



March 28, 2005

Mr. Michael Smith  
Program Manager  
THC, Inc.  
2716 Spirit of Texas Drive  
Austin, TX 78719

RE: Complete appraisal in a summary report of a property located at 2426 West Cardinal Loop, City of Austin, Travis County, Texas

Parcel #: 109.0  
THC Project No.: 03ABIA05  
FAA File #: N4062M  
Project Name: ABIA Noise Mitigation Project

Dear Mr. Smith:

As requested, Lory R. Johnson, MAI, and Jim Amorin, MAI, SRA developed an appraisal of the above referenced property with an effective date of December 30, 2004 and a report date of January 5, 2005. At the time of the appraisal, the property was owned by Sunscap Partnership.

In an email from you on March 23, 2005, you indicated that the property is nearing closing and at that time, the ownership will change to Sunscap Partnership, a California General Partnership; Christopher A. Cole and S. M. Cole as Co-Trustees of the Chris and Suzie Cole Living Trust dated April 25, 2000, and any amendments thereto; Ronald Jeha, Trustee for the Ronald Jeha 1991 Family Trust; Richard Jeha, Trustee for the Jeha Family Trust; William Kartoziyan, Trustee for the William F. Kartoziyan Living Trust; W. Conrad Hoskins for the Hoskins Ranch, LLC; and Harold Kaemerle, Jr.

We do not believe that an ownership change such as outlined above would impact the value conclusions and opinions expressed in the January 5, 2005 appraisal of the property.

ATRIUM REAL ESTATE SERVICES appreciates the opportunity to be of service to you and THC, Inc. Should you have any questions, or if we can be of further assistance, please contact our office.

Respectfully submitted,

**ATRIUM REAL ESTATE SERVICES**

Handwritten signature of Lory R. Johnson in black ink.

Lory R. Johnson, MAI  
President  
Texas Certified Appraiser #TX-1321640-G

Handwritten signature of Jim Amorin in black ink.

Jim Amorin, MAI, SRA  
Vice President  
Texas Certified Appraiser #TX-1321905-G

**COMPLETE APPRAISAL IN A SELF-CONTAINED REPORT**

of the 216 unit Sunscape Apartments located at  
2426 West Cardinal Loop, City of Austin, Travis County, Texas

Parcel #: 109.0  
THC Project No.: 03ABIA05  
FAA File #: N4062M  
Project Name: ABIA Noise Mitigation Project  
Property Owner: Sunscape Partnership  
Parcel ID Number: 03-1531-03-17  
Legal Description: Being an 8.624 acre tract of land out of the  
Santiago Del Valle Ten League Grant, Abstract  
No. 24 in Travis County, Texas.

**Submitted To:**

Mr. Michael Smith  
Program Manager  
THC, Inc.  
2716 Spirit of Texas Drive  
Austin, TX 78719

**Prepared By:**

**ATRIUM REAL ESTATE SERVICES**  
2305 Hancock Drive  
Austin, Texas 78756

Effective Date of Appraisal:  
December 30, 2004



January 5, 2004

Mr. Michael Smith  
Program Manager  
THC, Inc.  
2716 Spirit of Texas Drive  
Austin, TX 78719

RE: Complete appraisal in a summary report of a property located at 2426 West Cardinal Loop, City of Austin, Travis County, Texas

Parcel #:	109.0
THC Project No.:	03ABIA05
FAA File #:	N4062M
Project Name:	ABIA Noise Mitigation Project
Property Owner:	Sunscape Partnership
TCAD Parcel Number:	03-1531-03-17
Legal Description:	Being an 8.624 acre tract of land out of the Santiago Del Valle Ten League Grant, Abstract No. 24 in Travis County, Texas.

Dear Mr. Michael Smith:

As requested, Lory R. Johnson, MAI, and Jim Amarin, MAI, SRA have personally inspected the above referenced property. The purpose of the appraisal is to estimate the market value of the fee simple interest in the subject property. The following appraisal and final estimate of value have been based upon the inspection of the property and upon research into various factors which influence value. The effective date of this appraisal is December 30, 2004. While the subject property is currently leased, it is our opinion that the current rental structure at the property is reflective of the noise impact from the airport. As this appraisal specifically excludes the project influence, we have valued the fee simple interest only and not the current leased fee value.

The analysis and results of the investigation are submitted in this appraisal report which has been prepared in conformity with the requirements of the *Code of Professional Ethics and the Standards of Professional Appraisal Practice* of the Appraisal Institute, the *Uniform Standards of Professional Appraisal Practice* as promulgated by the Appraisal Foundation, the *Uniform Appraisal Standards for Federal Land Acquisitions*, as well as the requirements of the State of Texas for State-Certified General Real Estate Appraisers. In addition, this appraisal is prepared in conformity with the Uniform Relocation Assistance and Real Property Acquisitions Policy Act of 1970.

This appraisal has been performed invoking the Jurisdictional Exception Rule of USPAP. In accordance with the *Uniform Appraisal Standards for Federal Land Acquisitions*, exposure time was not considered or reported as required by Standards Rule 1-2(c) and 2-2 (a)(v) of USPAP.

Page 2  
January 5, 2004  
Mr. Michael Smith

Based on the analysis and data included within this report, it is our opinion that the as is market value of the fee simple interest in the subject property was as follows:

**SEVEN MILLION NINE HUNDRED THOUSAND DOLLARS  
(\$7,900,000)**

**Please note: This value conclusion is specifically limited by the *Assumptions and Limiting Conditions*, with emphasis on the *Extraordinary Assumptions* detailed at the beginning of this appraisal report.**

*ATRIUM REAL ESTATE SERVICES* appreciates the opportunity to be of service to you and THC, Inc.. Should you have any questions, or if we can be of further assistance, please contact our office.

Respectfully submitted,

***ATRIUM REAL ESTATE SERVICES***



Lory R. Johnson, MAI  
President  
Texas Certified Appraiser #TX-1321640-G



Jim Amarin, MAI, SRA  
Vice President  
Texas Certified Appraiser #TX-1321905-G

## **ASSUMPTIONS AND LIMITING CONDITIONS**

This appraisal report is subject to underlying assumptions and limiting conditions qualifying the information contained in the report as follows:

The valuation estimate applies only to the property specifically identified and described in the ensuing report.

Information and data contained in the report, although obtained from public record and other reliable sources and, where possible, carefully checked, is accepted as satisfactory evidence upon which rests the final expression of property value.

No legal survey has been commissioned by the appraisers; therefore, reference to a sketch, plat, diagram, or survey appearing in the report is only for the purpose of assisting the reader to visualize the property.

It is assumed that all information known to the client and relative to the valuation has been accurately furnished and that there are no undisclosed leases, agreements, liens, or other encumbrances affecting the use of the property.

Ownership and management are assumed to be competent and in responsible hands.

No responsibility beyond reason is assumed for matters of a legal nature, whether existing or pending.

Information identified as being furnished or prepared by others is believed to be reliable, but no responsibility for its accuracy is assumed.

Any appraiser, by reason of this appraisal, shall not be required to give testimony as an Expert Witness in any legal hearing or before any court of law unless justly and fairly compensated for such services.

By reason of the purpose of this appraisal and function of the report herein set forth, the value reported is only applicable to the property rights appraised and the appraisal report should not be used for any other purpose.

Information regarding toxic wastes or hazardous materials which might affect the subject property, has not been proved; thus, the existence of toxic waste which may or may not be present in the property, has not been considered. Soil or drainage tests have not been performed, nor have soil or drainage test results been provided. Therefore, it is assumed that there are no subsoil or drainage conditions which would adversely affect the subject or their final valuation. This report assumes no soil contamination exists within or on the subject site. The valuation is subject to modification if any such potentially hazardous materials were detected by a qualified expert in these areas. The appraisers reserve the right to modify this valuation if so warranted.

## ***ASSUMPTIONS AND LIMITING CONDITIONS***

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One (or more) of the signatories of this appraisal report is a member (or candidate) of the Appraisal Institute. The Bylaws and Regulations of the Institute require each member and candidate to control the use and distribution of each appraisal report signed by such member or candidate. No third parties may rely upon this appraisal for any purpose whatsoever, including the provision of financing for the acquisition or improvement of the subject property. This appraisal was prepared specifically for the client, as addressed in this report. Third-parties who desire us to prepare an appraisal of the subject property for their use should contact the addressee of this report to obtain their approval for *ATRIUM REAL ESTATE SERVICES* to prepare an additional appraisal report for their specific needs. Additionally, portions of this appraisal report shall not be given to third parties without prior written consent of the signatories of this appraisal report. Further, neither all nor any part of this appraisal report shall be disseminated to the general public by the use of advertising media, public relations media, news media, sales media or other media for public communication without the prior written consent of the signatories of this appraisal report.

No endangered species and endangered species natural habitats were evident upon site inspection. This report assumes that the subject is not encumbered by any environmental factors which would affect value.

Typically, real estate appraisers are not qualified nor are they experts in detecting hazardous materials, radiological materials, archeological resources, etc., therefore, an expert in these fields should be consulted for opinions on these matters.

This appraisal has not considered the effects of the enactment of the Americans with Disabilities Act of 1990 (ADA), which became effective January 26, 1992. Standards of this act are designed to provide access to all public facilities to all persons, regardless of mobility limitations. The act provides forceful encouragement for commercial establishments to enhance their accessibility and requires that renovations after this date fully comply with the access standards established by the Architectural and Transportation Barriers Compliance Board. A specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA has not been performed. The modifications and costs that may be necessary for the subject property to conform to ADA can be ascertained only by a qualified architect. Should such a study be undertaken, and should retro-fit costs, if any, become known, then the appraisers reserve the right to re-evaluate the subject property.

This appraisal report is based on the condition of local and national economies, purchasing power of money, and finance rates prevailing at the effective date of value.

## **ASSUMPTIONS AND LIMITING CONDITIONS**

### **EXTRAORDINARY ASSUMPTIONS**

We were provided a contact person, an exterior inspection, survey, transaction screen, and a title commitment. We also received a copy of the December 7, 2004 Rent Roll, year-end Operating Statements for 1999 through 2003, an August 31, 2004 Operating Statement, a Property Improvement Schedule for 1999 through 2003, copies of the existing leases, copy of the agreements with outside vendors, and a copy of the 1991 survey commissioned by the owners. In addition, we were previously provided a Noise Mitigation Program Contour Map, FAA Appraisal Content Guidelines, a copy of 49 CFR Subtitle A (10-1-99 Edition) and Chapter 2 of 49CFR24. Using this information and additional information secured from the Travis County Deed Records and the Travis Central Appraisal District, the size of the property and its legal description were established. All information provided is assumed to be correct and has been considered in the following valuation analysis.

We were afforded a physical inspection of units B205, E101, G101, I105, L207 and M205 on May 12, 2004. For purposes of this appraisal, we have assumed that the remaining units are in similar condition and of similar size and quality.

The Transaction Screen identified the subject property as having had a low level of environmental risk and that no further action was warranted for the site. This appraisal report assumes no soil contamination exists within or on the subject property.

The subject property is located within the City of Austin's jurisdiction and as a result, the city of Austin controls the development activities. Of particular interest is that the subject property is also located within an Airport Overlay Zone which was established to control land use near the airport for the public safety reasons. According to Chapter 25-13 of Ordinance No. 010809-78, the subject property lies in an area described as Airport Overlay Zone Two (AO-2), or those areas of the controlled compatible land use area that have yearly day-night average sound levels of at least 65 decibels and not more than 70 decibels. As such, several land uses are prohibited including all residential uses and schools. The contract we were provided indicated that the appraiser shall disregard the effect on use and value of any encumbrances resulting from the project (such as Airport Hazard and Compatible Land Use Regulations, Chapter 25-13 of Ordinance No. 010809-78), and invoke USPAP's Jurisdictional Exception Rule with respect to Standard Rule 1-3(a).

The following statement is included at the request of the client. The appraiser has been informed that the City of Austin generally requires the Grantor provide either a General or Special Warranty Deed when conveying real property to the City. In the event a purchase is unsuccessful, the City will acquire the real property by eminent domain and will not receive a General or Special Warranty Deed from the Condemnee. The City Attorney's Office will include all parties shown as "owners" in the Title Commitment in the eminent domain proceeding. Therefore, it is our opinion there is no difference in market value between the two acquisition procedures.

## **CERTIFICATION OF THE APPRAISERS**

The undersigned do hereby certify that, to the best of our knowledge and belief:

- ◆ the statements of fact contained in this report are true and correct.
- ◆ the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- ◆ we have no present or prospective interest in the property that is the subject of this report, and we have no personal interest with respect to the parties involved.
- ◆ we have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- ◆ our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- ◆ our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, the occurrence of a subsequent event directly related to the intended use of this appraisal.
- ◆ the appraisal was made and the appraisal report prepared in conformity with the *Uniform Appraisal Standards for Federal Land Acquisitions*.
- ◆ 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 & Standards of Professional Appraisal Practice* of the APPRAISAL INSTITUTE, which includes the *Uniform Standards of Professional Appraisal Practice*. In addition, the reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the STATE OF TEXAS for State-Certified General Real Estate Appraisers and the *Uniform Standards of Professional Appraisal Practice* as promulgated by the APPRAISAL FOUNDATION, except to the extent that the *Uniform Appraisal Standards for Federal Land Acquisitions* required invocation of USPAP's jurisdictional Exception Rule as described in Section D-1 of the *Uniform Appraisal Standards for Federal Land Acquisitions*.
- ◆ Lory R. Johnson, MAI, and Jim Amarin, MAI, SRA have made a personal inspection of the property that is the subject of this report, and the property owner or his designated representative was given the opportunity to accompany the appraiser on the property inspection.
- ◆ No one provided significant real property appraisal assistance to the persons signing this certification.
- ◆ the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- ◆ this appraisal report sets forth all limiting conditions (imposed by the terms of the assignment or by the undersigned) affecting the analyses, opinions, and conclusions expressed herein.
- ◆ as of the date of this report we, Lory R. Johnson, MAI, and Jim Amarin, MAI, SRA have completed the continuing education program of the Appraisal Institute.
- ◆ the market data contained within this report, has been accumulated from various sources and, where possible, personally examined and verified as to details, motivation, and validity.
- ◆ The fee simple market value for the subject property, as of December 30, 2004, was estimated as \$7,900,000. This value conclusion is specifically limited by the *Assumptions and Limiting Conditions*, with emphasis on the *Extraordinary Assumptions*. In addition, they reflect the jurisdictional exceptions noted above.

