i.e. no findings)
- Capstone selected to manage the celebrated first and only LEED Platinum Affordable Housing community in New Mexico - 1 of only 5 in the nation
- * Capstone serves as a consultant to State Agencies and Public Housing Authorities regarding HOME and other affordable housing programs

HUD-Assisted/HUD-Insured

- REAC inspection score average of 92 for 2010
- Over 97% of MOR inspections in the past year received above satisfactory ratings
- Zero red flags against Capstone
- Capstone currently manages over 30 Project Based Section 8 properties

FREQUENTLY ASKED QUESTIONS



How long does a take for a file to be reviewed and approved?



* How does the site staff submit the paperwork



to your complance department?



Capatone have expenence in other areas? consistence

















COMPLIANCE TAKEOVER PROCESS



SUMMARY

Capstone's Compliance Department operates with the simple philosophy to inform, support, coach, and motivate all on-site employees and their corporate supervisors to maximize property potential. This is achieved through our extensive knowledge and experience in establishing "affordable" housing management and compliance monitoring programs. Reliable communication between our compliance team in the corporate office, supervisors, and on-site staff helps position our clients' investments to realize their fullest potential. The results are two-fold – we must ensure the compliance needs are satisfied as well as maximize the properties' cash flow.

At the onset of management, Capstone administers careful and consistent application of operational policies and procedures. Training courses are conducted by our experienced compliance team with on-site staff within the first week of takeover. This helps educate staff in the procedures used in Capstone Compliance monitoring. **Training is specifically catered to the rules and regulations which govern each community.** A Compliance Manual is distributed to each affordable community which includes a synopsis of each chapter to encourage staff to utilize as a resource. Each new hire also partakes in a Webcast Employee Orientation, and receives instruction covering the processes to submit files for approval with the Compliance Department and properly maintain those approved files on-site. In addition, on-site training and e-training will be conducted periodically as state and federal policies change to ensure continue success of compliance related issues.

Our specialized experience and technical competence provides the properties we manage with the essential oversight and training critical for success.

Capstone also distributes an in-house, bi-monthly newsletter, The Compliant Times, to further enhance the skills and abilities of our employees at affordable properties. This includes information regarding policy or in-house changes, tips for success, etc.

CAPSTONE COMPLIANCE KEY PERSONNEL



DIRECTOR OF AFFORDABLE HOUSING COMPLIANCE

The **Director of Affordable Housing Compliance** is responsible for corporate compliance of state and federal regulations as they pertain to Section 42 affordable housing, project based assisted-housing and HUD-insured communities. Corporate compliance involves file maintenance and funding requirements attached to the LURA and includes all companymanaged Low Income Housing Tax Credit Program (LIHTC) properties that require government auditing and reporting, such as Affordable Housing Disposition Program (AHDP), Tax Exempt Bond Program, HOME Program, Housing Trust Fund Program and Public Housing, and project based assisted/HUD insured communities. The Director of Affordable Housing provides support and training to properties, which deals with all aspects of Affordable Housing compliance.

Under the direction of the **Director of Affordable Housing Compliance**, the following positions provide specific oversight of state and federally regulated communities:



TAX CREDIT PROGRAM MANAGER

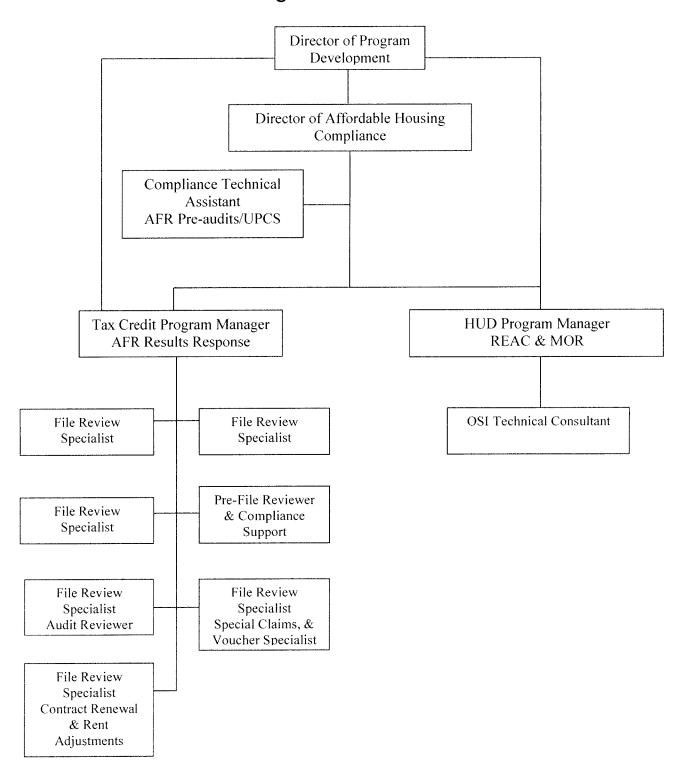
The **Tax Credit Program Manager** is an integral part of the Compliance Team assisting in the overall direction of the Eligibility Specialists, who determine income-eligibility. This position also provides technical assistance to on-site personnel, company trainers and senior managers to ensure that federal and state laws as well as company and client standards for compliance are clearly understood and obeyed in accordance with the requirements of current law, rules and regulations, client guidance and published company standard operating procedures. Inherent to the duties of this position are mastery of programs defining the compliance function and assuring the company's capability to perform within the context of the LIHTC, AHDP, Tax Exempt Bond Program, HOME Program, BOND, Housing Trust Fund Program and Public Housing.



HUD PROGRAM MANAGER

The HUD Program Manager is a fundamental part of the Compliance Team assisting in the overall direction of the programs pertaining to Project-Based Section 8 and Public Housing. This position also provides technical assistance to on-site personnel, company trainers and senior managers to ensure that federal laws, as well as company and client standards for compliance, are understood and obeyed in accordance with the requirements of current law, rules and regulations, client guidance and published company standard operating procedures. Inherent to the duties of this position are mastery of programs defining the compliance function and assuring the company's capability to perform within the context of the federal regulations governed by the Department of Housing and Urban Development (HUD) and Public Housing Authorities. This position works with Performance Based Contract Administrators and the HUD for Project-Based Section 8 properties. Responsibilities include assisting the site staff with annual management and occupancy reviews, responding to health and safety issues, and REAC preparation.

Capstone Compliance Department Organizational Chart



COMPLIANCE DEPARTMENT SERVICES



WHY CAPSTONE?

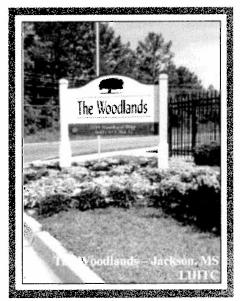
Capstone's Compliance Department administers a variety of services to provide for the needs of the affordable communities we manage. Below is a summary list of these services that can apply depending on the governmental reporting requirements associated with that asset. Our program is customized and designed to serve the needs of our clients and affordable housing aspects of their real estate investments.

The key personnel of the Capstone Compliance Department have extensive experience in

multiple affordable housing Programs offering over 44 years of combined expertise to benefit the assets we manage.

- ❖ Capstone offers specialized instruction and training in affordable housing programs, including:
 - Low Income Housing Tax Credit
 - HOME
 - Tax-Exempt Bond
 - One-on-one training regarding property specific funding sources
- ❖ We offer HUD Project Based Section 8 instruction and training, including:
 - Contract Renewals
 - Voucher processing (TRACS/IMAX)
 - Special Claims
 - MOR
 - REAC
 - Rent Adjustments
 - Complete HUD Monthly Processing
- ❖ All resident files are approved by the Compliance Department prior to move in or recertification. Files are reviewed within 24 to 48 hours and in many cases approved the same day. Notification of household approval is submitted back to the property.