### **ATRIUM REAL ESTATE SERVICES**



Lory R. Johnson, MAI  
President  
Texas Certified Appraiser #TX-1321640-G



Jim Amarin, MAI, SRA  
Vice President  
Texas Certified Appraiser #TX-1321905-G

Date Signed: January 5, 2004

Date Signed: January 5, 2004

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## ***INTRODUCTION***

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# ***INTRODUCTION***

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## **SUBJECT PROPERTY PHOTOGRAPHS**



1. View of Sunscape Apartments

2. View of subject property



3. View of subject property

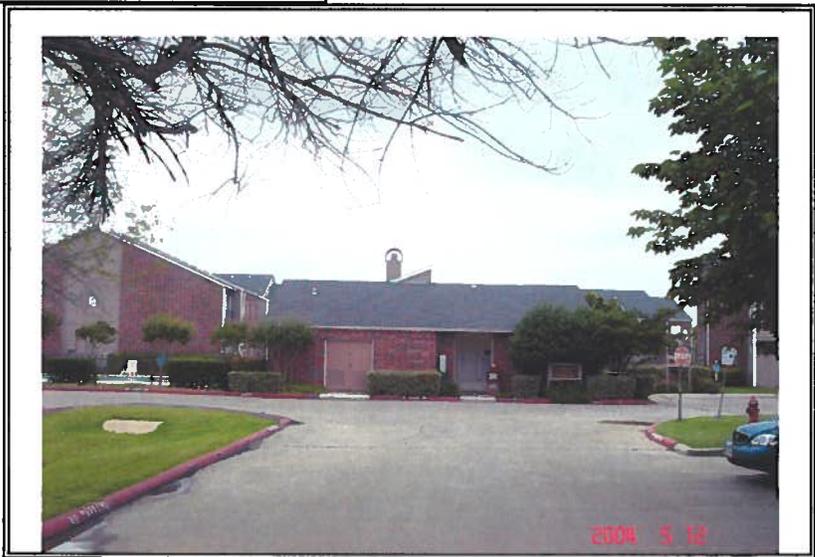
**INTRODUCTION**

**SUBJECT PROPERTY PHOTOGRAPHS**



4. View of Sunscape Apartments

5. View of subject property



6. View of subject property

**INTRODUCTION**

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**SUBJECT PROPERTY PHOTOGRAPHS**



7. View of subject property

8. View of subject property



9. View of subject property parking areas

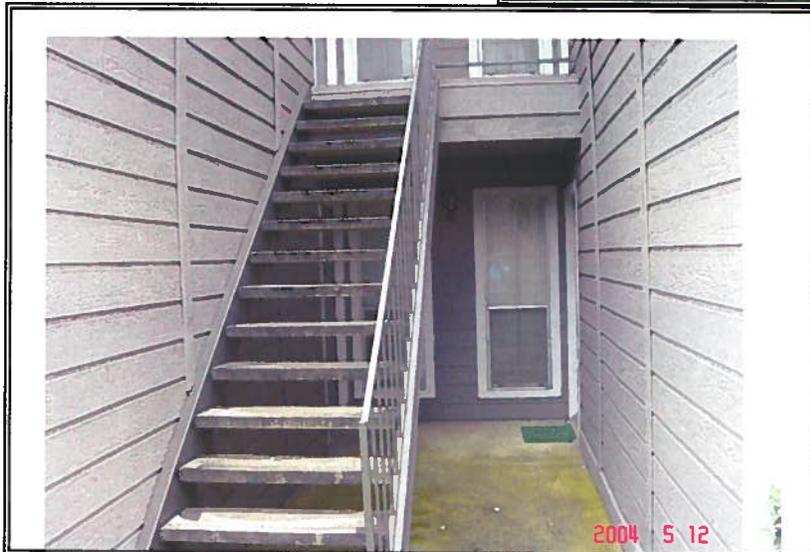
# **INTRODUCTION**

## **SUBJECT PROPERTY PHOTOGRAPHS**



10. Typical view of subject property

11. View from walkway between buildings



12. View of stairway to second floor units

**INTRODUCTION**

**SUBJECT PROPERTY PHOTOGRAPHS**



13. Typical view of interior pool

14. View of second pool area



15. View of sport court

***INTRODUCTION***

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**SUBJECT PROPERTY PHOTOGRAPHS**



16. Typical view of kitchen area

17. View of living room

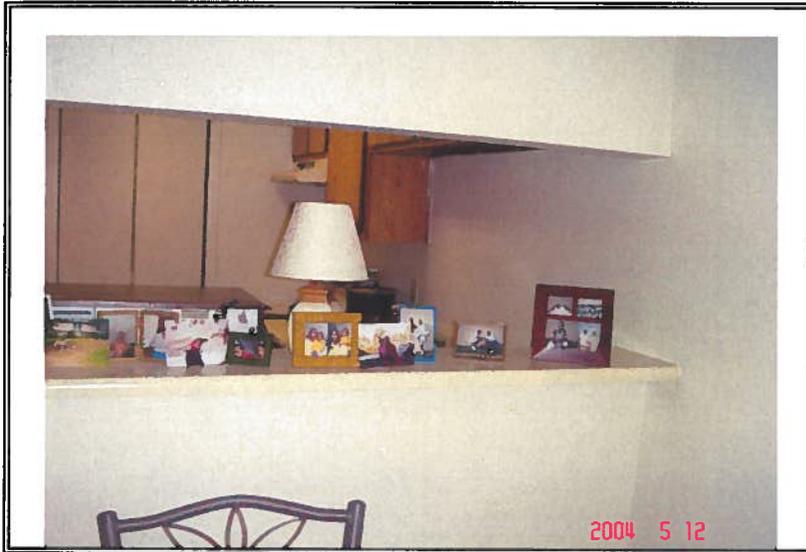


18. View of living room

# ***INTRODUCTION***

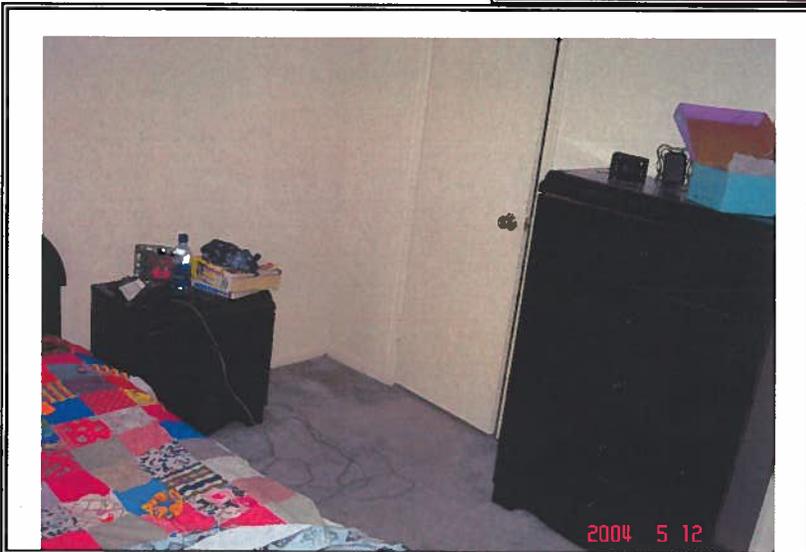
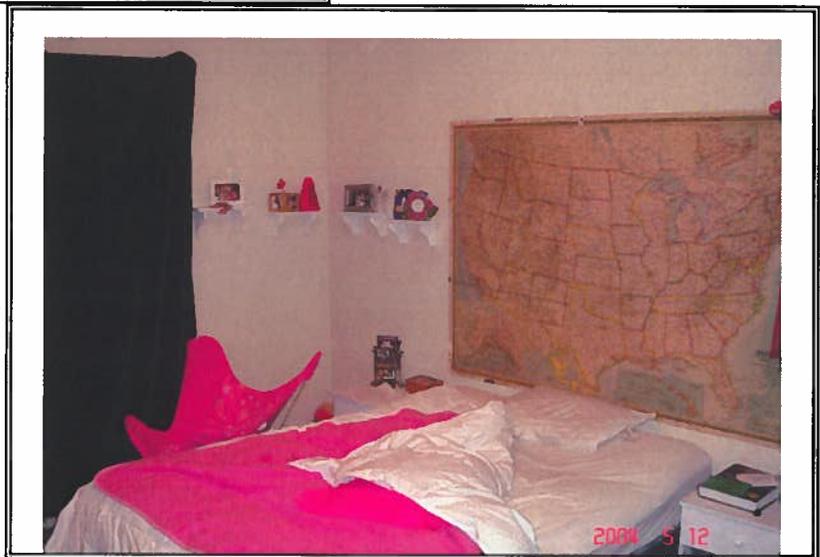
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## **SUBJECT PROPERTY PHOTOGRAPHS**



19. Typical view of living room looking toward kitchen

20. View of bedroom



21. View of bedroom



# **INTRODUCTION**

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## **EXECUTIVE SUMMARY**

Property Name: Sunscape Apartments  
Location of Property: 2426 West Cardinal Loop, City of Austin, Travis County, Texas  
Map Reference: Mapsco Map Page 647J, Grid MN-17  
Parcel ID Number: 03-1531-03-17  
Property Rights Appraised: Fee simple

Site Data:  
Size: ±8.624 acres  
Zoning: I-RR - Interim Rural Residence  
Utilities: All available  
Shape: The site is irregular in shape.  
Easements: No adverse easements noted.  
Topography: The subject site is gently rolling.  
Floodplain: Based on available maps, 0% of the site is in the flood plain.

Improvement Data:  
Construction: 15 buildings constructed slab on grade with wood framing, brick and hardboard siding trimmed with rough sawn cedar and a composition shingle roof.  
Year of Construction: 1983  
Number of Units: 216  
Unit Mix:

Sunscape Apartments					
Unit	Unit Type	Size SF	# of Units	Total SF	% of Units
A	Eff.	399 SF	40	15,960	18.5%
B	1/1	542 SF	48	26,016	22.2%
C	1/1	648 SF	32	20,736	14.8%
D	2/1	818 SF	24	19,632	11.1%
E	2/2	901 SF	40	36,040	18.5%
F	2/2	980 SF	32	31,360	14.8%

Gross Building Area: ±152,889 SF  
% Occupied: 73%  
Condition: The property is in average condition.

## ***INTRODUCTION***

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Highest and Best Use:

As If Vacant:

Multi-family development in accordance with market demand

As Improved:

Continued use as an apartment project

Type of Appraisal:

Complete Appraisal in a Self-Contained Reporting Format

Effective Date of the Appraisal:

December 30, 2004

Date of the Report:

January 5, 2004

Value Conclusions:

\$7,900,000

**Please note: This value conclusion is specifically limited by the *Assumptions and Limiting Conditions*, with emphasis on the *Extraordinary Assumptions* detailed at the beginning of this appraisal report.**

## **INTRODUCTION**

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### **DATE OF VALUE**

The property was inspected on December 30, 2004, with this date serving as the effective date of the appraisal. All photographs of the property were taken by Lory R. Johnson, MAI on the date of inspection, December 30, 2004 and during the previous inspection of the property on May 12, 2004.

### **PURPOSE/INTENDED USE OF THE APPRAISAL**

The purpose of the appraisal is to estimate the market value of the fee simple interest in the subject property. The intended use of the appraisal is to assist THC, Inc. and the City of Austin in acquisition of the subject property for the Austin-Bergstrom Noise Abatement Program. The definition of this value estimate is included herein. The client is the THC, Inc. with the client, the City of Austin, and the FAA being the intended users of the report. Use of this report by others is not intended by the appraisers. This report is intended only for use in acquisition planning decisions. This report is not intended for any other use.

### **SCOPE OF WORK**

As outlined, the purpose of this appraisal is to estimate the market value of the fee simple interest in the subject property. We were provided a contact person, an exterior inspection, survey, transaction screen, and a title commitment. We also received a copy of the December 7, 2004 Rent Roll, year-end Operating Statements for 1999 through 2003, an August 31, 2004 Operating Statement, a Property Improvement Schedule for 1999 through 2003, copies of the existing leases, copy of the agreements with outside vendors, and a copy of the 1991 survey commissioned by the owners. In addition, we were previously provided a Noise Mitigation Program Contour Map, FAA Appraisal Content Guidelines, a copy of 49 CFR Subtitle A (10-1-99 Edition) and Chapter 2 of 49CFR24. Using this information and additional information secured from the Travis County Deed Records and the Travis Central Appraisal District, the size of the property and its legal description were established. All information provided is assumed to be correct and has been considered in the following valuation analysis.

In analyzing the area economy, data from the various sources including the Chamber of Commerce was obtained. Historical trends as well as future projections were obtained through various studies and market surveys performed throughout the area. In addition, we inspected the subject property and surrounding properties, analyzed the area and subject neighborhood, formulated an opinion regarding the highest and best use, made a search for comparable sales and listings, and all other available pertinent information used in developing an opinion of value. This data is based upon research into the Travis County market. In all cases, the data is verified with buyer, seller, landlord, tenant, agent, and/or broker, and cross-checked through public records. Additionally, information gathered during this stage of the process included general data relating to the character and durability of the market, and the anticipated future of the market.

In the analysis of the subject property, the Cost Approach, Sales Comparison Approach, and Income Capitalization Approach were considered. However, considering the age of the improvements, the Cost Approach was not considered to be applicable. As such, only the Sales Comparison and Income Capitalization Approaches were developed herein.

This is a Complete Appraisal in a Self-contained Report format which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice for a Self-contained Appraisal Report. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated herein. The appraiser is not responsible for unauthorized use of this report.

## **INTRODUCTION**

The analysis and results of the investigation are submitted in this appraisal report which has been prepared in conformity with the requirements of the *Code of Professional Ethics and the Standards of Professional Appraisal Practice* of the Appraisal Institute, the *Uniform Standards of Professional Appraisal Practice* as promulgated by the Appraisal Foundation, the *Uniform Appraisal Standards for Federal Land Acquisitions*, as well as the requirements of the State of Texas for State-Certified General Real Estate Appraisers. In addition, this appraisal is prepared in conformity with the Uniform Relocation Assistance and Real Property Acquisitions Policy Act of 1970.

### **PROPERTY RIGHTS APPRAISED**

The property rights appraised are the fee simple interest in the subject property. . Fee simple estate is an absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.<sup>1</sup>

### **DEFINITION OF MARKET VALUE**

Market value, as used in this appraisal report, is defined as being: "the amount in cash, or on terms reasonably equivalent to cash, for which in all probability the property would have sold on the effective date of the appraisal, after a reasonable exposure time on the open competitive market, from a willing and reasonable knowledgeable seller to a willing and reasonably knowledgeable buyer, with neither acting under any compulsion to buy or sell, giving due consideration to all available economic uses of the property at the time of the appraisal."<sup>2</sup>

### **JURISDICTIONAL EXCEPTIONS**

This appraisal has been developed contrary to standard Uniform Standards of Professional Appraisal Practice (USPAP) in two instances. We have invoked the Jurisdictional Exception Rule of USPAP as related to exposure time and current zoning. In accordance with the Uniform Appraisal Standards for Federal Land Acquisitions, exposure time has not been considered or reported, as required by Standards Rule 1-2(c) and 2-2 (a)(v) of USPAP. In addition, the Appraisal Standards upon which this appraisal was developed as outlined in our contract for services, requires the appraiser to form an opinion of compensation for the property disregarding any decrease or increase in the market value of the real property prior to the date of valuation caused by the public project. In this case the zoning of the subject property is within the City of Austin's I-RR zoning classification. However, the city has placed the subject in an area described as Airport Overlay Zone 2, and in cases such as these we have been directed to use the prior status of the property to determine its highest and best use and value. Therefore, impact of noise from the airport is not considered.

### **SUMMARY OF APPRAISAL PROBLEM**

The appraisal of the subject property was fairly straightforward as the property reflects an apartment property. Our appraisal is the second time we have valued this property, the most recent time being in May 2004. At that time we were given a complete interior and exterior inspection. For purposes of this assignment, we have inspected the property from the exterior only and were provided some updated operating information.

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<sup>1</sup> *The Appraisal of Real Estate*, 12th Edition, (Chicago: Appraisal Institute, 2001) p. 69.

<sup>2</sup> *Uniform Appraisal Standards for Federal Land Acquisitions*, Interagency Land Acquisition Conference, Washington D.C., 2000, pg 13

## ***INTRODUCTION***

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### **LEGAL DESCRIPTION**

The following legal description was cross-checked through public records and is assumed to be correct. It has not been verified by legal counsel nor has an independent survey of the parcel been commissioned. Therefore, it is suggested that the legal description be verified before being used in a legal document or conveyance.

Being an 8.624 acre tract of land out of the Santiago Del Valle Ten League Grant, Abstract No. 24 in Travis County, Texas.

### **HISTORY/CURRENT LISTING OF THE PROPERTY**

According to the Title Commitment, ownership of the property is vested to Sunscape Partnership. The owner acquired the property on June 10, 1992 as recorded in a Warranty Deed recorded in Volume 11707, Page 1562. Consideration for this sale was not disclosed.

To our knowledge, the property is not currently listed for sale and no offers were disclosed. However, it is our understanding that the City of Austin is interested in acquiring the property as part of the noise mitigation program.

### **OWNER CONTACT**

The current owner of the property (Sunscape Partnership) was contacted by representatives of THC, Inc. and afforded the opportunity to accompany the appraisers on the inspection. They declined and the property inspection was performed on December 30, 2004 from the right of way.

### **REAL ESTATE TAXES**

The subject property falls under the jurisdiction of various taxing authorities. The adjacent chart illustrates the 2003 and 2004 tax rates per \$100 valuation for each of these taxing entities. Presented in the following Table are the subject property's assessed values and tax liabilities for 2003 and 2004.

JURISDICTION	2003 RATE	2004 RATE
Travis County	\$0.4918	\$0.4871
Del Valle ISD	\$1.7968	\$1.8063
City of Austin	\$0.4928	\$0.4430
Totals	\$2.7814	\$2.7364

## ***INTRODUCTION***

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TCAD: 03-1531-03-17					
YEAR	LAND	IMPROVEMENTS	TOTAL ASSESSED VALUE	TAX RATE/\$100	TOTAL TAXES
2004	\$375,487	\$3,817,345	\$4,192,832	\$2.7364	\$114,733
2003	\$375,487	\$3,944,513	\$4,320,000	\$2.7814	\$120,156

According to representatives of the Travis County Tax Collector/Assessors Office, as of the effective date of this appraisal, there are no past due taxes.

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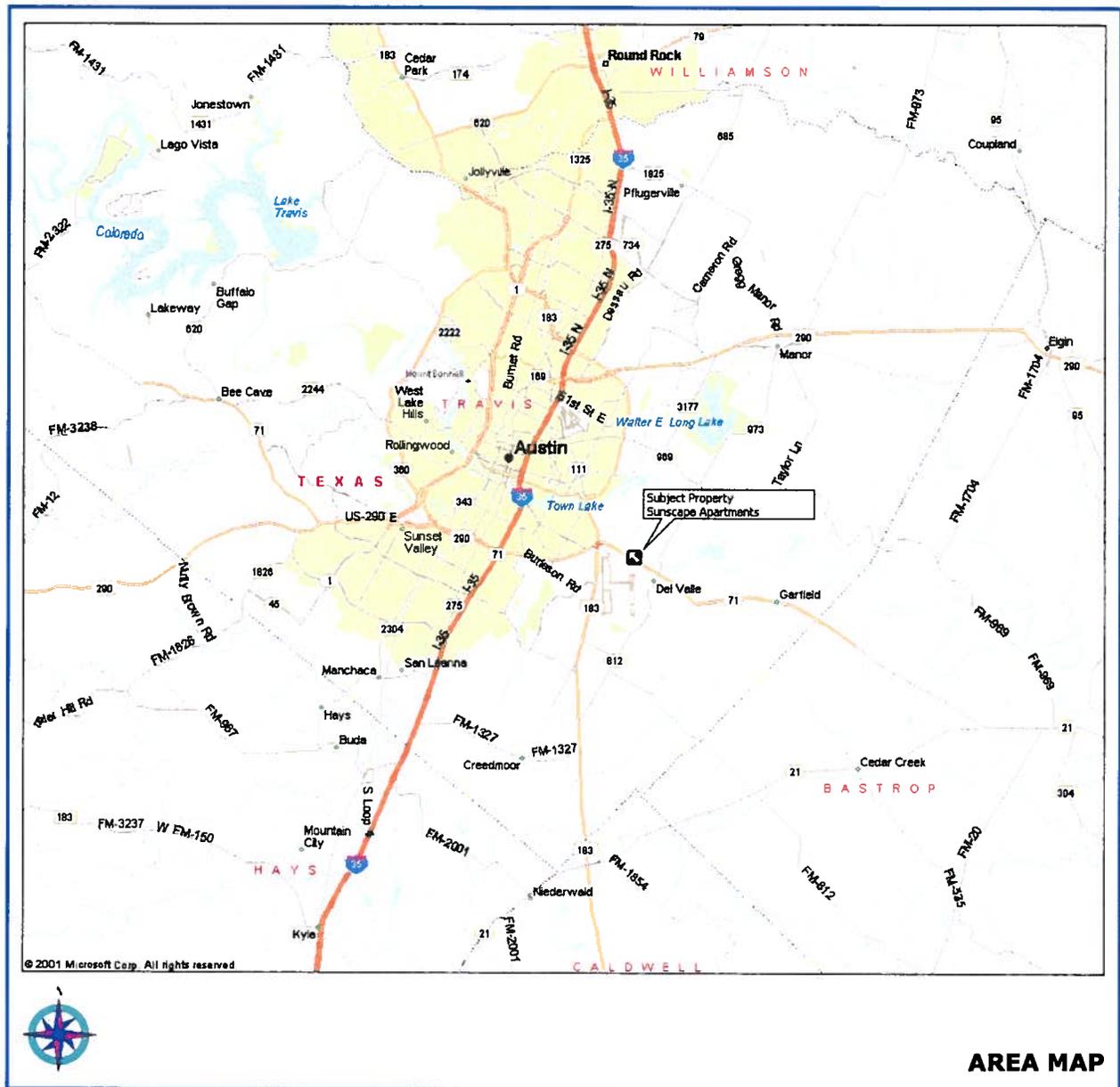
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***DESCRIPTIONS***

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# AUSTIN AREA ANALYSIS



The subject is part of a regional area situated within the boundaries of the City of Austin, which is the state capital of Texas and the county seat of Travis County. The larger Austin-San Marcos (MSA) is comprised of Travis, Hays, Williamson, Bastrop, and Caldwell counties. The major highways extending through the City of Austin are Interstate Highway 35, U.S. Highway 290, U.S. Highway 183, and Texas 71.

# AUSTIN AREA ANALYSIS

## POPULATION ISSUES

The population of the Austin area has experienced substantial growth in recent years. The current population of the City of Austin is estimated at 698,550, with an increase of approximately 31% between 1990 and 2000. Most forecasts for Austin's population suggest an average annual rate of approximately 2% to 3% for the next several years, and during the *Economic & Technology Forecast: 2004-2005* sponsored by The Real Estate Council of Austin, Inc., Angelou Economics indicated that the current population should increase by 4.3% by the end of 2005.

## GOVERNMENTAL ISSUES

### Environmental & Zoning Issues

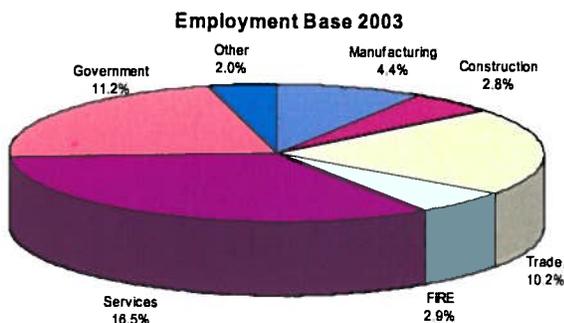
Governmental, political and legal issues have a significant impact on property values, particularly with respect to controls such as local zoning, environmental regulations and building and health codes. Historically, Austin's City Council has been divided between pro-growth and anti-growth orientations. The City of Austin has a lengthy, comprehensive and complex set of regulations governing land use and development. This factor significantly impacts real estate in the Austin area. The process of getting property subdivided, zoned, planned, approved and/or developed in Austin has become increasingly complex, lengthy, expensive, and difficult over the last 15 years. It has given rise to a mini-industry composed of lawyers, consultants, land planners, engineers, and architects who specialize in getting development projects through the process. Recently, the most restrictive development regulations involve the endangered species in the area and the water quality issues.

### Real Estate Taxes

Real estate properties are assessed at 100% of their market value. The real estate taxes in Travis County are based on assessed values set by the Travis County Central Appraisal District. The assessed values are required to be updated every other year in odd-number years. Most properties located in the City of Austin are taxed by the following jurisdictions: City of Austin, Travis County, Austin ISD and Austin Community College. Since 1990, total tax rates for properties within these four jurisdictions have ranged from 2.2945 to 2.8155, with the 2003 total tax rate set at 2.6754.

Property tax rates in the Austin metropolitan area can vary somewhat depending on the property's location within specific jurisdictions. Although the total tax rates quoted above apply to the majority of properties within the City of Austin, these rates are at the high end of the range of property taxes within the Austin metropolitan area, which has helped to propel some growth outside of city limits in recent years.

## EMPLOYMENT/ECONOMIC CONDITIONS



The most important and the largest employment sectors in Austin are the government, on all levels, education and high technology. The "high-tech" industry emerged during the early 1980's as Austin experienced a period of rapid expansion in this area. Since 1990, all major employment categories experienced gains, creating a broad-based expansion across all sectors of Austin's economy. During the last decade, the Austin-San Marcos MSA created ±281,500 new jobs, or a total increase of ±72%. The service sector generated

## **AUSTIN AREA ANALYSIS**

the most new jobs adding roughly 103,000 of the total. As of 2003, the total employment base was 672,400.

However, the dot-com bust of 2000 and the subsequent economic recession have taken a toll on Austin. During 2001 and 2002, Austin saw major changes in the labor market, with several companies announcing layoffs amid the high tech turn down. Austin's growth has slowed significantly during the down-turn. In addition, although the City of Austin, Austin MSA and Travis County have generally fared better than the State of Texas and the overall United States with respect to unemployment rates, the recent downturn has been an exception. The annual unemployment rates for the City of Austin, Austin MSA, the State of Texas and the United States are illustrated in the adjacent Table.

ANNUAL UNEMPLOYMENT RATES					
YEAR	CITY OF AUSTIN	AUSTIN MSA	TRAVIS COUNTY	TEXAS	UNITED STATES
1980	N/A	4.8%	N/A	5.2%	7.2%
1985	N/A	4.2%	N/A	7.0%	7.2%
1990	5.4%	4.5%	N/A	6.2%	5.5%
1995	3.5%	3.3%	3.7%	6.1%	5.5%
2000	2.1%	1.9%	2.0%	4.0%	3.8%
2001	4.3%	3.8%	4.0%	4.8%	5.8%
2002	6.2%	5.6%	5.8%	6.3%	6.1%
2003	4.9%	4.5%	4.6%	6.4%	5.7%

Source: Texas Workforce Commission (Texas Labor Market Review), Texas Comptroller of Public Accounts, Austin Chamber of Commerce, City of Austin, US Dept of Labor Statistics, <http://www.twc.state.tx.us/lmi/lmi.html>

### **Employment/Economic Outlook**

The employment and economic outlook in Austin are considered generally favorable. While population and employment growth are expected to be slow for the next few quarters, no major problems are foreseen at this point. The technology down-turn has taken its toll on the city's employment rates. However, governmental and education entities are a significant source of stability and influence on the City's economy. In addition, the recent economic slow-down has resulted in a return to economic development activities that had been largely abandoned during the rapid growth of the previous decades. Currently, efforts are focused on attracting the biotechnology industry, as well as more traditional industries. In addition, the tourism industry should continue to grow and benefit the local economy. Overall, a general slow down to levels of more moderate growth is expected for the near future.

### **REAL ESTATE TRENDS**

Austin's geographical state capital location, as well as the inflow of "high-tech" industries, have prompted real estate development. Despite the increasingly complex and restrictive development and land use regulations, Austin experienced a tremendous real estate development boom in the mid- to later 1990s. This development boom has been more controlled than the boom seen in the 1980's, as financing sources became wary of overbuilding.

Most economic indicators suggest that Austin is currently experiencing an over-built situation due to the overall dip in the economy after a period of record growth and absorption over the last few years.

## **AUSTIN AREA ANALYSIS**

Following is a brief overview of key real estate submarkets within the Austin area, followed by a more in-depth consideration of the multi-family market, which will be more significant within this appraisal report. Information on real estate trends has been obtained from various sources including the City of Austin Planning Department's *Growth Watch* and *The Source*, a semi-annual publication developed by Commercial Industrial Properties (CIP). The most recent publication of *The Source* is the year-end review and forecast (*The Source 2003 Year-End Review & Forecast*). In addition, market studies developed by Capitol Market Research have been used in the following analysis of current real estate trends.

### **Summary**

Most segments of the Austin real estate market are showing signs of the downturn in the economy after several years of stellar growth. Although the office, industrial, retail, single-family residential, and apartment submarkets have been impacted to differing extents by the current recession, no segment is likely to be in a growth stage for a few quarters or before the local and national economies heat up. On an overall basis, Austin's real estate activity is slowing, but is considered positive and the outlook favorable over the long term. Our opinion is that the markets are returning to more normal levels after a few years of outstanding growth.

### **Office & Industrial**

Both the office and industrial markets have been hard-hit in the past several years as demand in technology and semi-conductor industries diminished, production was slashed, venture capital dried up, and jobs were rapidly eliminated. Since 2000, the Austin office, office/warehouse and flex space markets have declined from relatively healthy levels to a state of significant over-supply. For example, in 1998, city-wide office occupancy was 95%, while it was a mere 80% at the end of 2003, without considering the large sub-lease market. After steep declines in the industrial market, occupancy appears to have stabilized during the second half of 2003, although current occupancy rates are closer to the levels seen in the bust of the late 1980s than to prevailing rates between 1990 and 2000.

### **Retail**

By contrast, the retail market has been a bright spot in the Austin real estate market. With respect to retail, although the rate of increase of rents has slowed in the past several years, rents have continued to creep upward throughout the downturn. The Austin-area retail market has remained stable through year-end 2003, with occupancy and rates increasing slightly versus levels at year-end 2002. At the end of 2003, overall retail occupancy rate was 93.4%, with low levels of sub-lease space available, and overall retail rent rates were \$1.43 - \$1.66/SF.

The Austin retail market is stable for several reasons. First, retail development is primarily based on pre-leasing, so very little speculative retail development has taken place over the past 10 years. Although many failures and consolidations have occurred in the retail arena, it has not translated into a higher overall vacancy rate because expanding retailers are filling those spaces. Another factor that has contributed to the stability of the local market is the general lack of quality retail sites. Central Texas has been reacting to long-term population growth instead of planning for it. The area has also struggled with tough environmental issues, resulting in a patchwork of developable sites that often do not provide the access, exposure or configuration in areas of demographic demand for retail development. Thus, the silver lining behind Central Texas's challenging development environment is a retail market that is relatively stable and is generally, in good condition.

# AUSTIN AREA ANALYSIS

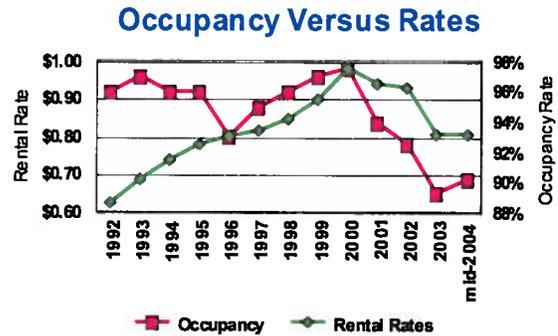
## Single-Family Residential

Although the single-family market has experienced some volatility due to the new home market, on an overall basis, the average sales price of single-family residential homes has increased consistently since 1990, with the total number of homes sold also increasing steadily until recently. Presently, Austin is experiencing a stable single family market, although days on market appear to be increasing. In addition, homes priced above the median home price have been most impacted by the economic recession, with the upper-end market experiencing significantly longer marketing periods and greater price reductions.

Over the intermediate future, it is anticipated that the single-family market segment will remain strong, although at reduced rates versus the last decade. This reduction is largely due to the slowdown in population and job growth anticipated for the Austin area. Interest rates are at very low levels, making this type of housing slightly more affordable, which may help sustain the market segment. In addition, builders are continuing to build new homes, using significant incentives to entice homebuyers.

## Apartment Market

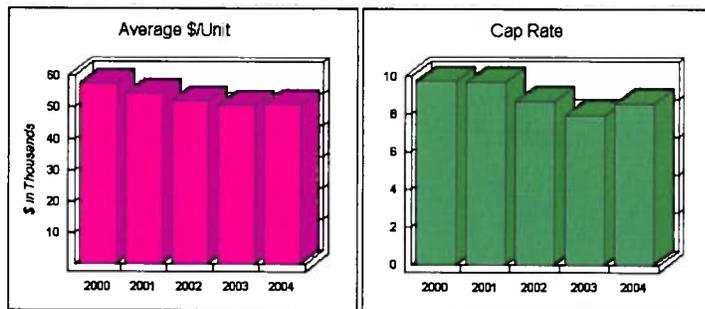
The apartment community has finally shifted into a recovery mode with mid-year 2004 indications showing increased occupancy and rent levels. Absorption fell to a seven year low during 2002, but has been positive in every quarter since. The slower pace of new unit completions has helped. Leasing activity at the project completed since the first of 2004 has been strong. Many older projects have suffered as tenants have been moving from the older projects to the newer ones that have rates that are competitive currently.