- All appropriate on-site personnel receive Compliance Training and are tested on their level of understanding.
- Annual state training is required for all appropriate on-site personnel and is tracked to ensure on-site personnel regularly attend.
- Capstone provides each property a Compliance Manual and Property Journal addressing all programs. These manuals are updated to reflect changes in law,

- policy or forms. The Property Journal contains property specific information such as Regulatory Agreements, LURA, Funding Applications, and 8609's.
- ❖ The Compliance Department also offers third party compliance monitoring services. In these cases, Owners contract with the company on a fee basis to provide various compliance services mentioned in further detail below.
- ❖ Capstone's Compliance Department is familiar with various state reporting requirements and assists owners as requested. We can also make available monthly, quarterly and annual reports if necessary.



ADDITIONAL COMPLIANCE SERVICES

Capstone's ability to stay ahead of the ever-changing world of affordable housing and our indepth compliance knowledge and insight provides our clients with many benefits as we successfully manage their investments. Some ways this is accomplished are:

- ❖ Shadow copies of first year files are completed after lease-up and sent to the Owner for long term storage.
- ❖ Enterprise Income Verification (EIV) set-up and monitoring
- ❖ Voucher submittal (TRACS and IMAX)
- Preparation and submission of quarterly and annual compliance reports
- ❖ Analysis of all regulatory documents to determine state and federal requirements



- * Review of audit and physical inspection results for accuracy
- ❖ Quarterly update of PHA Utility Analysis
- ❖ Annual update of Utility Analysis
- ❖ Section 42 properties are tracked and evaluated for compliance with minimum set-asides, next available unit rule, unit vacancy rule, tenant income eligibility, rent/income limits. Recertification notices are sent 120 days in advance to the property to help ensure that recertifications are completed in timely manner.

COMPLIANCE CONSULTING SERVICES

Capstone Real Estate Services, Inc., has the experience, manpower and professionalism to offer third-party compliance consulting services. Independent of management, we currently provide consulting services to approximately 30 communities, comprising 3,000 units. We maintain a high level of knowledge surrounding affordable housing regulations to ensure your investment is properly protected.



SCOPE OF SERVICES

Capstone Real Estate Services, Inc., Compliance Department conducts an analysis for its compliance consulting property assignments that may include the following:

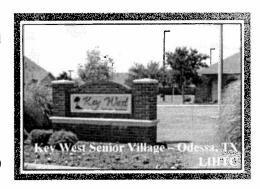
1. Leasing and Occupancy Review

- **a.** A random 20% file review of all initial and annual recertification files.
- **b.** Report findings to Owner requiring follow-up.
- c. 30 day findings follow-up review.
- d. Report observations to Owner.

2. Physical Property Maintenance

- **a.** Uniform Physical Inspection Standards (UPCS) Compliance.
- **b.** Response Actions to UPCS Inspections.
- c. Assessment of monitored areas:
 - Site
 - Building Exteriors
 - Building Systems
 - Common Areas
 - Dwelling Units (20% selected at random)
 - Exigent Health and Safety (EH&S) Issues
- **d.** 30 day findings follow-up review.
- e. Report observations to Owner.

3. Customized services according to needs



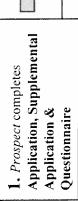


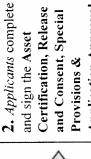
REAL ESTATE SERVICES, INC. CAPSTONE

Affordable Housing Paperwork Flowchart

OMPLIANCE PAPERWORK FLOWCHART

START HERE



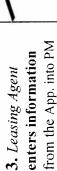


other appropriate forms. Application Approval Addendum along with

software and runs

to obtain Credit

Report(s)



Background Screening



Interview shows whether 4. Leasing Agent begins Application Interview by Income from Supp App entering estimated HH and Ouestionnaire. The the HH pre-qualifies.



5. Leasing Agent prints Verification

forms from the MPlus Interview,

the Verification forms to third party 6. Leasing Agent mails or faxes

source and receives the forms back

from the third party source.

based on answers on the

Applications/Screening Tools. (VOE,

Bank Verification, Child Support

Verification, etc)

9. Once Eligibility corrections, E.S. Specialist has

received any necessary Doc and labels the file Summary Sheet and Calculations into Iuploads Income approved!



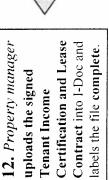
7. Property Manager completes the File Approval Checklist and

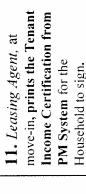
Uploads the file into I-Doc

review the file within 24 hours. E.S. asset calculations into the software pending sheet to IDoc if necessary 8. An Eligibility Specialist will enters all verified income and system interview and uploads a



10. Property Manager prints Calculations pages placed in the file folder and fastened, according to and YTD worksheets from I-Doc. All forms are the Resident File Checklist.







TESTIMONIALS

"Although the correct [utility] allowance was not used, since it only impacted the gross limit for 12 limits, the error did not impact any of the building's minimum set asides. In the letter sent February 19, 2010, the finding "Project failed to meet the minimum set aside requirement" was identified. This finding is dropped...Thanks to [Capstone] for [their] diligent work with the Internal Revenue Service to clarify this issue."

Patricia Murphy, TDHCA Chief of Compliance and Asset Oversight Concerning the Monitoring Review of a tax credit property Capstone currently manages

"Office personnel are doing a remarkable job with tenant files, affirmative marketing and supportive services. The tenant files were well maintained, neatly organized, and contained clear and concise documentation."

Stephanie Givens, TDHCA Compliance Manager Concerning the Monitoring Review of a tax credit property Capstone currently manages

"Fantastic Job!"

Lina Mendez Romero Housing Operations Director Brownsville Housing Authority

<u>ATTACHMENT F – OPERATING PROFORMA</u>

RENT SCHEDULE

MRB Ileat	Other # of	jo;			HOME	нтс	Paid	Rent	Total
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99	-	_	1 757	49,962	\$0	\$843	\$79	\$764	\$50,424
-	+		1 954	954	20	\$843	\$79	\$764	
14	+	2		14,672	\$0	\$1,012	\$102	\$910	
38	_	2	1,058	40,204	20	\$1,012	\$102	\$910	\$34,580
30	_	1	1 757	22,710	\$0	\$703	\$79	\$624	\$18,720
	_			0	\$0	\$0	0		
				0	OS.	\$0	0		os So
	H			0	\$0	93	0	0\$	
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				0	\$0	\$0	0		80
				0	\$0	93	0	S,	SO
	-			0	05	95	0		\$0
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Utility Reimbursements	L	20 00 per unst/month for	nonth for						\$3,000
	L	25 00 per unit/n	nonth for						\$3,000
+ TOTAL NONRENTAL INCO	٥	560.00 per unit/month	nonth						\$7,530
= POTENTIAL GROSS MONTHLY INCOME	Æ	Y INCOME							\$125,522
- Provision for Vacancy & Collection Loss	lection	Loss			10 %	% of Potential Gross Income	oss Income	7 00%	\$8,787
- Rental Concessions									
= EFFECTIVE GROSS MONTHLY INCOME	THI	Y INCOME							\$116,735
TAROUND INTERNATION OF COMPANY INTERNATION - CT.	l								760 007 14

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17 Jo %				*******	Fotal				af
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	TC40%			0
HOUSING	TC50%	20%	20%	30
	409JL	%08		120
TAX	HTC LI Tob	7		150
	TCEO			0
CREDITS	MR			0
	MR Total		,	0
	TC Total			150