The road back to full recovery will likely be extended until job and population growth improve. On a positive note, Austin's single-family sector was recently named the best in the country by *SmartMoney* in terms of long-term outlook for price appreciation. Like its tech counterparts

across the nation, Austin is suffering from decreased demand for apartments as laid off workers double up or leave the area in search of jobs. Apartments also face stronger competition from the single family market as housing has become more affordable in this down market. For 2003, absorption was positive by 2,935 units, compared to positive absorption of 2,008 units in 2002. Through the first 6 months of 2004, absorption outpaced new construction with a total positive absorption of 2,260 units.

Through mid-year 2004, the market occupancy increased while rental rates remained stable. Average rents remained at \$0.81/SF, although this would have likely been higher expect for a number of income restricted



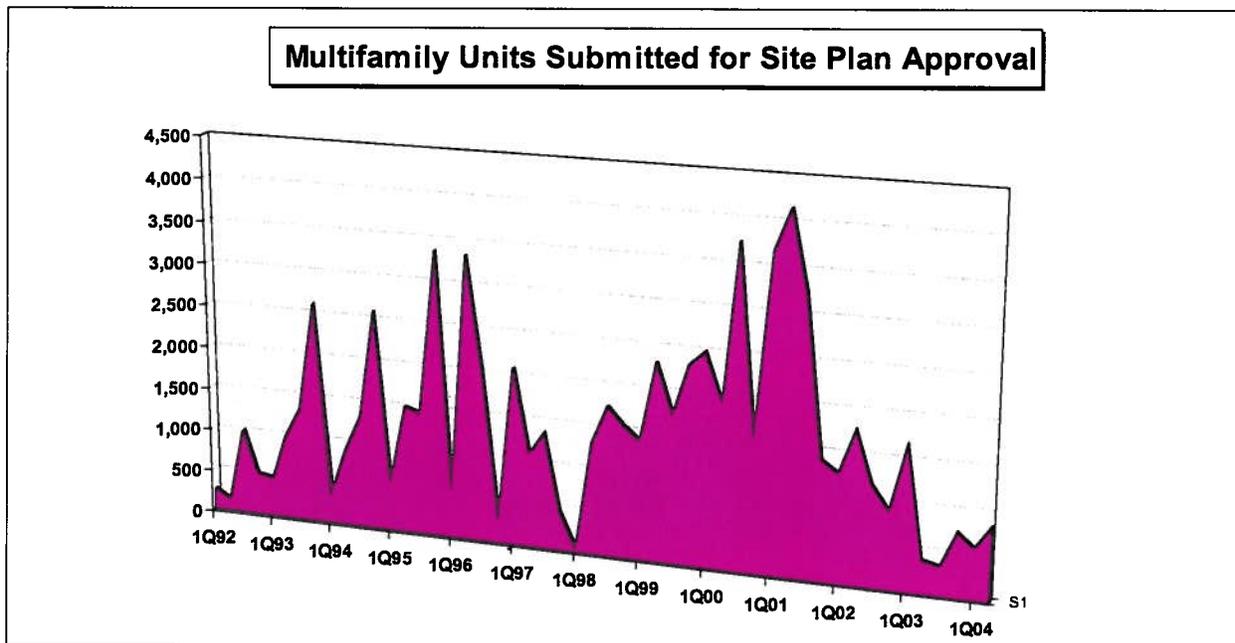
	2000 1/1/2000 12/31/2000	2001 1/1/2001 12/31/2001	2002 1/1/2002 12/31/2002	2003 1/1/2003 12/31/2003	2004 1/1/2004 12/31/2004
Total Sales	88	57	44	40	43
Total \$ Volume	\$549,063,825	\$416,952,420	\$121,904,980	\$172,664,608	\$257,598,700
Total Square Feet	7,969,933	5,998,466	1,831,261	2,720,299	4,231,535
Total Units	9,527	7,641	2,330	3,398	5,021
Total Acres	628.17	373.45	112.74	185.33	238.42
Average Sale Price	\$6,239,362	\$7,314,955	\$2,770,568	\$4,316,615	\$5,990,667
Average Number of SF	90,567	105,236	41,620	68,007	98,408
Average Price Per SF	\$68.89	\$69.51	\$66.57	\$63.47	\$60.88
Median Price Per SF	\$58.38	\$59.84	\$73.26	\$66.75	\$49.59
Average Price Per Unit	\$57,593	\$54,568	\$52,320	\$50,814	\$51,304
Median Price Per Unit	\$36,250	\$40,000	\$43,257	\$43,250	\$36,153
Average Number of Units	110	134	53	85	117
Average Number of Acres	7.22	6.55	2.56	4.75	5.54
Average Cap Rate	9.73	9.68	8.68	7.96	8.59
Average GRM	5.43	5.42	5.50	6.40	5.69

## AUSTIN AREA ANALYSIS

projects that came on-line and lowered the average. Most market observers are predicting that rental rates will stabilize with modest increases being seen in 2004. In addition, occupancy rates are expected to begin to climb as well through 2004 as the number of new project coming on line has diminished drastically.

Per CoStar, apartment sales volume in 2004 was 43 recorded transactions versus 40 transactions in 2003 and to 44 in 2002. The average price per unit rose to \$51,304 in 2004, from \$50,814 the previous year. Apartment sales volume has slowed continuously since 2000 when there were 88 recorded transactions, however the 2004 levels surpassed those seen in 2003. The average price per unit and the overall capitalization rates also dropped between 1999 and 2003 with increases in both in 2004.

The following is taken from the City of Austin's Transportation, Planning and Sustainability Department via their *Growth Watch* publication.



### **Growth Watch**

### **Pipeline Summary As of 01-01-04**

	No. of <u>Units</u>	No. of <u>Projects</u>
<b>Projects with Site Plans Pending</b>	1,873	15
<b>Projects with Site Plans Released</b>	8,958	69
<b>Projects Under Construction</b>	3,809	28
<b>Projects Completed</b>	51,314	212
<b>Projects with Expired or Withdrawn Site Plans</b>	7,335	32
<b>Status Definitions:</b>		
<b>Totals</b>	<b>73,289</b>	<b>356</b>

Pending - Projects with plans currently being examined by Development Review, but not approved yet.

Released - Projects with approved site plans, but not under construction.

Construction - Projects currently under construction.

Completed - Projects completed (projects that are at least 50% finished are considered complete).

With respect to the submarket in which the subject property directly competes, the subject market is reporting an average occupancy rate of 86.9% currently which is below the market as a whole. However, the submarket's average rental level is the same at \$0.81/SF per the Capital Market Research study. Disaggregating the market further shows the following statistics with the subject type units highlighted.

## AUSTIN AREA ANALYSIS

Year Completed	Total Units	Eff.	1/1	2/1	2/1.5	2/2	3/2	3/2.5	3/3	3+
Pre-1993	14,492	\$0.99	\$0.78	\$0.72	\$0.64	\$0.68	\$0.73	\$0.51	\$0.56	\$0.74
1993	-	-	-	-	-	-	-	-	-	-
1994	-	-	-	-	-	-	-	-	-	-
1995	-	-	-	-	-	-	-	-	-	-
1996	1,228	\$0.98	\$1.07	\$0.93	-	\$0.97	\$1.26	-	-	\$1.10
1997	770	-	\$0.87	\$0.88	-	\$0.65	\$0.83	-	-	\$0.99
1998	1,094	\$1.14	\$0.95	\$0.86	-	\$1.17	\$1.01	-	\$1.05	\$1.08
1999	394	\$0.91	\$0.95	\$0.93	-	\$0.68	\$0.54	-	-	\$0.62
2000	803	-	\$0.98	\$0.90	-	\$0.82	\$0.83	-	\$1.23	\$1.40
2001	843	\$1.22	\$1.23	-	-	\$1.09	\$1.02	-	\$0.99	\$0.98
2002	1,402	-	\$0.84	\$0.74	-	\$0.80	\$0.64	-	\$1.24	\$1.15
2003	1,828	-	\$0.98	\$0.91	-	\$0.78	\$0.75	-	\$1.08	\$1.19
2004	560	-	\$0.75	-	-	\$0.71	\$0.71	-	\$0.68	\$0.69
<b>Wtd. Average</b>		<b>\$1.01</b>	<b>\$0.83</b>	<b>\$0.76</b>	<b>\$0.64</b>	<b>\$0.77</b>	<b>\$0.77</b>	<b>\$0.51</b>	<b>\$1.07</b>	<b>\$1.06</b>

Capitol Market Research

In looking into the subject submarket, it appears that it is comprised primarily of units that were built prior to 1993 with over 62% of the total number of units. The statistics indicate that these older units are outperforming the subject market in terms of occupancy. However, as would be expected, the average rents are slightly below the average of the submarket as a whole.

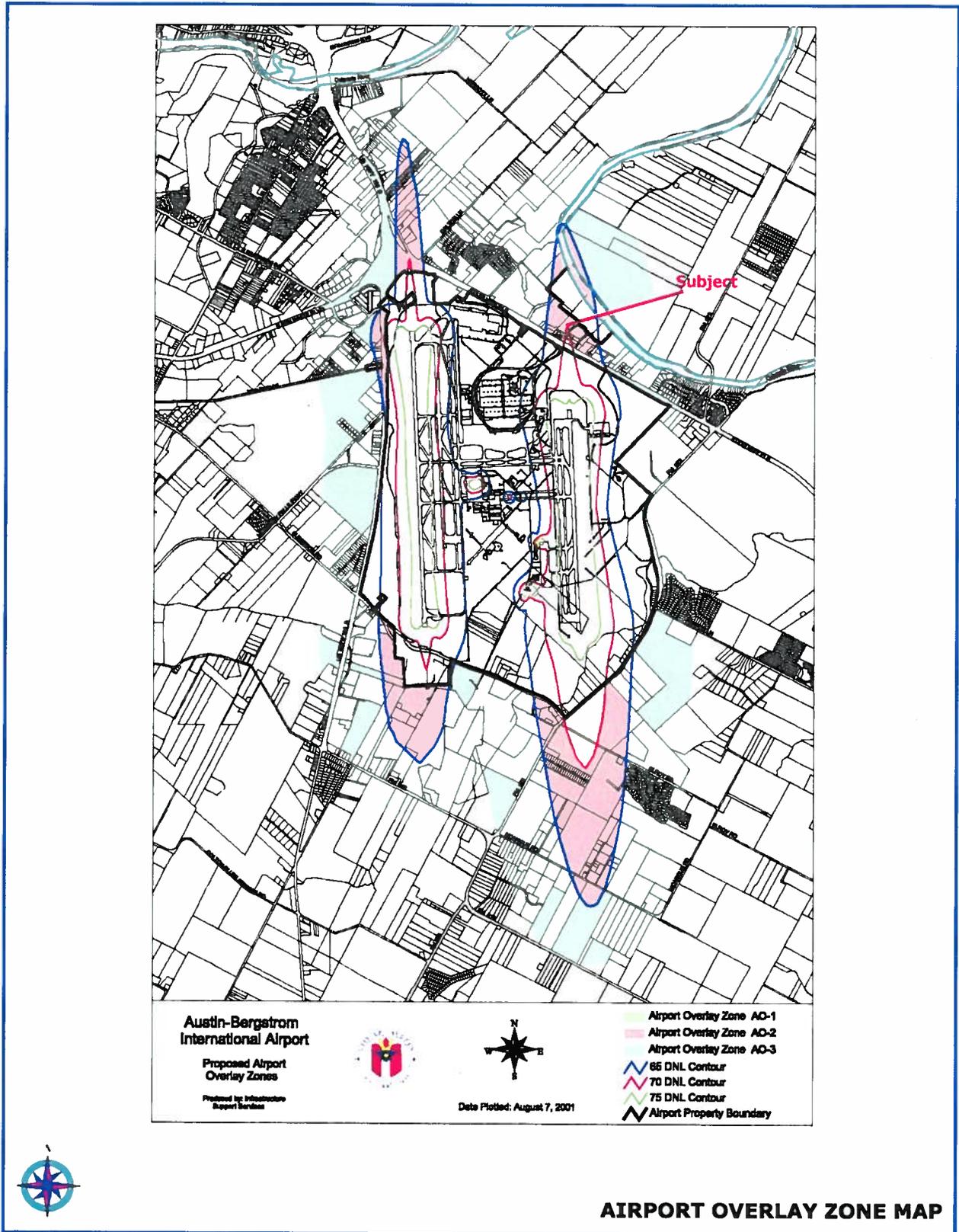
Year Completed	Total Units	Units Occupied	Percent Occupied
Pre-1993	14,492	13,004	89.7%
1993	-	-	-
1994	-	-	-
1995	-	-	-
1996	1,228	1,095	89.2%
1997	770	627	81.4%
1998	1,094	694	63.4%
1999	394	358	90.9%
2000	803	723	90.0%
2001	843	766	90.9%
2002	1,402	1,197	85.4%
2003	1,828	1,646	90.0%
2004	560	230	41.1%
<b>Total</b>	<b>23,414</b>	<b>20,340</b>	<b>86.9%</b>

Capitol Market Research

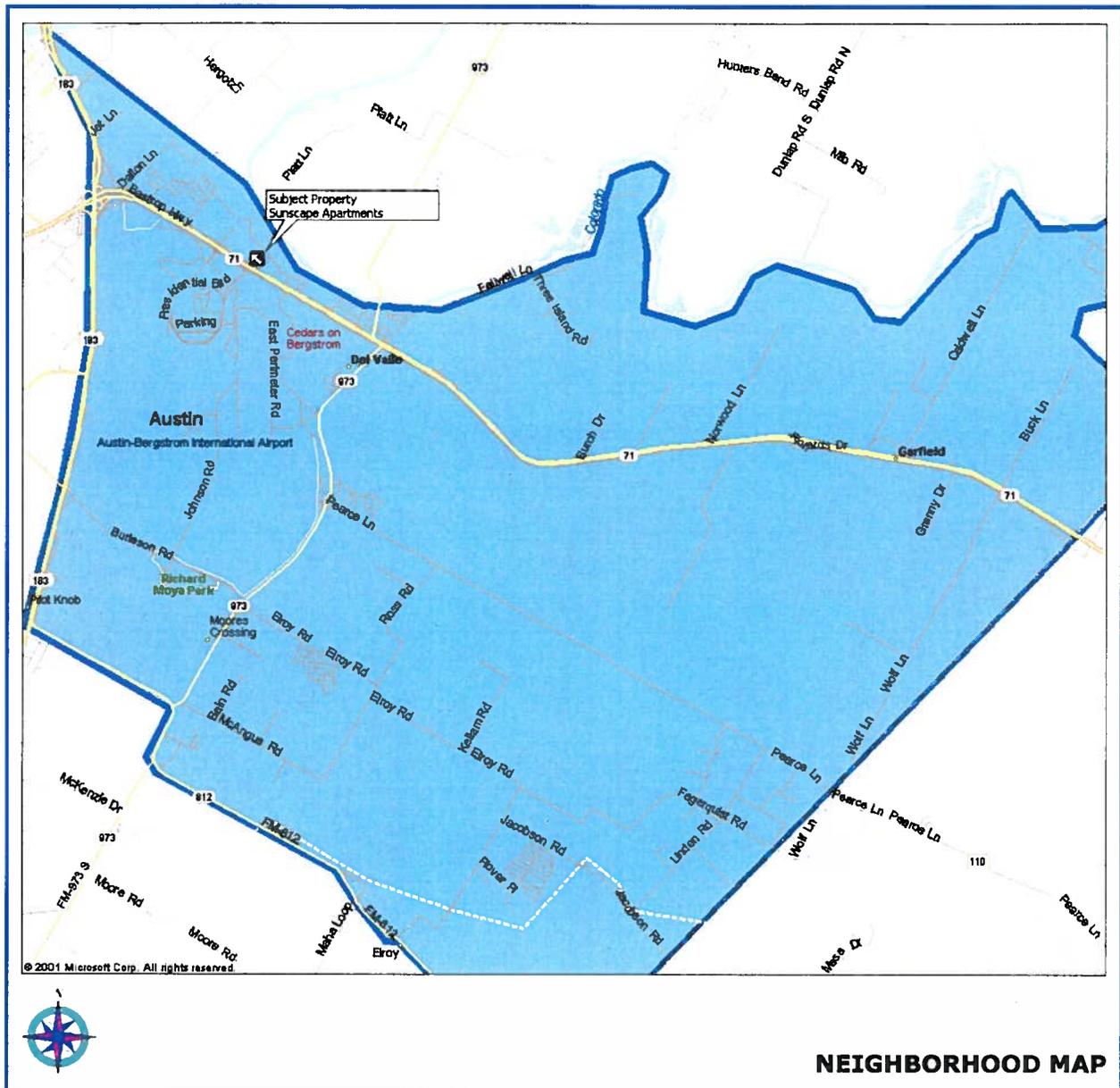
### OVERALL AUSTIN AREA SUMMARY

Beginning very slowly in 1991, and continuing at a more brisk pace up until the end of 2000, all segments of the Austin real estate market have showed positive growth and strength, as the area population surged. With the recent economic downturn, these upward trends have slowed or reversed in virtually all Austin real estate markets. However, the current dip in the market is expected to be short-term, and there are signs that we have reached the bottom of the current soft market in various market segments. The long term forecast among economists is for Austin's economy and employment to experience stable growth over the coming years, which will allow the markets to return to a more normal growth cycle.

# NEIGHBORHOOD ANALYSIS



## NEIGHBORHOOD ANALYSIS



A property is an integral part of its surroundings and must not be treated as an entity separate and apart from its environment. The value of a property is not found exclusively in its physical characteristics. Physical, economic, political, and sociological forces found in the area interact to give value to a property. In order to determine the degree of influence extended by these forces upon a property, their past and probable future trends must be analyzed in depth. Therefore, in order to determine the value of a property, a careful and thorough analysis must be made of the subject area. This area is commonly referred to as a neighborhood.

A neighborhood can be a portion of a city, a community, or an entire town. It is usually considered to be an area which exhibits a fairly high degree of homogeneity as to use, tenancy, and certain other characteristics. Homogeneity is a state of uniform structure or composition throughout. Therefore, in real estate terminology, a homogeneous neighborhood is one in which the property types uses are similar. A neighborhood is, therefore, a more or less unified area with somewhat definite boundaries.

## ***NEIGHBORHOOD ANALYSIS***

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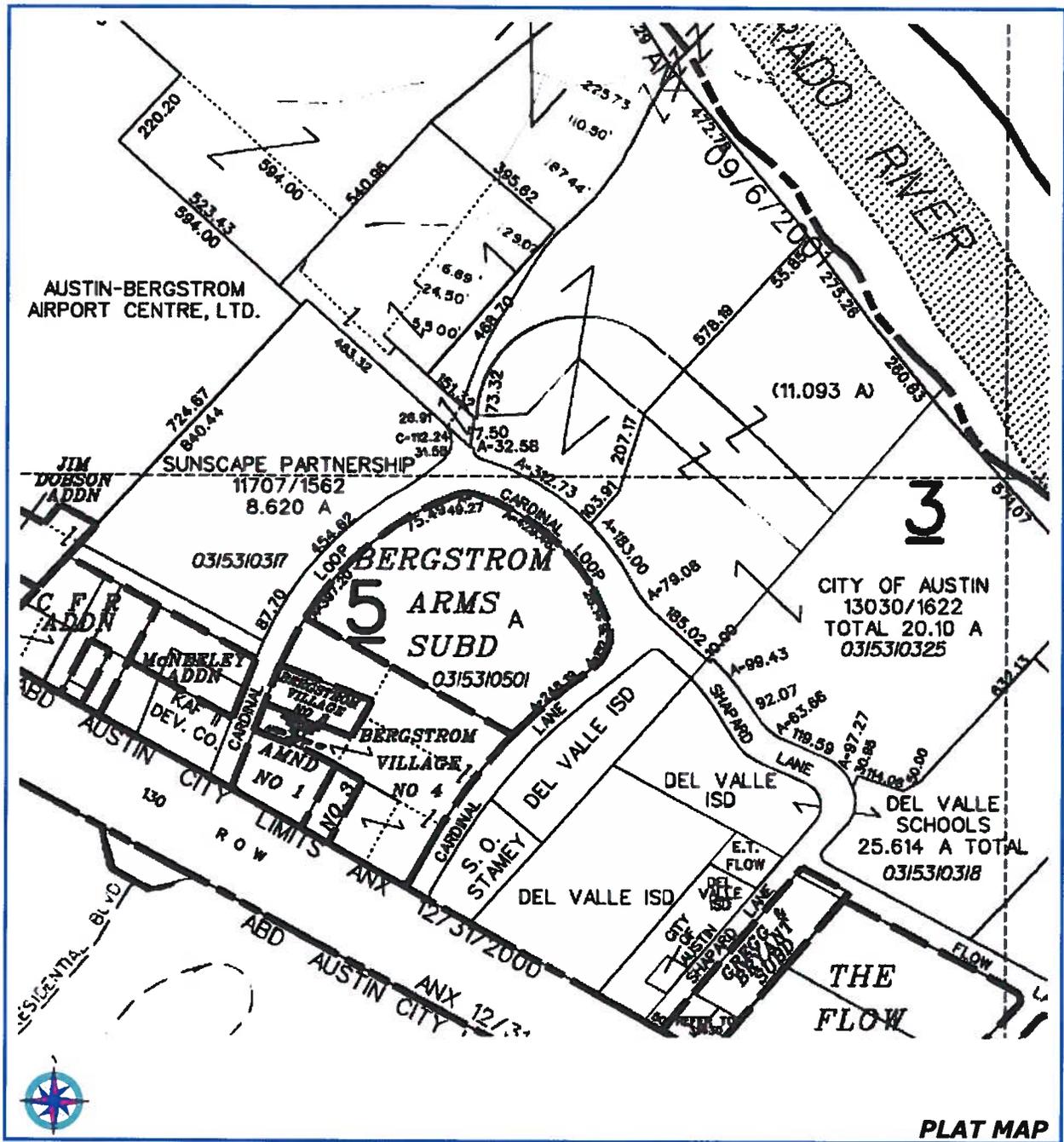
The subject property is located at 2426 West Cardinal Loop, City of Austin, Travis County, Texas. The subject is situated just north of the Austin-Bergstrom International Airport (ABIA). The subject market area is considered to be bounded by the Colorado River on the north, Bastrop/Travis County line to the east, and U.S. Highway 183 to the south and west. These boundaries have been selected as they tend to include properties which exhibit similarities in such aspects as physical characteristics, land use, amenities and supportive employment. Those forces affecting value and land use of the subject property would also be expected to influence properties within the neighborhood delineation, thus supporting the neighborhood boundaries. The northwestern most portion of the neighborhood is considered to be approximately 65% - 70% built-up while the balance of the neighborhood is approximately 30% - 40% built up being much more rural in nature.

The primary feature in the neighborhood is the Austin-Bergstrom International Airport. Access to the neighborhood is enhanced by U.S. Highway 183 and by State Highway 71. In addition, acquisition is underway for the Texas Highway 130 to run through a portion of the neighborhood. Additionally, there are numerous secondary traffic carriers extending into and throughout this area. The primary mode of transportation in the neighborhood is the automobile.

The character of the neighborhood is mixed with commercial development along the major roadways, residential beyond that with a large amount of vacant land used for agricultural purposes. Along the Colorado River are a few sites used for mineral and stone extraction. Land uses include the full-range of uses including single and multi-family, retail, restaurants, light industrial and educational facilities. There are public parks, recreational facilities, and green belts in this immediate area.

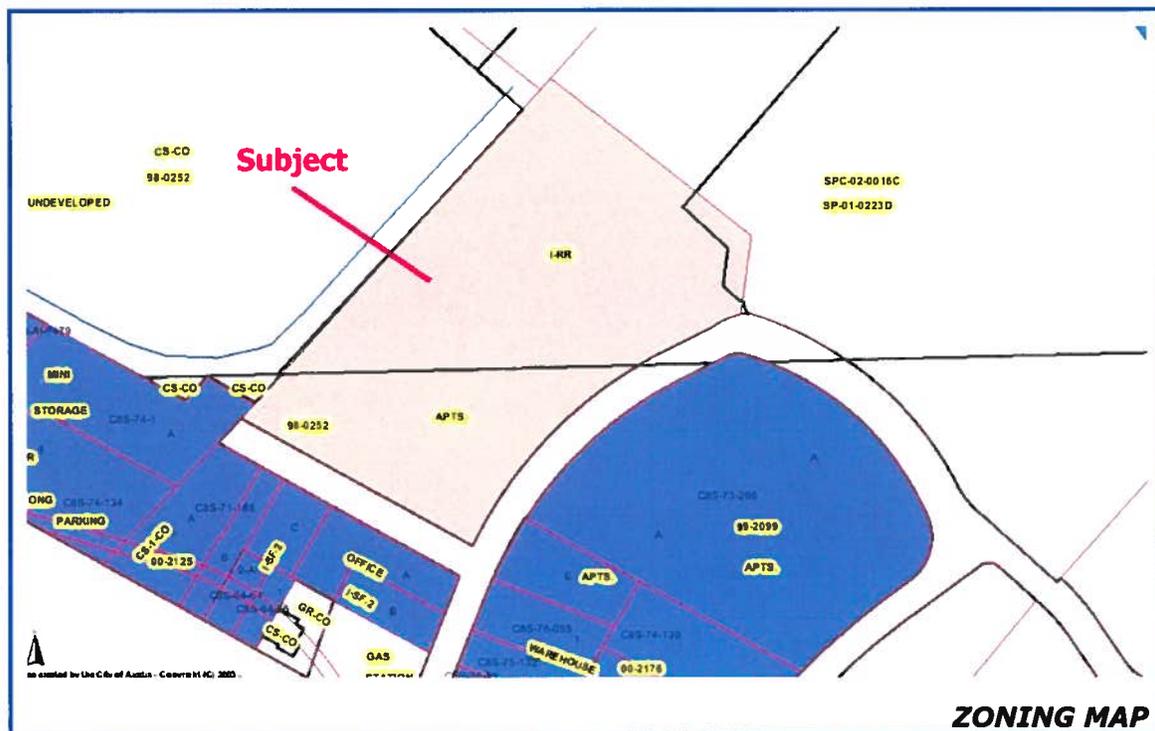
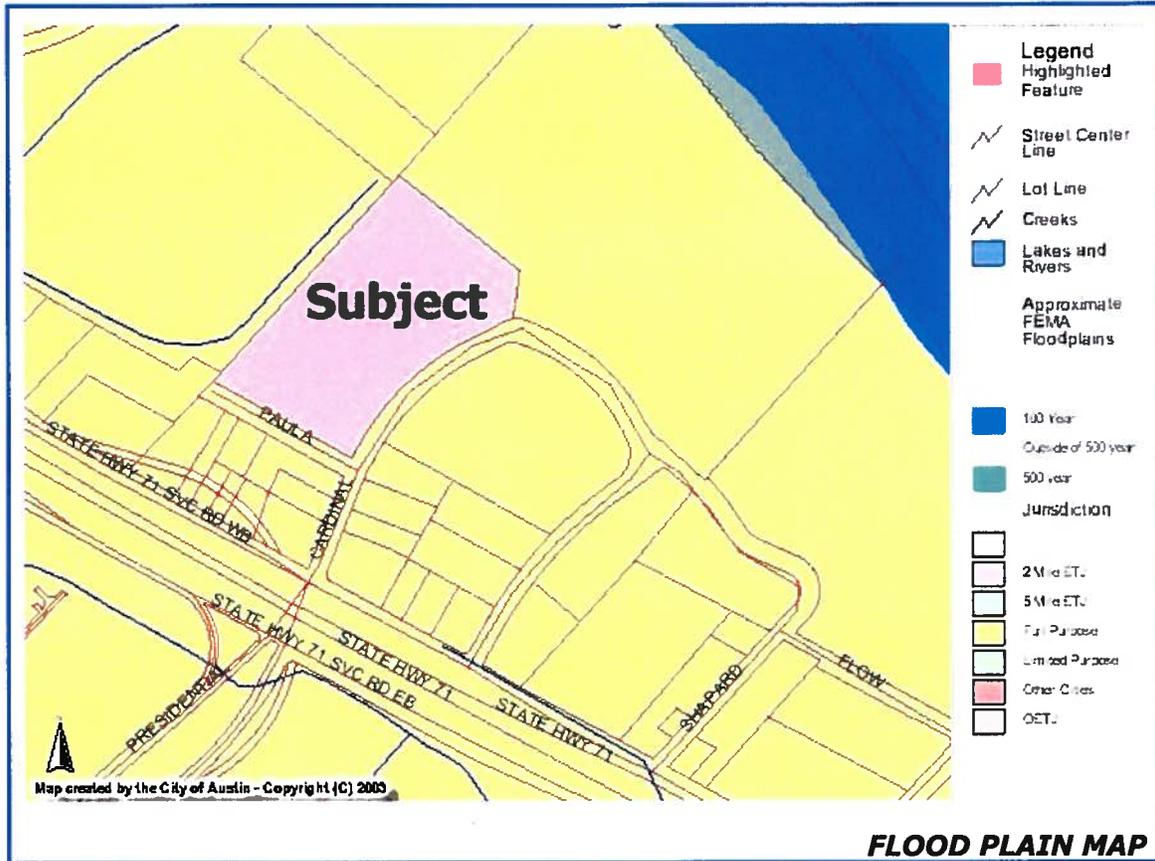
In conclusion, the neighborhood could be characterized as varied with a primary commercial corridor along the major thoroughfares. Demand for property in the subject neighborhood has fluctuated in recent years along with the overall economy, but is generally desirable, and the neighborhood has benefited from its good locational attributes. While the market is currently cool due to the general slow down in the economy, it is our opinion that growth will be moderate for the intermediate future.

# SITE DESCRIPTION & ANALYSIS



PLAT MAP

# SITE DESCRIPTION & ANALYSIS



## **SITE DESCRIPTION & ANALYSIS**

The following discussion addresses the physical attributes and characteristics of the subject site. These characteristics are based on plat maps obtained from the Travis Central Appraisal District and upon our physical inspection of the property. In addition, maps from the Federal Emergency Management Agency have been referenced.

Location:	2426 West Cardinal Loop, City of Austin, Travis County, Texas
Land Size:	±8.624 acres
Shape:	The site is irregular in shape.
Frontage:	Cardinal Loop: ±741 feet  Cardinal Loop in the vicinity of the subject is a two-lane, two-way, asphalt carrier with concrete curbs.
Access/Visibility:	The subject site is accessible from Cardinal Loop and is afforded average visibility from this roadway.
Topography:	The tract is gently rolling.
Subsoil Conditions and Drainage:	An engineering study to determine the soil and subsoil conditions has not been furnished. Upon inspection of the subject and surrounding improvements, soil conditions appear adequate to support development of the subject property with adequate engineering. Overall, drainage appears adequate
Flood Plain:	The subject property lies within the area mapped by Flood Insurance Rate Map Panel #48453C 0130 F, for the City of Austin, Travis County, Texas dated June 19, 2000 as supplied by the Federal Emergency Management Agency. The subject appears to be located within Zone X, areas outside of the 100 year flood. Based on our review of this map, 0% of the site is within the flood plain.
Utilities:	Water and wastewater are provided by City of Austin with electric from Austin Energy. Gas is provided by Southern Union Gas. Telephone service is provided by Southwestern Bell.
Additional Public Services:	Fire, emergency medical services, and police protection are provided by the City of Austin.
Zoning:	The subject property is currently zoned I-RR - Interim Rural Residence which is intended to as an interim zoning classification applied to properties that are annexed into the City of Austin. The RR zoning is intended as an area for very low density residential use; however as noted, this classification is applied to all properties annexed in to the city until a more appropriate zoning classification is applied. Existing uses become legal uses and may be either conforming or non-conforming depending on the

## **SITE DESCRIPTION & ANALYSIS**

zoning classification that is ultimately applied to the property.