PROFORMA

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Secondary Income		S90 365 00	\$92,167.20	594,010 54	\$95.890.75	\$97,808.57	599,764.74	\$101,760.041	\$103,795.24	\$105,871,143	\$107,988.56	\$110,148,54	\$112,331.30	514.598.55	X 02.011	N 877-513	513 637 40	5145, 538, 59	S (CO) 401 S
Potential Great Annual Income	29.00	59.00 51,596,264,00 \$1,536,389,28	\$1,536,389,28	\$1,567,117.07	11.654.862.12	\$1,636,428.60	\$1,663,037.17	\$1,696,297.91 \$1,738,223.87	\$1,730,223.87	\$1,764,828,35	16,121,918	\$1,836,127.41	51,836,127.41 \$1,872,849,94	51,918,306.96	\$1,948,513.18	31,987,483.34	52, 194, 342, 32	\$1,918,306,96 \$1,948,513.16 \$1,987,483.34 \$2,194,342,22 \$2,427,731.13 \$2,674,898.93	2,674,898.93
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Rental Consessions		80 15	1		1														
Effective Gross Annual Income	90.95	58.00 ST. 400.825.52 ST. 428.842.03 ST. 457,418.87 ST	\$1,428,842.03	\$1,457,418.87	\$1.486,567.25	51,516,298.59	\$1,546,624.97	\$1,577,587.06	\$1,609,198.26	\$1,641,290.36	21,674,116.17	S1,641,298.36 \$1,674,116.17 \$1,787,598.49	51,741,754.46	\$1,776,585,47	51,812,117.181	\$1,848,359,52	52,648,738.27	\$1,741,750.46 \$1,776,585.47 \$1,812,117.18 \$1,848,359,52 \$2,040,738.27 \$2,153,139,95 \$2,487,648,56	2,487,648.56
EXPENSES																			
Renotal & Administrative Expenses		\$62,500.00	\$64.375 06	\$56,306.25	\$68,295 44	\$70.344.30	\$72,454 63	\$74,628.27	\$76,867.12	\$1 571,972	\$81,548.32	71 766 883	\$86,514.62	\$89,119.06	\$91,783.36	58 985 765	\$109,594.13	\$127,649.63	\$147,285.34
Management Fee		\$56,660.00	\$58,298.00	\$60,046.94	\$61,848.35	\$63,703.80	\$65,614.91	\$67,583.36	98 019 695	\$71,699.19	\$73,850.16	\$76,065.67	\$78,347 64	\$80,698.07	10 611 883	\$35,612.58	588 180 96	\$50,826,38	\$43,551.18
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Repairs & Maintenance		290 000 00	\$92,700.00	295 481 00	1	\$101.295.79	\$104 334 67	\$107,464.71	\$110,688,65	\$114,009.31	\$117,429 59	\$120,952.47	\$124,581.05	\$128.318 48	\$132, 168,03	\$136 (33.08	\$187.815.54	\$182,951.47	\$212,090.90
Electric & Gas Utilities		\$37,000,001	\$38 110 00	\$39.253.30	\$40,430,90	\$41,643.83	\$42.893.14	\$44,179.93	\$45,505.33	546,870.49	\$48,276.61	\$49,72493	\$51.216.65	\$52,753.15	\$54,335.75	\$55,965.87	\$64,879.72	\$75,213.38	\$87,192.92
Water Sewer & Trash Pulities		S80,000 DR7	\$82,400.00	\$84.872.00	587.418 16	\$140,040.70	\$92,741.93	\$1 125.523	16.685.863	\$101,341.61	\$164,381.85	\$107,513.31	5110,738.71	\$114,060.87	07.282,7112	\$121,007.18	\$140,280.48	\$162,623.53	\$188,525.24
Appeal Preserty Insurance Promums		\$30,035,00	\$30.936.05	\$31.864 13	\$32,820.06	\$33,804.66	\$34.818.80	\$35.863.36	\$36,939.26	\$38,047.44	\$39,188.86	\$40,364 53	\$41,575.46	\$42,822.73	\$44,107.41	\$45,430.63	\$\$2,666 \$5	\$61,054.97	\$70,779.44
Prosenty Lax		\$91,905,60		\$97,502,61	\$100,427.07	\$163,439.89	\$106,543.08	\$109,739,38	\$113,031.56	\$116,422.50	\$119,915 18	\$123,512 (3	\$127,218.01	\$131,034.55	\$134,965.59	\$139,014.56	\$161,155.97	\$186,823.94	\$216,580.15
Reserve for Replacements		\$37,500.00		\$39,783,75	\$40,977.26	\$42,206 58	\$43,472.78	\$44,776 96	\$46,120.27	\$47,503.88	\$48,928.99	\$50,396.86	22 806 153	\$53,466.03	\$55,076.01	\$56,722.11	\$65,756.48	\$76,229.78	\$88,371.21
Wher Expenses		\$6,000.00		DF 59E 95	\$6,556.36	\$6.753.05	\$6,955.64	\$7,164.31	\$7,379.24	\$7,600 62	\$7.828.64	\$8,963.50	\$8,305.40	\$8.554.57	\$8.811.20	\$9,075.54	\$10 521 64	\$12 196 76	\$14,119.39
lotal Amusal Expenses	26.00	\$639,414,86	\$658,596.42	5678.354.31	5698,704.94	8719,666,09	5741,256.87	\$763,493.76	\$786,398.57	25'866'6885	17.86Z'FERS	56.81E,95N2	28.860,2888	27:159:1165	\$939,861.62	\$61,11,068	5967,171.05 31,110,148.83	\$1,275,567,25	51,466,990,54
			1																
Net Operating Income	28.88	\$761,411.52	19:572:01.5	37.79,864.56	\$787,862.31	5796,632.50	61.896,3882	\$814,663.30	5822,789.63	5831,299.84	\$839,825.93	5848.279.54	\$856,651.95	5864,934.08	\$873,116.16	S481,188.48	14.682,8682	\$977,572,78 51,024,654.02	51,024,659.02
DEBT SERVICE																			
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Other Annual Regimed Payment																			
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NET CASH FLOW	50.00	10.219,512.01	\$133,746.10	\$142,565.85	\$151,362.79	\$160,132.99	\$168,868.98	\$177,563.79	\$186,216.12	\$194,806.32	\$203,316.42	\$211,789.03	\$220,152.43	\$728,434.49	\$136,616.65	5244,688.97	\$294,089,92	5341,873,18	5384, 158, 50
		4.5	,				,					,			474				
DEBT COVERAGE RATIO	18/.VG#	1.19	1.21	1,32	1.24	1.15	1.27	1.38	1.29	1.31	1.32	1.33	1.35	1.34	1.37	1.38	1.46	1.54	9

ATTACHMENT G – COMMUNITY ENGAGEMENT STRATEGY & EFFORTS

Community Engagement Strategy or Efforts

Cadence Multifamily, L.L.C. has always worked closely with the neighborhoods in which it proposes new developments. Cadence fully intends to engage several neighborhood organizations, including; OHAN 78749, Oak Hill Neighborhood Planning Contact Team, and Oak Hill Trails Association.

It is Cadence's intent to work with the neighborhood to develop Austin Senior Living to be compatible with the Neighborhood Plan for this particular area. One-on-one meetings with leaders of these organizations are currently being scheduled and will be held in the near future. In addition, Cadence will hold open meetings with members of the Neighborhood Associations.

In addition to extensive outreach, ongoing conversations and formal meetings, Cadence anticipates working on an ongoing basis with the Neighborhood Associations in which Austin Senior Living lies. While we may not agree on every issue, we believe that the current residents are one of our biggest allies in any project.

<u>ATTACHMENT H – DESCRIPTION OF SUPPORTIVE SERVICES</u>

DESCRIPTION OF SUPPORTIVE SERVICES

Austin Senior Living, through its supportive services partner(s), will provide a wide variety of skilled home health services and specialty programs, including:

- Skilled Nursing
- Physical Therapy
- Occupational Therapy
- Speech-Language Pathology
- Medical Social Work
- Home Health Aides
- Orthopedic
- Cardiopulmonary
- Balance and Fall Prevention
- Diabetes
- Community Care Program

These services will be optional for residents and will be provided at an additional cost to the residents. Furthermore, these services will be provided by a third parties, Encompass Home Health and House Call Doctors, Inc. A Memorandum of Understanding and summary of experience is enclosed.