### **Land Use Restrictions:**

We were provided with a title commitment. In addition, a search of the Travis County Deed Records did not reveal any adverse restrictions. However, appraiser's are not generally qualified to perform title searches. There are no known deed restrictions, either public or private, that would limit the utilization of the subject property. This statement should not be taken as a guarantee or warranty that no such restrictions exist. Deed and title examination by a competent attorney is recommended should any questions arise regarding restrictions. We have assumed no adverse deed restrictions exist.

### **Easements and Encumbrances:**

According to the survey and the title commitment, no adverse easements or encumbrances were noted.

### **Environmental/Toxic Waste:**

The Transaction Screen identified the subject property as having had a low level of environmental risk and that no further action was warranted for the site. This appraisal report assumes no soil contamination exists within or on the subject property. Any environmental issues, including endangered species and endangered species natural habitats, which would pertain to the subject property are unknown. Typically, real estate appraisers are not qualified nor are they experts in detecting hazardous materials, radiological materials, archeological resources, etc.; therefore, an expert in these fields should be consulted for opinions on these matters. This report assumes no environmental hazards or special resources exist within or on the subject property.

### **Mineral, Oil & Gas Interests:**

The appraisers were not made aware of any commercially viable mineral or oil deposits on the subject property.

### **Improvements:**

Please refer to *Improvement Description & Analysis* section.

### **Surrounding Properties:**

The subject property is bounded by vacant land to the west, office uses to the north, multi-family to the east and commercial/retail developments to the south.

## **IMPROVEMENT DESCRIPTION & ANALYSIS**



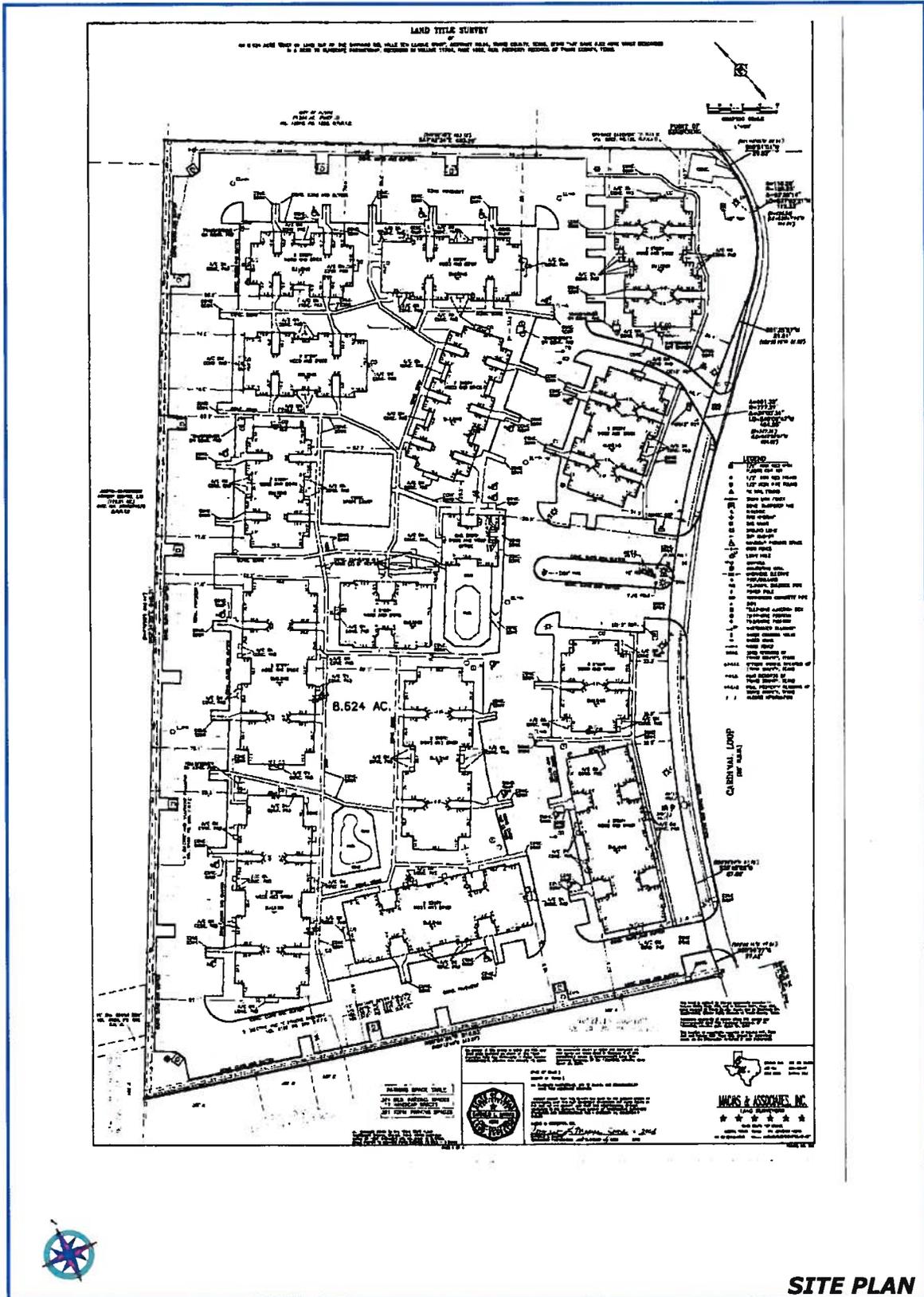
# IMPROVEMENT DESCRIPTION & ANALYSIS

**Sunscope Apartments**

**STEP UP INTO A NEW LIFESTYLE WITH A CHOICE OF SIX GREAT FLOORPLANS**

**FLOOR PLANS**

# IMPROVEMENT DESCRIPTION & ANALYSIS



## **IMPROVEMENT DESCRIPTION & ANALYSIS**

The following improvement analysis is based upon our physical inspection of the property and other provided information.

Project Name: Sunscape Apartments

Date of Construction: 1983

Building Area: Apartment Buildings: ±149,744 SF NRA  
 Laundry and Storage: ±1,400 SF  
 Office/Clubhouse: ±1,745 SF  
 Total: ±152,889 SF GBA

The following summarizes the unit mix and sizes.

Sunscape Apartments					
Unit	Unit Type	Size SF	# of Units	Total SF	% of Units
A	Eff.	399 SF	40	15,960	18.5%
B	1/1	542 SF	48	26,016	22.2%
C	1/1	648 SF	32	20,736	14.8%
D	2/1	818 SF	24	19,632	11.1%
E	2/2	901 SF	40	36,040	18.5%
F	2/2	980 SF	32	31,360	14.8%

Land Area: ±8.624 acres

Density: 2.46:1

Foundation: Slab on grade

Frame/Structure/Exterior: The subject is comprised of fourteen two-story buildings with a wood frame structure and one one-story building. Exterior is a combination of brick and hardboard siding with rough sawn cedar trim.

Roof: Composition shingles

Windows and Doors: Wood exterior doors, wood interior doors, and standard aluminum framed windows.

Flooring: The units have vinyl in the kitchen and bathrooms with carpet in the living areas and bedrooms.

Interior Partitions: Textured and painted drywall.

Ceilings: Textured and painted drywall.

Electrical/Lighting: Wall bracket-mounted incandescent at unit entries, decks, and patios as well as wall mounted exterior site lighting. Interior lighting is 1'x4' fluorescent lighting in kitchens, pendant and chain-mounted decorative incandescent or ceiling fan /light combinations in dining areas and bedrooms. Bathroom lights are "U-glass" light fixtures over mirrors with 2 incandescent bulbs. Pull-chain porcelain keyless incandescent fixtures in closets and storage. Each

## **IMPROVEMENT DESCRIPTION & ANALYSIS**

unit is individually metered, has a 100 amp main circuit breaker and a 24-space panel. Electric is assumed to be to City of Austin and other applicable codes.

**HVAC:** Ground mounted package units with Unit Type A having 1.2 ton Carrier units, Unit Type B and C having 1.5 ton Carrier units, and Unit Types D, E and F having 2 ton Carrier units. It is assumed that all heating and air conditioning systems were installed to all applicable building codes.

**Plumbing:** The subject receives water and wastewater from the City of Austin. All one-bath units have a conventional tub/shower, toilet and 30" wide lavatory counter, above counter mirror, and a wall-mounted linen closet. Two-bath units have larger countertops (66") and a built-in linen closet. It is assumed that all plumbing and fixtures were installed to all applicable building codes.

**Unit Amenities:** As noted, there are six floor plans with six opposite hand arrangements. Each unit has a single, steel-clad outside entry door with viewer, and sliding glass doors to a fenced patio (downstairs) or covered deck with metal railings (upstairs). There are washer/dryer rooms off the patio/decks except in Buildings D and F. Each unit comes with a stove/oven and refrigerator. Kitchens have double stainless steel sinks Formica countertops. In addition, there are blinds and/or drapes in each unit.

**Project Amenities:** The project has two pools, a sport court, playground, office clubhouse with a multi-purpose room, kitchen, mailroom, men's and women's restrooms inside and outside. There are two laundry rooms on the property attached to Buildings F and K. Second floor units are accessible from exterior stairways with steel stringers and handrails and concrete treads with open risers.

**Parking:** There 400 uncovered parking spaces in a concrete lot around the buildings including 15 handicapped accessible spaces, 63 compact, and 322 full size spaces.

## **IMPROVEMENT DESCRIPTION & ANALYSIS**

### **Condition of the Improvements**

The subject property is currently in average condition. The complex has been adequately maintained and did not appear to have any major items of deferred maintenance. According to information provided by the owner, in 2003 ±\$110,244 was expended replacing the roof in 2003 as well as an additional ±\$80,050 for wood replacement and painting. Since 1999, the project has undergone plumbing upgrades for increased hot water efficiency and conservation.

### **Functional Utility of the Improvements**

The subject improvements were constructed and designed for use as an apartment project. The design and layout of the buildings are considered to be suitable. The floor plans are considered functional and consistent with those being offered by competitor apartment units.

### **Effective Age**

Effective age is defined as "The age indicated by the condition and utility of a structure."<sup>4</sup> A building's effective age may be the same, greater or less than its actual physical age. Appropriately, another source defines effective age of a property as "its age as compared with other properties performing like functions. It is the actual age less the age which has been taken off by face-lifting, structural reconstruction, removal of functional inadequacies, modernization of equipment, etc. It is an age which reflects a true remaining life for the property, taking into account the typical life expectancy of buildings or equipment of its class and its usage. It is a matter of judgment, taking all factors into consideration."<sup>5</sup> As observed, these two definitions are similar in their interpretations of effective age.

The *Marshall Valuation Service Cost Manual* indicates that properties similar to the subject have a physical life of ±50 years. The effective age of the subject is considered to be ±20 years, leaving an estimated remaining economic life of ±30 years.

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<sup>4</sup> *The Appraisal of Real Estate, 12<sup>th</sup> Edition*, (Chicago: Appraisal Institute, 2001) p. 385

<sup>5</sup> *Marshall Valuation Service Cost Manual*; Section 97, p. 1

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## ***ANALYSIS OF DATA***

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## ***HIGHEST & BEST USE ANALYSIS***

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Highest and Best Use can be defined as:

"The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value."<sup>6</sup>

Highest and Best Use is a market-driven concept and an understanding of market behavior is essential to the concept of highest and best use. As market value is created by market forces, the interaction between market forces and highest and best use is important. Therefore, the analysis and interpretation of highest and best use is an economic study of market forces with a specific focus on the subject property.

In determining the highest and best use of the subject property, careful consideration was given to the economic, legal, and social factors which motivate investors to develop, manage, own, buy, sell, and lease real estate.

The highest and best use of land as though vacant, and as improved, must meet four criteria.

- ◆ **Physically Possible** - What uses of the site in question are physically possible?
- ◆ **Legally Permissible** - What uses are permitted by private restrictions, deed restrictions, zoning, building codes, historic district controls, and environmental regulations?
- ◆ **Financially Feasible** - Which physically possible and legally permissible uses are likely to produce an income, or return, equal to or greater than the amount needed to satisfy operating expenses, financial obligations, and capital amortization?
- ◆ **Maximally Productive** - Among the financially feasible uses, which will produce the highest net return or highest present worth of the site?

Each of these criteria must be considered and they are often addressed in a sequential manner. Consideration of the physically possible uses and the legally permissible uses must be completed prior to determining the financial feasibility or the maximal productivity of the property. A use may be financially feasible or maximally productive, but this is irrelevant if it is physically impossible or legally prohibited.

Previous sections of this report, with primary emphasis on the *Neighborhood Analysis, Site Description & Analysis* and the *Improvement Description & Analysis* were utilized in order to render a judgment as to the highest and best use of the site, as if vacant, and the property as improved.

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<sup>6</sup> *The Appraisal of Real Estate, 12<sup>th</sup> Edition*, (Chicago: Appraisal Institute, 2001), p.305.

## **HIGHEST & BEST USE ANALYSIS**

### **Highest and Best Use, As If Vacant**

#### **Physically Possible**

The first constraint is dictated by the physical attributes of the property itself. The subject property is located at 2426 West Cardinal Loop, City of Austin, Travis County, Texas. The subject site contains ±8.624 acres with ±741 feet of frontage on Cardinal Loop. Cardinal Loop in the vicinity of the subject is a two-lane, two-way, asphalt carrier with concrete curbs. None of the site located within the flood plain. The site is irregular in shape and all utilities are available. Fire, emergency medical services, and police protection are provided by the City of Austin. Therefore, from a physical standpoint, there are no major constraints to development of the site.

#### **Legally Permissible**

Legal restrictions, as they apply to the subject are private restrictions such as easements, and public restrictions such as zoning. Also considered within the context of Legally Permissible is conformity with surrounding properties. There are no known deed restrictions which would significantly limit the development alternatives of the property. With respect to easements, those present on the subject site do not appear to present a significant obstacle.

In consideration of zoning, the subject property is currently zoned I-RR - Interim Rural Residence which is intended to as an interim zoning classification applied to properties that are annexed into the City of Austin. The RR zoning is intended as an area for very low density residential use; however as noted, this classification is applied to all properties annexed in to the city until a more appropriate zoning classification is applied. Existing uses become legal uses and may be either conforming or non-conforming depending on the ultimate zoning classification applied to the property. In conversations with city staff, the most likely permanent zoning for the site would be MF-3 or MF-4 which would allow multi-family development similar to what currently exists on the site.

Of particular interest is that the subject property is also located within an Airport Overlay Zone which was established to control land use near the airport for the public safety reasons. According to Chapter 25-13 of Ordinance No. 010809-78, the subject property lies in an area described as Airport Overlay Zone Two (AO-2), or those areas of the controlled compatible land use area that have yearly day-night average sound levels of at least 65 decibels and not more than 70 decibels. As such, several land uses are prohibited including all residential uses and schools. The contract we were provided indicated that the appraiser shall disregard the effect on use and value of any encumbrances resulting from the project.

Conformity is the appraisal principle that holds that real property value is created and sustained when the characteristics of a property conform to the demands of the market. The styles and uses of the properties in a given area may conform for several reasons, including economic pressures and the shared preferences of owners for certain types of structures, amenities, and services. The imposition and enforcement of zoning ordinances and plans by local governments to regulate land use may also contribute to conformity. Zoning codes, which tend to establish conformity in basic property characteristics such as size, style, and design are often difficult to change and may hasten the pace of obsolescence.