Julie Hudson Capstone Real Estate Services, Inc. 210 Barton Springs Road, Ste 300 Austin, Texas 78704

November 23, 2011

Julie.

It was great talking with you this morning! Encompass Home Health is very interested in providing services to your new community, Austin Senior Living in south Austin. We will be able to provide your community a wide variety of specialty programs to ensure that your residents maintain a healthy, functional, and independent lifestyle for as long as possible. Our skilled home health services include:

- Skilled nursing
- Physical Therapy
- Occupational Therapy
- Speech-Language Pathology
- Medical Social Work
- · Home Health Aides

Our specialty programs include:

- Orthopedic
- Cardiopulmonary
- Balance and Fall Prevention
- Diabetes
- Community Care Program

Our Community Care Program is designed to address the special needs and demands of residents living in a community such as yours. We will be able to provide monthly blood pressure clinics, monthly education/health talks and a designated care team assigned to work in your community. Encompass care teams utilize hand-held technology allowing for speedy documentation and easy retrieval of vital health information. This also allows physicians up to the minute access to patient records and speedy follow up with any major or minor health concerns. Encompass is committed to helping your residents age in place by providing a better way to care!

Please keep me up to date on the progress of your community and I look forward to working with you in the near future!

Jenny Loehr M.A. CCC-SLP Specialty Program Manager Encompass Home Health 9101 Burnet Road, Ste 214 Austin, Texas 78758 (O) 512-339-1023 (M)

Encompass Home Health

Encompass Home Health offers a revolutionary way to provide better care. Through our value-added technology, Encompass has found a better way to learn, connect and reach out. So when it comes to your patient's health, or that of a loved one, you now have options beyond the basics. You have the Encompass option. Our patients are our priority. And always will be.

Our home health care agencies are dedicated to providing the highest quality of innovative skilled nursing and therapy services to patients across Texas, Oklahoma, New Mexico and Colorado.

Located across Texas, Oklahoma, New Mexico and Colorado, we're not only the local favorite; we've also garnered national respect. Encompass Home Health is a Medicare-certified home health care agency that offers a revolutionary approach that has established a better way to care. Starting with a single location, our network has grown to over seventy home care branches and thirty well-respected agencies with \$200 million in annual revenues. Encompass is rapidly becoming the standard for patients who need superior in-home care and the sophisticated technology to get them there. We offer:

- First-class patient care
- Leading technology
- Proven processes
- Unwavering commitment to regulatory compliance
- Corporate stability
- Local administrators and clinical staff

Above all, Encompass is driven by our focus on superior patient care. This commitment to providing quality care, combined with an exceptional management team and sound financial partner means Encompass is equipped with the industry knowledge, growth skills and the financial support necessary to ensure we remain the leader in innovative home health services.

Our financial partner, Cressey & Company, headquartered in Chicago, Illinois, (www.cresseyco.com) is a private investment firm focused on the healthcare industry. The principals of the firm have been active healthcare investors for nearly three decades and have invested in a wide range of healthcare businesses. Cressey & Company seeks to invest in high-potential segments of the U.S. healthcare market and apply its skills and expertise – along with its capital – to enhance the performance and accelerate the growth of its portfolio companies.

April Anthony Chief Executive Officer

April founded Encompass in 1998 as her second successful home health venture. She has brought the company to the forefront of the home care industry through her strategic guidance, principled leadership, and overriding passion of caring for the elderly and medically fragile.

Her extensive knowledge in home care management and operations has been critical to the company's growth and success. In less than a decade, April has led Encompass' expansion from a single start-up location to a provider with more than forty home health care branches. April was critically involved in the design and development of the company's unique automation software, helping Encompass lead the way in home health technology.

April graduated from Abilene Christian University with a Bachelor's degree in Business Administration. She is a CPA, beginning her career at Price Waterhouse. April moved into the home care industry in 1992 and soon became the owner and CEO of Liberty Health Services. April was the recipient of Ernst & Young's prestigious 2006 Entrepreneur of the Year award based on her creative and innovative approach to home health care.

Tracey Kruse Chief Operating Officer

Tracey manages operations of over forty home care agencies as COO of Encompass. Her 25 years of experience in the health care industry and her commitment to quality and compliance ensure all agencies use sound and efficient methods.

Tracey started at Encompass in 1999 as the VP of Operations. She has helped the company achieve significant growth going from an average daily patient census of 500 to over 5,500. Prior to joining Encompass, she gained experience as the Director of Operations for Home Health Corporation of America and Medical Air Supply.

She began her career in the health care industry as a Licensed Respiratory Therapist after earning a Bachelor of Science from the University of Texas at Austin.

Guy Conces Chief Information Officer

As CIO of Encompass, Guy maintains the company's sophisticated technical infrastructure that ensures our patients receive the most reliable care. He is also responsible for the development and implementation of new system features to ensure Encompass remains on the leading edge of home health technology.

Guy has 25 years of experience in information technology, ten of which focus specifically on health care technology management. His roles as CIO at Rehab Centers of America and VP Clinical Development at Vencor (now Kindred Healthcare) brought him invaluable knowledge of complex software development and project management.

Guy received his MBA from Bellarmine University, and an Engineering degree from Cornell University.

House Call Doctors, Inc. 7610 Hwy 71 West Suite F Austin, Texas 78735



Houston Phone: (281) 412-4434 Austin Phone: (512) 288-0859 San Antonio: (210) 298-5190 Dallas: (214) 217-4159

12-5-11

Julie Hudson

District Manager

Capstone Real Estate Services, Inc. | 210 Barton Springs Road, Ste 300 | Austin, TX 78704 512-646-6700 office | 512-646-6748 direct | 512-646-6798 fax

Dear Julie,

Thank you for contacting us in regards to assisting residents within Austin Senior Living.

The clinicians and administrative staff of House Call Doctors are pleased to offer medical services to the residents of your senior communities. We have an experienced team of Internal Medicine physicians, Nurse Practitioners and Physician Assistants who are equipped to do anything normally conducted in a medical office including; physical exam and diagnosis, X-Ray and EKG, and monitoring long-term treatment of conditions such as diabetes, congestive heart failure, COPD and hypertension.

Our statistics show that individuals who utilize House Call Doctors stay independent for longer and are thus able to remain in their residences longer than individuals who do not utilize on-site services.

We hope to have a long and healthy affiliation with your company.

Sincerely,

Julia

Julia Peery
Director of Marketing
House Call Doctors
512-694-2031
jpeery@housecalldoctorstexas.com

House Call Doctors

House Call Doctors was founded in Austin, Texas in 2000 by Board Certified and Licensed Family Physician, Dr. Frederick Griffiths, in response to his desire to provide in-home medical care to the geriatric population.

House Call Doctors serves over 3,000 geriatric patients in Austin, Houston, and San Antonio and will expand to Dallas in 2011. Although many of House Call Doctors' geriatric patients enjoy an active environment, the majority of House Call Doctors' patients are homebound with multiple chronic conditions.

House Call Doctors patients are visited in their personal residences and living communities from the hours of 8:30 A.M. to 5:00 P.M., Mon-Fri. On-call is available for after-hours, weekends, and holidays. Patients and caregivers have access to House Call Doctors nursing staff 9:00 A.M. to 4:00 P.M., Mon-Fri.

House Call Doctors' Providers are equipped to perform most procedures normally performed in a medical office. House Call Doctors' Providers utilize electronic medical records and will coordinate home health and hospice services, mobile imaging services, durable medical equipment services, laboratory services, and specialist referral services.