Individual markets also set standards of conformity, especially in terms of price. According to the principle of progression, a lower-priced property will be worth more in a high-priced neighborhood than it would be worth in a neighborhood of comparable properties. Under the

## **HIGHEST & BEST USE ANALYSIS**

principle of regression, a higher-priced property will be worth less in a low-priced neighborhood than it would in a neighborhood of comparable properties.<sup>7</sup>

The principle of conformity can also greatly influence the determination of highest and best use.

This principle states that the best use of the site is made when the use is reasonably similar to surrounding land uses so that there is no abrupt or inappropriate change from one category to another. The immediate neighborhood surrounding the subject property is mixed in nature with a mix of commercial along the primary thoroughfare, multi-family across the street and varied commercial and industrial uses nearby.

In summary, it appears that a multifamily use would be allowed on the subject site by virtue of its size, location and zoning (assuming a permanent classification). Further, this use would conform with the immediate neighborhood and would tend to generate the highest return to the land as a result.

### **Financially Feasible and Maximally Productive**

This section requires that the forces of supply and demand be in balance, and that the property developed will provide sufficient income to return profit to the land. As indicated in the *Neighborhood Analysis* section of this report, the subject's immediate area is developed with a variety of multifamily and commercial developments. The subject site is easily accessible and has good physical characteristics. In this instance, a multifamily development would be considered compatible with the surrounding area. Therefore, a multifamily development would probably be the most reasonable use of the site and generate the highest return to the land.

### **Highest and Best Use Conclusion, As If Vacant**

Considering all of the factors which influence highest and best use, it is our opinion that the subject site, as if vacant would most likely be put to a multifamily use in accordance with market demand.

### **Highest and Best Use of the Property, As If Improved**

The subject property is of 15 buildings constructed slab on grade with wood framing, brick and hardboard siding trimmed with rough sawn cedar and a composition shingle roof. Based upon our inspection, the total rentable area of the project is ±149,744 SF. According to owner, the improvements were completed in 1983. The project was built and continues to be used as an apartment project.

The property as designed is functional and appears to be meeting the market expectations for similar projects. The owner was not aware of any structural problems with the property indicating that the roof and HVAC systems were in good working order.

The subject's improvements have the capacity to perform the function for which they were intended in accordance with the current market standards of acceptability. The owner did not provide information regarding ADA compliance of the property. We have not undertaken a specific compliance survey, nor are we trained to perform such. It is our recommendation that should a definitive answer be required, that a qualified individual be engaged to perform these services. This appraisal report has not considered the impact of the property's compliance or non-compliance on the highest and best use of the property nor on its value.

The property is fully utilizing its existing site area and is meeting current market perceptions of function and use. The current utilization of the site is considered to maximize its value and

<sup>7</sup> *The Appraisal of Real Estate, 12<sup>th</sup> Edition*, (Chicago: Appraisal Institute, 2001), p. 42.

## **HIGHEST & BEST USE ANALYSIS**

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highest and best use under the umbrella of legal and market requirements. Therefore, it can be concluded that the subject property's current use is its highest and best use. As such, the highest and best use of the subject property, as improved, is considered to be for continued use as an apartment project.

### **Larger Parcel Determination**

The purpose of the appraisal to estimate the market value of the fee simple interest in the subject property. As a result, this would possibly represent a whole rather than a partial acquisition. As such, the larger parcel is considered the entire subject property.

## **APPRAISAL PROCESS**

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In estimating the value of real property, there are three recognized approaches or techniques that, when applicable, can be used to process the data considered significant to each into separate value indications. In all instances the experience of the appraisers, coupled with objective judgment, plays a major role in arriving at the conclusions of indicated value from which the final estimate of value is made.

The three approaches are commonly known as:

**The Cost Approach** - An estimate of the present reproduction cost of the improvements, less accrued depreciation, plus land value. Depreciation includes all loss in value of the improvements due to physical deterioration, functional obsolescence, and economic obsolescence.

**The Sales Comparison Approach** - Comparison with similar properties that have sold in the market. This Approach can be applied to land alone or to improved properties.

**Income Capitalization Approach** - Capitalization of the net income that the property can produce. This Approach is applicable only to income producing properties.

In the analysis of the subject property the Cost Approach, Sales Comparison Approach, and Income Capitalization Approach were considered. However, considering the age of the improvements, the Cost Approach was not considered to be applicable. As such, only the Sales Comparison Approach and Income Capitalization Approach were developed herein.

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***THE SALES COMPARISON APPROACH***

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## **THE SALES COMPARISON APPROACH**

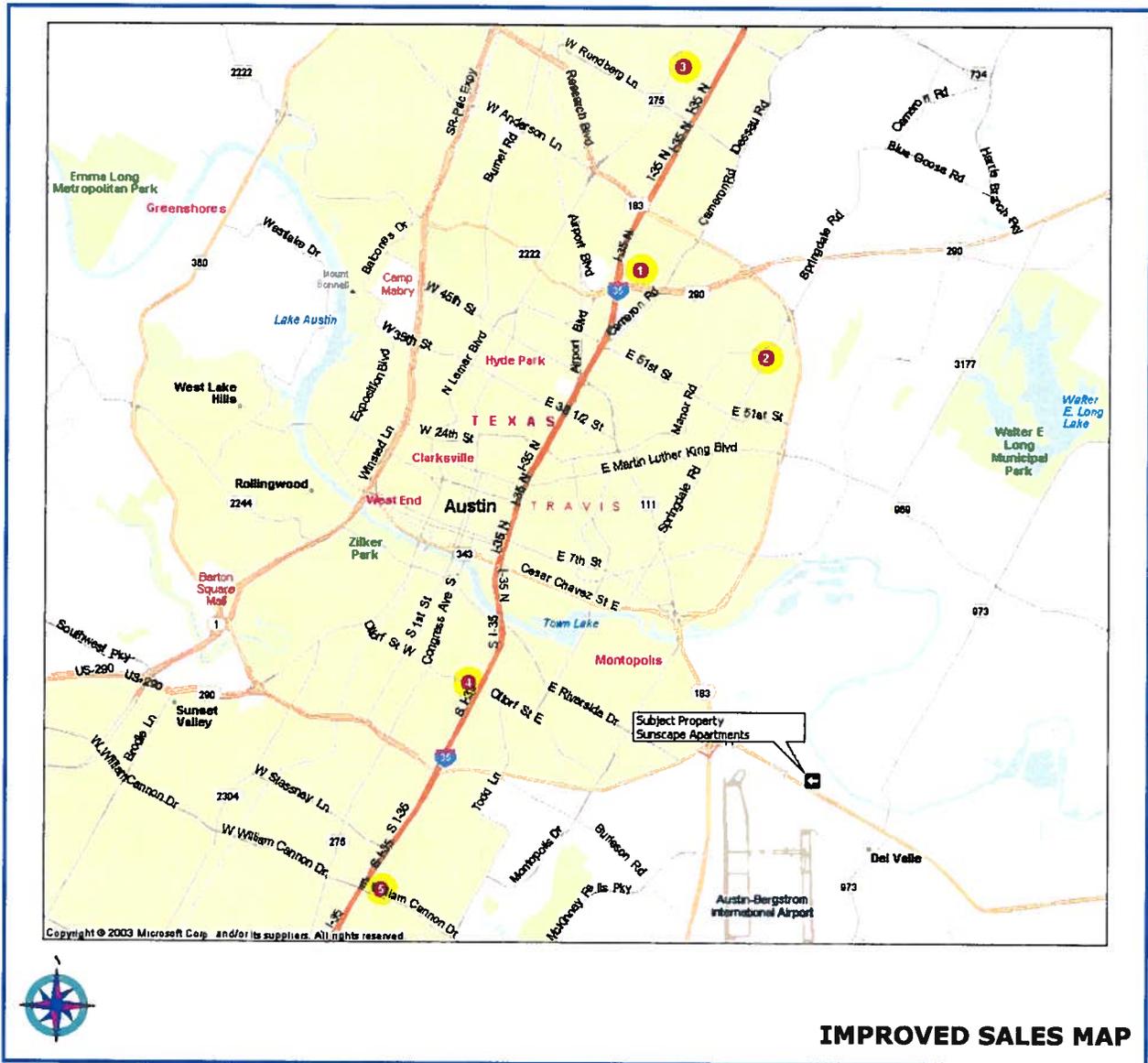
The Sales Comparison Approach is possibly the most easily understood by the general public because purchasers generally familiarize themselves with the marketplace as they look for properties to purchase and usually make comparisons of relative values and amenities. Through this approach the subject's value can be estimated by directly analyzing the physical characteristics and economic forces of sales of similar properties. This process tends to form a pattern of indicators from which the value of the subject property can be estimated.

When valuing real estate via the Sales Comparison Approach, the subject and comparables must be broken down into units of comparison. Units of comparison for improved properties are typically the price per square foot of gross building area (GBA), price per square foot of net rentable area (NRA), or the price per livable unit. The method of comparison is based on the method used to purchase a particular property in a given area. The price per unit appears prevalent in the area for the purchase of similar buildings and will be considered as the unit of comparison in the following valuation of the subject property.

In undertaking our research efforts, we made a diligent search of the subject's neighborhood for properties that had sold or that were under contract and exhibited characteristics similar to the subject property. The search for comparables included investigating the Travis County Deed Records, numerous conversations with local brokers and property owners, and a review of our database. Our research included the time period from 2001 to the effective date of the appraisal and included searching for projects of roughly the same age and quality and/or those that exhibited similar utility as the subject property.

As discussed in the *Improvement Description & Analysis* section, the subject property consists of a 15 buildings constructed slab on grade with wood framing, brick and hardboard siding trimmed with rough sawn cedar and a composition shingle roof that were built in 1983. The total number of units in the subject property was reported as 216. We were able to locate and confirm various transactions of buildings that reflected characteristics similar to the subject property. A summary table of the sales, a location map, and photographs of the comparable sales are shown on the following pages.

# THE SALES COMPARISON APPROACH



**IMPROVED SALES MAP**

IMPROVED SALES SUMMARY					
#	LOCATION	DATE OF SALE	TOTAL PRICE \$/UNIT	# OF UNITS	YOC CONDITION
1	Villas of La Costa Apartments 1016 Camino La Costa	05/14/04	\$7,500,000	204	1978 Average
2	Spring Creek Apartments 6407 Springdale Road	04/23/04	\$5,750,000	204	1984 Average
3	Sterling Village Apartments 10401 N. Lamar Boulevard	03/12/04	\$7,000,000	207	1984 Average
4	Travis Park Apartments 1110 E. Oltorf Street	02/12/04	\$7,900,000	199	1970 Good
5	Lincoln Ridge Apartments 1804 E. William Cannon Drive	03/27/03	\$13,200,000	300	1987 Average
<b>Subject</b>	<b>Sunscape Apartments</b> 2426 West Cardinal Loop, City of Austin, Travis County, Texas			216	1983 Average

Source: Atrium Real Estate Services 12/04

# **THE SALES COMPARISON APPROACH**

## **APARTMENT SALE NO. 1**



### **Property Identification**

**Record ID** 36  
**Apartment Type** Garden  
**Property Name** Villas of La Costa  
**Address** 1016 Camino La Costa, Austin, Travis County, Texas 78752  
**Tax ID** 02-2814-04-01  
**Map Page/Grid** 556E/ML-27

### **Sale Data**

**Grantor** TVO La Costa Partners, L.P.  
**Grantee** Babay Family I, LLC  
**Sale Date** May 14, 2004  
**Deed Book/Page** 2004097472; Special Warranty Deed  
**Marketing Time** Less than 60 days  
**Conditions of Sale** No adverse conditions  
**Financing** Cash to seller; Note of \$5,625,000 (75%) to ARCS Commercial Mortgage  
**Deed Reviewed** 12/04, JDA; Inspected and photo taken 12/04, LRJ/JDA  
**Verification** Charles Cirar, CB Richard Ellis, (512) 499-4900, December 30, 2004; Confirmed by JDA

**Sale Price** \$7,500,000

### **Land Data**

**Land Size** 7.614 Acres or 331,666 SF  
**Front Footage** 501 ft Camino La Costa; Atkinson Road  
**Zoning** CS, Commercial Services  
**Shape** Irregular  
**Flood Info** None noted  
**Easements** No adverse easements noted

## THE SALES COMPARISON APPROACH

### APARTMENT SALE NO. 1 (Cont.)

<u>Unit Type</u>	<u>Unit Mix</u>		<u>Rent/Mo.</u>	<u>Mo. Rent/SF</u>
	<u>No. of Units</u>	<u>Size SF</u>		
1/1	40	569	\$425	\$0.75
1/1	28	650	\$475	\$0.73
1/1	40	705	\$495	\$0.70
1/1	24	795	\$575	\$0.72
2/2	72	985	\$675	\$0.69
<b>Total Units</b>	204			
<b>Avg. Unit Size</b>	780			
<b>Avg. Rent/Unit</b>	\$551			
<b>Avg. Rent/SF</b>	\$0.71			
<b>Net Rentable SF</b>	159,160			
<b><u>General Physical Data</u></b>				
<b>No. of Buildings</b>	30			
<b>Construction Type</b>	Wood Frame			
<b>Parking</b>	Surface, adequate			
<b>Stories</b>	2			
<b>Unit Amenities</b>	Patios/Balconies, Fireplaces, Ceiling Fans, Security System, Ice makers, Washer/Dryer Connections.			
<b>Project Amenities</b>	Outdoor Pool, Outdoor Tennis, Clubhouse, Laundry, Whirlpool/Jacuzzi, Exercise/Fitness, Playground.			
<b>Year Built</b>	1978			
<b>Condition</b>	Average			
<b><u>Income Analysis</u></b>				
<b>Potential Gross Income</b>	\$1,350,000 (reported)			
<b>Vacancy</b>	\$121,500 (9% at time of sale)			
<b>Effective Gross Income</b>	\$1,228,500			
<b>Expenses</b>	\$714,000 (\$3,500/unit reported)			
<b>Net Operating Income</b>	\$514,500 (reported)			
<b><u>Indicators</u></b>				
<b>Sale Price/Unit</b>	\$36,765			
<b>Occupancy at Sale</b>	91%			
<b>PGIM</b>	5.56			
<b>EGIM</b>	6.11			
<b>Expenses/Unit</b>	\$3,500			
<b>Expenses as % of PGI</b>	52.89%			
<b>Expenses as % of EGI</b>	58.12%			
<b>Overall or Cap Rate</b>	6.86%			
<b>NOI/Unit</b>	\$2,522			
<b><u>Legal Description</u></b>				
Lot 1, Block "B", La Costa Phase Two, Section One, a subdivision in Travis County, Texas according to the map or plat thereof, recorded in Volume 76, Page(s) 249 of the Plat Records of Travis County, Texas				
<b><u>Remarks</u></b>				
Project was in average condition at the time of sale. Buyer has subsequently added a fitness gym to the project for tenant use. The deed was silent as to any mineral, oil or gas interest conveyed. Highest and best use of the property is continued use as an apartment project.				