House Call Doctors acts as the primary care physician or as augmentation to or as an interim physician to the patients' present medial team. House Call Doctors offers a "Post Hospital Stabilization Service" to physicians, insurance plans, and hospitals to mitigate hospital re-admissions within 90 days, most specifically within 30 days.

House Call Doctors accepts Medicare Part B with a secondary insurance or credit card, as well as most major insurance plans and Medicare replacement plans. Homebound status is not required to become a patient.

EVIDENCE OF FUNDING



December 6, 2011

Austin Senior Living, LP Robert Ruggio Cadence Development 3809 Juniper Trace, Suite 205 Austin, Texas 78738

RE: Austin Senior Living (the "Project")

Austin Senior Living, LP (the "Partnership")

Dear Mr. Ruggio:

Thank you for the opportunity to present this letter of intent to make an equity investment in your Partnership. This letter of intent outlines certain terms and conditions that will be the basis of the Partnership agreement (the "Partnership Agreement") to be entered into by and among an equity fund sponsored by PNC Bank, National Association ("PNC") as the limited partner (the "Investment Limited Partner"), another affiliated corporation as the special limited partner (the "Special Limited Partner"), and Cadence Multifamily, LLC as the general partner of the Partnership (the "General Partner").

Based on the information you provided to us, we have prepared this letter of intent under the following terms and assumptions:

1. PARTNERSHIP TAX CREDITS

Annual Forecasted Tax Credit

\$516,740

2. FORECASTED TAX CREDIT FLOW

Total Tax Credits to the Partnership:

\$5,167,400

The development period is expected to be:

Construction Start	April 1, 2012
Construction Completion	June 1, 2013
Rent-up Commencement	June 1, 2013
Rent-up Completion	August 1, 2014
Permanent Loan Funding	January 1, 2015
First Calendar Year of Tax Credit Period	2013

3. CAPITAL CONTRIBUTIONS TO THE PARTNERSHIP

A. Assuming the foregoing assumptions are accurate and subject to the terms set forth in this letter of intent and the Partnership Agreement, the Investment Limited Partner agrees to make capital contributions to the Partnership in an amount equal to 95.00% of 99.99% of the total forecasted tax credit (the "Capital Contribution"). The Capital Contribution is expected to be \$4,908,544 payable in installments. Each installment is due within five (5) business days of the Investment Limited Partner's receipt and approval of documentation evidencing the satisfaction of the installment's and previous installments' conditions as follows:

\$981,709 or 20% (the "First Installment") upon the latest of:

- i) fully executed Partnership Agreement,
- ii) the Project and Partnership due diligence documents including but not limited to (a) valid tax credit reservation/allocation, (b) carryover allocation and written certification from an independent accountant/ of carryover basis and backup documentation evidencing costs, if applicable, (c) an owner's title insurance policy or an endorsement thereto issued to the Partnership meeting the requirements of Condition 8(G), (d) fully executed construction loan closing documents, (e) valid written commitment from the permanent lender, and (f) proper issuance of building permits and all regulatory approvals necessary for construction start,
- iii) the General Partner's attorney opinion letter,
- iv) a tax opinion issued by the Investment Limited Partner's counsel, and
- v) if applicable, Part I approval of the Historic Rehabilitation from the U.S. Department of the Interior.

Note: The First Installment shall be funded in monthly disbursements following the achievement of the above benchmarks and upon receipt of draw request documentation in form and content acceptable to the Investment Limited Partner.

\$981,709 or 20% ("the Second Installment") upon the latest of:

- i) satisfaction of all conditions of the First Installment,
- ii) Fifty percent (50%) construction completion.

\$981,709 or 20% (the "Third Installment") upon the latest of:

- i) Satisfaction of all conditions of the Second Installment, and
- ii) Seventy five percent (75%) construction completion.

\$981,709 or 20% (the "Fourth Installment") upon the latest of:

- i) Satisfaction of all conditions of the Third Installment,
- ii) lien-free construction completion,
- iii) full disbursement of the construction financing less required retainage, and
- iv) verification that the Partnership and Project are covered by insurance.

\$883,538 or 18% (the "Fifth Installment") upon the latest of:

- i) Satisfaction of all conditions of the Fourth Installment,
- ii) the final development cost and qualified basis certification prepared by an accountant/CPA,

- iii) 95% physical occupancy by tax credit qualified tenants,
- iv) 100% initial occupancy of 100% of the units by tax credit qualified tenants,
- v) achievement of debt service coverage ratio evidencing that three (3) consecutive full months of 1.15 debt service coverage have been achieved as certified by an independent accountant,
- vi) evidence of filing for the IRS Form(s) 8609, and
- vii) permanent mortgage loan commencement or conversion.

\$98,171 or 2% (the "Final Installment") upon the latest of:

- i) Satisfaction of all conditions of the Fifth Installment,
- ii) IRS Form(s) 8609 for each building and an executed and a recorded copy of the Regulatory Agreement, and
- iii) a copy of the federal income tax return of the Partnership for the Partnership fiscal year in which break-even operation has occurred.

Final installment condition ii) to be reviewed relative to the potential for adjustment by the state allocating agency.

B. The Capital Contribution shall be applied by the Partnership to pay direct development costs, to fund operating reserves in an amount(s) to be determined by PNC during its due diligence review, and to pay a portion of the development fee. To the extent the Capital Contribution or net cash flow is not sufficient to pay the full Development Fee within ten years of the construction completion date, the General Partner shall be obligated to contribute capital to the Partnership to enable the Partnership to pay the remaining balance.

4. DISTRIBUTION OF NET CASH FLOW

A. Net cash flow, generated by the Project after payment of operating expenses, debt service and replacement reserve deposits, shall be distributed annually within 60 days following year-end, as follows:

Through the end of the fiscal year beginning in the first year of operations, 100% of the net cash flow shall be paid first to the Developer as payment of any deferred development fee and then to the General Partner as a non-cumulative partnership management fee.

Then, for each year thereafter:

- i) To the Investment Limited Partner as a cumulative investor services fee in an amount to be determined during underwriting;
- ii) To the Investment Limited Partner as reimbursement for any unpaid investor services fees or for any other fees, debts, and liabilities owed to the Investment Limited Partner;
- iii) To the replenishment of the Operating Reserve Account to the extent it drops below a minimum amount determined during underwriting;
- iv) To the developer as payment of the Development Fee until the Development Fee has been paid in full;
- v) To the General Partner as payment of a non-cumulative partnership management fee in an amount to be determined during underwriting;

- vi) To the Investment Limited Partner, to the extent that any Partnership taxable income is allocated to the Investment Limited Partner in any year, cash flow equal to 40% of the taxable income;
- vii) To the General Partner as payment of a non-cumulative incentive partnership management fee in an amount to be determined during underwriting; and
- viii) Finally, any remaining net cash flow shall be distributed 0.01% to the General Partner and 99.99% to the Investment Limited Partner.

5. DISTRIBUTION OF NET CASH PROCEEDS UPON SALE OR REFINANCING

- A. Net cash proceeds upon sale or refinancing shall be distributed in the following order:
 - i) To the payment of all debts and liabilities of the Partnership, excluding those owed to Partners, and to the establishment of any required reserves;
 - ii) To the payment of any fees, debts, and liabilities owed to the Investment Limited Partner;
 - iii) To the General Partner, an amount equal to 3% of the gross sales price of the Project, if the transaction involves a sale to a third party in an arm's length transaction;
 - iv) To the payment of any fees, debts, and liabilities owed to the General; and
 - v) The balance, 0.01% to the General Partner, 99.98% to the Investment Limited Partner, and 0.001% to the Special Limited Partner.

B. Option and Right of First Refusal

- i. For a period of one year following the end of the 15-year Compliance Period, the General Partner shall be granted an option and right of first refusal to purchase the Project. The purchase price shall be established in conformance with the requirements of the Internal Revenue Code, and shall include all fees, debts and obligations owed to the ILP or its affiliates.
- ii. At any time after the expiration of the compliance period and Option and Right of First Refusal period, PNC may commence marketing the Project. If PNC receives a bona fide offer to purchase the Project, PNC will forward a copy of the offer to the General Partner. If the General Partner chooses to refuse the offer, the General Partner will purchase the Investment Limited Partner's interest for a purchase price equal to the net proceeds the Investment Limited Partner would receive pursuant to Section 5 if the offer had been accepted.

6. DISTRIBUTION OF BENEFITS

Profits, losses and tax credits will be allocated 99.99% to the Investment Limited Partner based on the percentage of limited partner interest to be acquired. In the first year of operations when 100% of the net cash flow is paid to the Developer or General Partner, any taxable income will be allocated to the General Partner.

7. GENERAL PARTNER OBLIGATIONS

A. Construction Completion Obligations

The General Partner and developer shall unconditionally guarantee lien-free construction completion of all improvements substantially in accordance with the approved plans and specifications. The General Partner and developer shall fund any development cost overruns through permanent loan(s) commencement/conversion.

The General Partner shall provide copies of each draw request, change orders and all supporting documentation to the Investment Limited Partner simultaneously with submission to the construction lender. The Investment Limited Partner shall have the right to approve change orders in excess of amounts to be determined during due diligence. The construction contract shall be a fixed price contract and the general contractor shall be bonded in a manner satisfactory to the Investment Limited Partner or a letter of credit shall be provided in a minimum amount to be set during the due diligence review.

B. Operating Deficit Guaranty

The General Partner shall guarantee the funding of any operating deficits for operating or fixed costs in an amount and for a certain period both of which are to be determined during the due diligence review.

C. Operating Reserve Account

The Partnership shall establish an operating reserve account in a minimum amount to be set during the due diligence review.

D. Replacement Reserve Account

The Partnership shall deposit monthly into a replacement reserve account an amount to be determined during the due diligence review (the "Replacement Reserve Account"). The Replacement Reserve Account shall be used for the replacement of major capital improvements, and disbursements shall require annual notification of anticipated expenditures and prior written approval of unanticipated expenditures.

E. Tax Credit Adjustments

- i) If the annual actual tax credits allocated on the Carryover Allocation or Form(s) 8609 is less than the forecasted tax credits stated in Section 1, then the Capital Contribution shall be reduced in an amount equal to the total tax credit shortfall to the Investment Limited Partner multiplied by the price paid for the tax credits divided by 0.90 (a "Reduction Amount").
- ii) If the annual actual tax credits allocated on Form(s) 8609 is greater than the forecasted tax credits stated in Section 1 (the "Additional Credit"), then the Capital Contribution shall be increased in an amount equal to the Additional Tax Credit allocated to the Investment Limited Partner multiplied by the price paid for the tax credits and paid pro rata over the remaining Installments. This adjustment shall be limited to 10% of the Capital Contribution or available funds.
- iii) If the amount of actual tax credit in any year after construction completion is less than the amount of forecasted tax credit in Section 2 (except for reasons stated in item 7(E)(i) above), the Capital Contribution shall be reduced by an amount equal to the tax credit shortfall amount multiplied by the price paid for the tax credits divided by 0.90, plus the amount of any recapture, interest and penalty (a "Reduction Amount").

- iv) If the Reduction Amount cannot be paid from the Capital Contribution, the General Partner shall pay the Reduction Amount. Reduction Amounts not paid upon demand shall accrue interest at the prime rate as published in the Wall Street Journal plus 4%.
- v) If the Project is not placed in service by the Completion Date referenced in Section 2, the total original price paid for any historic tax credit, if applicable shall be reduced by an amount determined during the due diligence review.

F. Net Worth and Guarantee Requirements

The General Partner shall maintain a net worth in a minimum amount to be determined during underwriting as well as any additional parameters determined by PNC's Acquisition Review Committee, or all obligations of the General Partner will be unconditionally guaranteed by one or more individuals (the "Guarantor") with a minimum net worth necessary to meet the conditions as stated above.

8. CONDITIONS

A. Project

The Project will be a 150-unit, new construction development for seniors located in Austin, Texas. The Project will have no market rate units.

B. Tax Credit Allocation

The Partnership may elect to defer the use of tax credits for any individual building which is not 100% tax credit qualified by December 31 of the year in which it is placed in service, at the Investment Limited Partner's discretion. The Tax Credit rate shall be locked at the credit reservation, bond allocation or carryover allocation date or the earliest date allowed by the state agency.

C. Tax Credit Occupancy

The Partnership must comply with the 40/60 minimum set-aside test (a minimum of 40% of the units must be rented to tenants with incomes less than 60% of area median, adjusted for family size). To generate the full annual tax credits as stated in Section 1, 95.35% of the units must be tax credit qualified.

D. Construction and Permanent Financing

The General Partner shall provide to PNC for its review and approval, copies of the loan commitments and loan documents for all financing sources. For purposes of this Letter of Intent, all of the loan financing sources are assumed to be from qualified commercial lenders and qualify for the 9% tax credit applicable percentage.

E. Project Management Agent

- The General Partner shall provide or cause the Project management agent to provide management reports to the Investment Limited Partner in a timely manner concerning operations, occupancy and other information essential to the management of the Project.
- ii) Upon the occurrence of certain events, including any material violations, negligence or misconduct or inadequate reporting, the Special Limited Partner will have the option to replace the Project management agent. All Project management agreements will include a termination clause allowing either the General Partner or the Project management agent to terminate the agreement by giving a 30-day advance written notice to the other party.

F. Repurchase Obligations

The Investment Limited Partner shall not be required to advance any unpaid Installments and the General Partner may be required to repurchase the Investment Limited Partner's interest for the invested amount equal to 110% of the previously paid Capital Contributions (the "Investment Amount"). Conditions for repurchase shall be as described in the Partnership Agreement and include failure to achieve construction completion, break-even operations or permanent loan closing(s)/conversion(s) within a reasonable period of time to be determined during underwriting or the failure to comply with any tax credit requirements.

G. Insurance Obligations

The Partnership will obtain from LandAmerica or its affiliated title insurance companies an extended TLTA owner's title insurance policy in an amount not less than the permanent mortgage(s), the General Partner's and Investment Limited Partner's capital contributions, with all standard exceptions deleted or approved and with Fairways, non-imputation and other requested endorsements; ii) commercial general liability insurance; (iii) builder's risk insurance through construction completion, (iv) all risk or fire and extended coverage (v) earthquake, hurricane and flood insurance, as applicable; (vi) workers' compensation as required under state law; (vii) business interruption insurance coverage; and (viii) any other insurance as may be necessary or customary. Insurance amounts and coverage shall be determined during the due diligence review.

H. Accountant's Obligations

The Partnership's accountant shall provide the following annual reports: i) federal and state tax returns for the previous year (including all supporting documentation necessary to verify the calculation of the tax credit) by February 28th and ii) annual audited Partnership financial statements (including all supporting documentation) by March 1st. The Partnership Accountant shall review and approve the basis and benefits calculations prior to the payment of the First Installment.

I. General Partner Removal

The Partnership Agreement shall contain provisions for the removal of the General Partner with cause.

9. DUE DILIGENCE PERIOD

This letter of intent is not a commitment and is subject to PNC's underwriting, due diligence review, and market conditions at the time a revised letter of intent is issued following the tax credit award. During the due diligence period, PNC will conduct a due diligence review and negotiate with the General Partner, in good faith, any open terms of this letter of intent. The due diligence period will commence upon receipt by PNC of all Property and Partnership documents identified in the syndication binder. The due diligence review will include, without limitation, the verification of factual representations made by the General Partner, a review of the Property and Partnership documents, a site visit and an evaluation of the following: the experience and expertise of the General Partner, general contractor, architect and Property management agent; Property area market; an appraisal of the Property; the construction schedule; the total development budget; the residual potential of the Property and capital account analysis; Phase I environmental assessment and all subsequent reports and other relevant factors. PNC may also commission consultants to perform market analysis, construction, insurance, and environmental reviews. The General Partner and PNC acknowledge that no legally enforceable relationship shall exist between General Partner and PNC unless and until the Acquisition Review Committee of PNC shall have approved the proposed transaction, and the parties shall have executed the Partnership Agreement and the other transaction and financing documents contemplated herein.

Please acknowledge your agreement to the aforementioned terms by signing in the space below and returning the original. Should you have any questions, please do not hesitate to call. We look forward to working with you on this and future partnerships.

Sincerely,	Agreed and Accepted:
PNC Bank, NA	AUSTIN SENIOR LIVING, LP
By: PNC Real Estate	By: Cadence Multifamily, LLC
By: Janua Cormier Vice President	By: Robert Ruggio Managing Member, GP
Date: 12/06/2011	Date:
cc: Tricia Hurley File	

Previous Experience

The partners of Cadence Multifamily, L.L.C. are Mr. Robert Ruggio, Mr. Curtis Davidson, and Mr. Ross Allen.

Robert Ruggio - is a principal with Cadence and is responsible for the acquisitions, planning, construction, leasing and management of apartment communities as well as mixed-use projects in Central Texas. He joined Cadence in April 2009 and has over 20 years' experience in real estate, mainly focused on land development and homebuilding. Prior to Cadence, Mr. Ruggio has worked with some of the nation's largest homebuilders that include Ryland Homes, Toll Brothers and Capital Pacific Homes.

Curtis Davidson - is a partner of Cadence and directs all aspects of real estate development from seeking new opportunities, obtaining entitlements, structuring financing, and development management. Mr. Davidson has over 23 years of real estate experience with expertise in development of master-planned residential communities in Central Texas. Before establishing Cadence in 2007, Mr. Davidson was the Executive Vice President of Makar Properties, where he held overall responsibility for real estate acquisition and development in the Central Texas market. Additionally, Mr. Davidson has over 12 years' experience in the homebuilding industry.

Ross Allen - is also partner of Cadence and is responsible for leading a team of professionals as they strategically position and entitle raw land for community development including marketing, sales, amenity plans, and construction. Mr. Allen has over 19 years in the Central Texas real estate industry and currently oversees Cadence's real estate portfolio in Austin and San Antonio, as well as searching for new market opportunities in other areas of Texas. Prior to establishing Cadence in 2007, Mr. Allen served as Director of Marketing for Makar Properties for seven years. There he was responsible for marketing and advertising, and the development management of amenities for their master-planned communities in Austin, Texas.

Previous Experience: The principals of Cadence Multifamily, L.L.C. completed 186 unit apartment project in San Marcos, Texas. PNC closed Blanco Park Apartments, a HUD 221(d)(4), in May 2010. The certificate of substantial completion was first issued in January 2011. The total project cost for Blanco Park Apartments was \$15,582,072.

Management Company:

Capstone Real Estate Services, Inc. ("Capstone") was founded in 1969 and is presently managing approximately 50,000 multi-family units and 1,000,000 square feet of commercial space. Their portfolio ranks them as the 13th overall largest management firm and among the top 5 largest third-party management firms in the country. Currently Capstone has 80 government related projects in its portfolio. Based locally in Austin, the company holds numerous accreditations including Accredited Management Organization (AMO), Certified Property Managers (CPM), and Certified Apartment Managers (CAM). Aside from management services, Capstone also provides project design consulting, market consulting, and lease-up specialists in new development planning.



5555 N. Lamar Blvd. Suite C-123 Austin, TX 78751 Tel (512) 459-5631 Fax (512) 459-8497

December 6, 2011

Dear Julie,

I have agreed to provide Home Health private pay services to your residents at Senior Living. We provide personal care, some transportation, and medication management with skilled nursing. For a full list of services available, visit www.lmez.com.

Thank you contacting our Agency and we look forward to assisting your future residents.

Sincerely,

Priscilla Ritchie, Administrator/ Owner



December 8, 2011

Mr. Robert Ruggio Principal Cadence Multifmily, LP 3809 Juniper Trace Road, Suite 205 Austin, TX 78738

Re: FHA 221(d)4 New Construction Financing

Austin Senior Living

Austin, Texas

Dear Mr. Ruggio:

We are pleased to advise you that PNC Bank, N.A. ("PNC" and/or "Lender") hereby agrees to provide credit enhancement under the HUD 221(d)(4) program to guaranty tax-exempt bonds to be sold for the new construction of a 150-unit apartment complex known as Austin Senior Living in Austin, Texas.

PNC has completed its initial analysis required to qualify the project for the FHA 221(d)4 Multifamily Accelerated Processing (MAP) program. We have reviewed operating budgets, scope of work, costs, and potential sources of funds to determine our final figures for a Firm Commitment Application submission.

Based on the above information, and subject to all FHA requirements for Section 221(d)4 mortgages, PNC, as a nationally approved MAP lender for FHA mortgages, will provide credit enhancement for Austin Senior Living in Austin, Texas. The terms and conditions of our financing letter are as follows:

BORROWER: The mortgagor will be a newly formed, single-asset entity.

LOAN AMOUNT: The requested Loan is \$11,000,000. The final maximum Loan amount will be determined by HUD after Firm Application approval and the acceptance of the Firm Commitment. The maximum loan will be determined according to the underwriting guidelines of the U.S. Department of Housing and Urban Development ("HUD") based on the lesser of the following criteria: (a) The amount supportable by 87% of Projected Net Operating Income, capitalized by the relevant Loan Constant; (b) 87% of the estimated eligible Replacement Costs as determined by HUD; (c) the maximum statutory limited mortgage at a 178% High Cost Factor; or (d) the requested loan amount.

CREDIT ENHANCEMENT: Enhancement will be in the form of a guaranty by HUD as to Loan principal and accrued interest, plus a Mortgage Backed Security issued by Government National Mortgage Association ("GNMA") as to the timely payment of principal and interest, thus creating a AAA-rated Loan.

SUBORDINATE DEBT: If subordinate debt will be required prior to the Initial Endorsement of the FHA 221(d)4 mortgage, then PNC will require that all subordinated debt be reviewed and approved by PNC in its sole discretion. All subordinate debt must meet FHA 221(d)4 requirements. Subordinate debt may only be in the form of a surplus cash note and must meet with HUD's approval prior to Initial Endorsement.

TERM: The Loan shall have an interest only construction period of 12 months plus a 40-year fully amortizing permanent mortgage.

INTEREST RATE: The interest rate to be used is based on using a tax-exempt bond structure and is estimated at 5.00% based on current market conditions. The final rate at which the Loan will be set prior to initial endorsement is subject to market conditions at the time of issuance of the HUD Firm Commitment to Insure. HUD will charge an annual Mortgage Insurance Premium of 0.45% of the unpaid principal balance of the Loan for the life of the Loan.

SECURITY: The security for this Loan will include the following; (a) A first lien Deed of Trust on the property, as approved by HUD; (b) all leases, rents, income and profits related to the property, according to the terms and conditions of the HUD Firm Commitment to Insure, the HUD Regulatory Agreement, and to all loan agreements and bond documents; and (c) all tangible and intangible personal property used or in connection with the ownership, operation, or maintenance of the buildings, improvements or land.

GUARANTEES: The project owner and its principals are not required to guaranty any portion of the FHA 221(d)4 mortgage. The FHA 221(d)4 mortgage is a non-recourse instrument.

UNDERWRITING REQUIREMENTS: The Borrower shall furnish to PNC and to HUD, at Borrower's expense, all remaining exhibits required by PNC and by HUD for MAP processing for a Firm Commitment Application and for proceeding to an Initial Endorsement. An initial review of the borrower's operating estimates, including an estimate of the rental income assumptions, has been completed by PNC. Final project construction reviews for Firm Commitment will be completed in accordance with HUD MAP procedures. Cost Certification and Initial/Final Endorsement shall be performed in accordance with HUD program requirements.

FINANCING FEES: Lender financing and placement fee of 2.00% of the Loan will be required at the Initial/Final Endorsement and closing of the Loan. In addition, Lender legal fees related to the mortgage will be required in the amount of \$25,000. HUD will charge the following fees to process the Firm Commitment and to complete the transaction: (a) Application fee equal to 0.30% of the requested Loan, and due upon HUD's receipt of the Firm Commitment Application; (b) Inspection Fee equal to 0.50% of estimated costs for improvements, and (c) Initial Mortgage Insurance Premium equal to 0.45% of the approved Loan, paid at closing. In addition, HUD will charge an annual Mortgage Insurance Premium of 0.45% of the unpaid principal balance of the Loan for the life of the Loan.

OCCUPANCY REQUIREMENT/USE RESTRICTIONS: The HUD Loan does not contain pre-leasing requirements. Use restrictions are per the requirements of any

existing Use Agreement for as long as that agreement is in affect and will be subordinate to any HUD regulatory agreement.

1. ADDITIONAL CONDITIONS:

- A. DOCUMENTATION/EXECUTION: The loan is conditioned upon execution and delivery to Lender of a Promissory Note, Deed of Trust, Security Agreement, and any additional documents as required to evidence and close the Loan. These documents will be in form and substance satisfactory to PNC and to HUD.
- B. TITLE AND CLOSING: The Borrower shall provide Lender and HUD with acceptable title insurance in the amount of the Loan designed to insure PNC as holder of the indebtedness secured by the first Deed of Trust, subject only to exceptions deemed satisfactory to HUD and to PNC's counsel. PNC reserves the right to approve the title company.
- C. TAXES AND INSURANCE: All taxes and assessments affecting the above-referenced property, due and payable on the date of closing, will be paid prior to closing. Any taxes that will be abated or exempted for any reason must meet with the HUP MAP guidelines for property tax exemption/abatements in order to be considered eligible as income for loan underwriting purposes. Non-compliance with HUD program requirements for tax abatements/exemptions will result in a loan underwriting that includes taxes for the purposes of determining the maximum mortgage available to the borrower. Borrower will provide to PNC original, one-year prepaid policies of insurance and extended coverage as well as hazard insurance, issued by a company satisfactory to HUD, and as necessary to satisfy the HUD requirements.
- D. EQUITY CONTRIBUTION: Prior to issuance by HUD of the Firm Commitment to Insure, Borrower shall provide evidence satisfactory to PNC and to HUD that the necessary equity contributions by the Borrower, together with the Loan, will be adequate to close the loan in accordance with HUD and the financing requirements. A review of the Borrower financial statements, including prepaid items in the overall sources and uses of funds, along with other potential sources, appears to meet the estimated closing requirements. Final approval by HUD will be reviewed to obtain the Firm Commitment.
- E. ANNUAL STATEMENTS: HUD will require an annual audited operating statement on the subject project.
- F. ASSIGNMENT AND AMENDMENTS: The Borrower shall neither assign this letter nor the Loan proceeds to any third party. This letter cannot be amended or terminated orally and no provisions may be waived except by instrument in writing signed by the party against whom enforcement of any amendment, waiver or termination is sought.
- G. SALE AND TRANSFER RESTRICTIONS: Subject property can transfer ownership with the prior approval of Lender and of HUD. Such approval will not be unreasonably withheld.

- H. OTHER FINANCING: The HUD 221(d)4 program allows subordinate financing for projects on a surplus cash basis. Any proposed subordinate financing will have to meet HUD criteria according to our professional understanding of HUD processing and legal guidelines.
- OPINIONS: The Loan is conditioned upon the Borrower providing PNC with legal opinions in form and substance satisfactory to Lender's counsel and to HUD's counsel.
- J. DEFAULTS: The Loan is subject to certification by the Borrower of no defaults under the Deeds of Trust, the Security Agreement, and other agreements affecting the security property, as well as receipt by PNC of Estoppel Certificates in a form satisfactory to PNC from such other parties to such Deeds of Trust, Security Agreements, and other agreements as PNC may request. In the event of default under any such agreement of the instruments secured thereby, PNC may declare this commitment and loan in default.
- K. SURVIVAL: The Borrower's obligation hereunder shall survive the closing of the Loan, and the first Deed of Trust shall incorporate this agreement by reference.
- L. INDEMNIFICATION: Borrower shall defend, indemnify and hold harmless PNC and its directors, officers, agents, and employees with respect to all claims of any nature asserted against PNC or any of its directors, officers, agents or employees arising out of or relating to this transaction, or to PNC's potential financing of this project, and shall reimburse PNC and its directors, officers, agents, or employees for all judgements, costs and expenses including reasonable attorney fees incurred as a consequence of the assertion of any such claim or claims.
- M. COSTS AND ATTORNEYS' FEES TO ENFORCE AGREEMENT: The parties agree that, should any party default in any of the covenants or agreements herein, the defaulting party shall pay all costs and expenses including reasonable attorneys' fees, which may arise or accrue from enforcing this agreement or in pursing any remedy hereunder or by applicable law, whether such remedy is pursued by filing suit or otherwise.
- N. GNMA SECURITIES: The Loan (Credit Enhancement) will be provided through the issuance by Lender and/or assigns of GNMA Mortgage Backed pass-through Securities, which are fully guaranteed by GNMA. Lender shall have the responsibility of obtaining the necessary approvals from GNMA and paying the GNMA application fees. In Addition, PNC will be responsible for all expenses involved with the sale and delivery of the GNMA Securities, with the exception of any applicable discount points and interest warehousing costs incurred, both of which will be the Borrower's responsibility.

DEBT SEVICE COVERAGE RATIO: Per underwriting guidelines of the HUD 221(d)4 program, the coverage ratio for the first Deed of Trust Loan is at least 1.15 to1 on the projected Net Operating Income.

LENDER WILLINGNESS: Subject to the issuance, by HUD, of a Firm Commitment to Insure, and subject to the availability from the Bond Issuer and the Bond Underwriter of

Austin Senior Living FHA 221(d)4 Financing Page 5

Sincerely,

an acceptable tax-exempt cost of funds for a 40-yer loan term, PNC is willing to proceed with a FHA 221(d)4 loan processing and potential loan closing in a timely manner. The borrower, by execution of this conditional agreement, acknowledges that the timeline described above is obtainable and that required property, sponsor, and credit documentation will be supplied to PNC on a timely enough basis to meet all required deadlines. Lender's willingness to proceed assumes that the cost of funds will approximately equal the note rate in the Commitment, and is subject as well to a mutually satisfactory HUD Firm Commitment.

Notice for Denial: If your application for a Commercial Loan is denied you have the right to a written statement of the specific reasons for denial. To obtain the statement, please Email your request to RegB@pnc.com or write to the Agency Finance Production Support Administrator, Attn: April Bookbinder, MS: XX-AR02-01-1, 26901 Agoura Road, Suite 200, Calabasas Hills, CA 91301, within 60 days from the date you are notified of our decision. All requests should reference a property name(s) and address. We will send you a written statement of reason(s) for denial within 30 days of receiving your request for the statement.

ECOA Notice: The federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age (provided the applicant has the capacity to enter into a binding contract), because all or part of the applicant's income derives from any public assistance program, or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The federal agency that administers compliance with this law concerning this creditor is: Office of Comptroller of the Currency; 1301 McKinney St., Suite 3450; Houston, TX 77010-9050.

We look forward to working with you to provide financing for your project.