# **THE SALES COMPARISON APPROACH**

## **APARTMENT SALE NO. 2**



### **Property Identification**

**Record ID** 10  
**Apartment Type** Garden  
**Property Name** Spring Creek Apartments  
**Address** 6407 Springdale Road, Austin, Travis County, Texas 78723  
**Tax ID** 02-2124-10-02  
**Map Page/Grid** 556V/MM-25

### **Sale Data**

**Grantor** FPC/Spring Creek Apartments, LTD.  
**Grantee** George Brummer, et al  
**Sale Date** April 23, 2004  
**Deed Book/Page** 2004078931; Special Warranty Deed  
**Marketing Time** Less than 12 months  
**Financing** Cash to seller  
**Deed Reviewed** 07/04, JDA; Inspected and photo taken 07/04/04, LRJ/JDA  
**Verification** Confidential Source, Brummer Management, 915-646-0790, May 21, 2004; Confirmed by JDA

**Sale Price** \$5,750,000

### **Land Data**

**Land Size** 7.516 Acres or 327,397 SF  
**Front Footage** 501 ft Springdale Road  
**Zoning** MF-3, Multi-family with CO  
**Shape** Irregular  
**Flood Info** None noted  
**Easements** No adverse easements noted

## THE SALES COMPARISON APPROACH

### APARTMENT SALE NO. 2 (Cont.)

<u>Unit Type</u>	<u>Unit Mix</u>			<u>Mo. Rent/SF</u>
	<u>No. of Units</u>	<u>Size SF</u>	<u>Rent/Mo.</u>	
1/1	40	636	\$406	\$0.64
1/1 (TH)	20	699	\$452	\$0.65
2/1	36	858	\$474	\$0.55
2/2	20	1,011	\$590	\$0.58
2/2	48	1,040	\$520	\$0.50
2/1.5 (TH)	40	1,070	\$502	\$0.47
<b>Total Units</b>	204			
<b>Avg. Unit Size</b>	898			
<b>Avg. Rent/Unit</b>	\$486			
<b>Avg. Rent/SF</b>	\$0.54			
<b>Net Rentable SF</b>	183,248			
<b><u>General Physical Data</u></b>				
<b>No. of Buildings</b>	10			
<b>Construction Type</b>	Wood Frame			
<b>Parking</b>	Surface, adequate			
<b>Stories</b>	3			
<b>Unit Amenities</b>	Patios/Balconies, Ceiling Fans, Washer/Dryer Connections.			
<b>Project Amenities</b>	Outdoor Pool, Exercise/Fitness, Playground.			
<b>Year Built</b>	1984			
<b>Condition</b>	Average			
<b><u>Income Analysis</u></b>				
<b>Potential Gross Income</b>	\$1,400,000 (estimated)			
<b>Vacancy</b>	\$196,000 (14% at time of sale)			
<b>Effective Gross Income</b>	\$1,204,000			
<b>Expenses</b>	\$714,000 (\$3,500/unit estimated)			
<b>Net Operating Income</b>	\$490,000 (reported)			
<b><u>Indicators</u></b>				
<b>Sale Price/Unit</b>	\$28,186			
<b>Occupancy at Sale</b>	86%			
<b>PGIM</b>	4.11			
<b>EGIM</b>	4.78			
<b>Expenses/Unit</b>	\$3,500			
<b>Expenses as % of PGI</b>	51%			
<b>Expenses as % of EGI</b>	59.3%			
<b>Overall or Cap Rate</b>	8.52%			
<b>NOI/Unit</b>	\$2,402			

### **Legal Description**

Lot 1, Little Walnut Multi-Family Subdivision and 0.803 acre tract of land out of Lot 2, Little Walnut Multi-Family Subdivision, City of Austin, Travis County, Texas

### **Remarks**

Property was listed for sale for \$7,000,000 prior to the sale. Project was in average condition at the time of sale. Additional grantees were Kimale Brummer, Gary Brummer and Rita Brummer. The deed was silent as to any mineral, oil or gas interest conveyed. Highest and best use of the property is continued use as an apartment project.

## **THE SALES COMPARISON APPROACH**

### **APARTMENT SALE NO. 3**



#### **Property Identification**

**Record ID** 11  
**Apartment Type** Garden  
**Property Name** Sterling Village Apartments  
**Address** 10401 N. Lamar Boulevard, Austin, Travis County, Texas 78753  
**Tax ID** 02-4518-12-07  
**Map Page/Grid** 496X/ML-31

#### **Sale Data**

**Grantor** Robert W. Harris and Shirley Harris, et al  
**Grantee** Austin Affordable Housing Corporation  
**Sale Date** March 12, 2004  
**Deed Book/Page** 2004051601; Warranty Deed  
**Marketing Time** Less than 12 months  
**Financing** Cash to seller; \$3,000,000 note to First American Bank at market rates  
**Deed Reviewed** 07/04, JDA; Inspected and photo taken 07/04/04, LRJ/JDA  
**Verification** John Hernandez, Broker, 512-472-2100, June 21, 2004; Confirmed by JDA

**Sale Price** \$7,000,000

#### **Land Data**

**Land Size** 9.310 Acres or 405,544 SF  
**Front Footage** 273 ft North Lamar Boulevard; 185 ft Masterson Pass  
**Zoning** MF-3, Multi-Family  
**Shape** Irregular  
**Flood Info** None noted  
**Easements** No adverse easements noted

## THE SALES COMPARISON APPROACH

### APARTMENT SALE NO. 3 (Cont.)

<u>Unit Type</u>	<u>Unit Mix</u>		<u>Rent/Mo.</u>	<u>Mo. Rent/SF</u>
	<u>No. of Units</u>	<u>Size SF</u>		
1/1	68	580	\$529	\$0.91
1/1	84	709	\$569	\$0.80
2/1	28	841	\$679	\$0.81
2/2	27	943	\$769	\$0.82
<b>Total Units</b>	207			
<b>Avg. Unit Size</b>	715			
<b>Avg. Rent/Unit</b>	\$597			
<b>Avg. Rent/SF</b>	\$0.83			
<b>Net Rentable SF</b>	148,005			
<b><u>General Physical Data</u></b>				
<b>No. of Buildings</b>	20			
<b>Construction Type</b>	Wood frame			
<b>Parking</b>	Surface, adequate (414 spaces)			
<b>Stories</b>	2			
<b>Unit Amenities</b>	Patios/Balconies, Fireplaces, Ceiling Fans, Washer/Dryer Connections.			
<b>Project Amenities</b>	Outdoor Pool, Clubhouse, Whirlpool/Jacuzzi, Gated, playground.			
<b>Year Built</b>	1984			
<b>Condition</b>	Average			
<b><u>Income Analysis</u></b>				
<b>Potential Gross Income</b>	\$1,489,617 (estimated)			
<b>Vacancy</b>	\$178,754 (12% at time of sale)			
<b>Effective Gross Income</b>	\$1,310,863			
<b>Expenses</b>	\$750,863 (reported)			
<b>Net Operating Income</b>	\$560,000 (reported 8% OAR)			
<b><u>Indicators</u></b>				
<b>Sale Price/Unit</b>	\$33,816			
<b>Occupancy at Sale</b>	88%			
<b>PGIM</b>	4.7			
<b>EGIM</b>	5.34			
<b>Expenses/Unit</b>	\$3,627			
<b>Expenses as % of PGI</b>	50.41%			
<b>Expenses as % of EGI</b>	57.28%			
<b>Overall or Cap Rate</b>	8%			
<b>NOI/Unit</b>	\$2,705			

#### **Legal Description**

Lots One (1) and Two (2), Block "B", Northwend Phase "C" Section One, a subdivision in the City of Austin, Travis County, Texas

#### **Remarks**

Property was originally listed for sale for \$7,550,000. The property sold with affordable housing restrictions which required 42 of the units be leased to those families falling in the very low income category and 31 additional units to families in the low income category. The impact was limited as the current rent levels are such that market rents are below the maximum allowable rates. However, the property was purchased as a result of the restrictions to ensure an adequate pool of affordable housing in the area. The deed was silent as to any mineral, oil or gas interest conveyed. Highest and best use of the property is continued use as an apartment project.

## **THE SALES COMPARISON APPROACH**

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### **APARTMENT SALE NO. 4**



#### **Property Identification**

**Record ID** 12  
**Apartment Type** Garden  
**Property Name** Travis Park Apartments  
**Address** 1110 E. Oltorf Street, Austin, Travis County, Texas 78704  
**Tax ID** 03-0402-10-26  
**Map Page/Grid** 615S/MK-19

#### **Sale Data**

**Grantor** Travis Park  
**Grantee** LRP Travis Park, L.P.  
**Sale Date** February 12, 2004  
**Deed Book/Page** 2004028957; Special Warranty Deed  
**Marketing Time** Less than 12 months  
**Financing** Cash to seller  
**Deed Reviewed** 07/04, JDA; Inspected and photo taken 07/04/04, LRJ/JDA  
**Verification** Ellen Muskin, broker, 512-327-5888, June 21, 2004;  
Confirmed by JDA

**Sale Price** \$7,900,000

## **THE SALES COMPARISON APPROACH**

### **APARTMENT SALE NO. 4 (Cont.)**

#### **Land Data**

**Land Size** 13.714 Acres or 597,395 SF  
**Front Footage** 1004 ft East Oltorf Street; 981 ft East Live Oak Street  
**Zoning** MF-3, Multi-Family  
**Shape** Irregular  
**Flood Info** None noted  
**Easements** No adverse easements noted

#### **Unit Mix**

<u>Unit Type</u>	<u>No. of Units</u>	<u>Size SF</u>	<u>Rent/Mo.</u>	<u>Mo. Rent/SF</u>
1/1	48	640	\$563	\$0.88
2/1.5	119	877	\$716	\$0.82
3/1.5	32	1,040	\$839	\$0.81
<b>Total Units</b>	199			
<b>Avg. Unit Size</b>	846			
<b>Avg. Rent/Unit</b>	\$699			
<b>Avg. Rent/SF</b>	\$0.83			
<b>Net Rentable SF</b>	168,363			

#### **General Physical Data**

**No. of Buildings** 22  
**Construction Type** Wood frame  
**Parking** Surface, adequate (400 spaces)  
**Stories** 2  
**Project Amenities** Laundry, Gated.  
**Year Built** 1970  
**Condition** Good

#### **Income Analysis**

**Potential Gross Income** \$1,613,519 (reported)  
**Vacancy** \$80,003 (estimated)  
**Effective Gross Income** \$1,533,516  
**Expenses** \$901,516 (reported)  
**Net Operating Income** \$632,000 (reported 8% OAR)

#### **Indicators**

**Sale Price/Unit** \$39,698  
**Occupancy at Sale** 95%  
**PGIM** 4.9  
**EGIM** 5.15  
**Expenses/Unit** \$4,530  
**Expenses as % of PGI** 55.87%  
**Expenses as % of EGI** 58.79%  
**Overall or Cap Rate** 8%  
**NOI/Unit** \$3,176

#### **Legal Description**

13.7143 acres out of the Isaac Decker League, City of Austin, Travis County, Texas.

#### **Remarks**

Property was originally under contract for \$8,000,000 but the price was renegotiated to account for \$100,000 in reserves. In 1995, project underwent major repairs to roof, foundation, interior and exterior remodels at a total cost of \$2,200,000. The deed was silent as to any mineral, oil or gas interest conveyed. Highest and best use of the property is continued use as an apartment project.

# **THE SALES COMPARISON APPROACH**

## **APARTMENT SALE NO. 5**



### **Property Identification**

**Record ID** 14  
**Apartment Type** Garden  
**Property Name** Lincoln Ridge Apartments  
**Address** 1804 E. William Cannon Drive, Austin, Travis County, Texas 78744  
**Tax ID** 04-2206-01-05  
**Map Page/Grid** 674C/MH-15

### **Sale Data**

**Grantor** SWA Acquisitions, LTD.  
**Grantee** CKW Lincoln Ridge, LP  
**Sale Date** March 27, 2003  
**Deed Book/Page** 2003067364; Special Warranty Deed  
**Marketing Time** Less than 12 months  
**Financing** Cash to seller  
**Deed Reviewed** 07/04, JDA; Inspected and photo taken 07/04/04, LRJ/JDA  
**Verification** Randy Humphrey, broker, 512-377-4400, June 22, 2004; Confirmed by JDA

**Sale Price** \$13,200,000

### **Land Data**

**Land Size** 12.299 Acres or 535,744 SF  
**Front Footage** 421 ft East William Cannon Drive; 789 ft Bluff Springs Road  
**Zoning** MF-3, Multi-Family  
**Shape** Irregular  
**Flood Info** None noted  
**Easements** No adverse easements noted

## THE SALES COMPARISON APPROACH

### APARTMENT SALE NO. 5 (Cont.)

<u>Unit Type</u>	<u>Unit Mix</u>			<u>Mo. Rent/SF</u>
	<u>No. of Units</u>	<u>Size SF</u>	<u>Rent/Mo.</u>	
1/1	96	570	\$590	\$1.04
1/1	72	630	\$640	\$1.02
1/1	48	716	\$675	\$0.94
2/2	84	991	\$860	\$0.87
<b>Total Units</b>	300			
<b>Avg. Unit Size</b>	726			
<b>Avg. Rent/Unit</b>	\$691			
<b>Avg. Rent/SF</b>	\$0.95			
<b>Net Rentable SF</b>	217,692			
<b><u>General Physical Data</u></b>				
<b>No. of Buildings</b>	17			
<b>Construction Type</b>	Wood frame			
<b>Parking</b>	Surface, adequate			
<b>Stories</b>	3			
<b>Unit Amenities</b>	Patios/Balconies, Fireplaces, Ceiling Fans, Vaulted Ceilings, Washer/Dryer Connections.			
<b>Project Amenities</b>	Outdoor Pool, Clubhouse, Whirlpool/Jacuzzi, Exercise/Fitness, storage, security gate.			
<b>Year Built</b>	1987			
<b>Condition</b>	Good			
<b><u>Income Analysis</u></b>				
<b>Potential Gross Income</b>	\$2,400,000 (estimated)			
<b>Vacancy</b>	\$216,000 (9% at time of sale)			
<b>Effective Gross Income</b>	\$2,184,000			
<b>Expenses</b>	\$990,000 (\$3,300/unit reported)			
<b>Net Operating Income</b>	\$1,194,000 (calculated)			
<b><u>Indicators</u></b>				
<b>Sale Price/Unit</b>	\$44,000			
<b>Occupancy at Sale</b>	91%			
<b>PGIM</b>	5.5			
<b>EGIM</b>	6.04			
<b>Expenses/Unit</b>	\$3,300			
<b>Expenses as % of PGI</b>	41.25%			
<b>Expenses as % of EGI</b>	45.33%			
<b>Overall or Cap Rate</b>	9.05%			
<b>NOI/Unit</b>	\$3,980			

### **Legal Description**

Lot 1, Lincoln Ridge, a subdivision in the City of Austin, Travis County, Texas

### **Remarks**

Property was in good condition at the time of sale. Buyer approached the seller as the property was not being marketed at the time. The deed was silent as to any mineral, oil or gas interest conveyed. Highest and best use of the property is continued use as an apartment project.

## THE SALES COMPARISON APPROACH

IMPROVED SALES SUMMARY						
#	LOCATION	DATE OF SALE	TOTAL PRICE \$/UNIT	# OF UNITS	YOC CONDITION	COMMENTS
1	Villas of La Costa Apartments 1016 Camino La Costa	05/14/04	\$7,500,000 \$36,375	204	1978 Average	Project was in average condition at the time of sale. Buyer has subsequently added a fitness gym to the project for tenant use.
2	Spring Creek Apartments 6407 Springdale Road	04/23/04	\$5,750,000 \$28,186	204	1984 Average	Property was listed for sale for \$7,000,000 prior to the sale. Project was in average condition at the time of sale. Additional grantees were Kimale Brummer, Gary Brummer and Rita Brummer.
3	Sterling Village Apartments 10401 N. Lamar Boulevard	03/12/04	\$7,000,000 \$33,698	207	1984 Average	Property was originally listed for sale for \$7,550,000. According to the confirming source, the property sold with some affordable housing restrictions in place which required 42 of the units be leased to those families falling in the very low income category and 31 additional units to families in the low income category. The impact of these restrictions was limited as the current rent levels are such that market rents are below the maximum allowable rates. However, the property was purchased as a result of the restrictions to ensure an adequate pool of affordable housing in the area.
4	Travis Park Apartments 1110 E. Oltorf Street	02/12/04	\$7,900,000 \$39,698	199	1970 Good	Property was originally under contract for \$8,000,000 but the price was renegotiated to account for \$100,000 in reserves. In 1995, project underwent major repairs to roof, foundation, interior and exterior remodels at a total cost of \$2,200,000.
5	Lincoln Ridge Apartments 1804 E. William Cannon Drive	03/27/03	\$13,200,000 \$44,000	300	1987 Average	Property was in good condition at the time of sale. Buyer approached the seller as the property was not being marketed at the time.
Subject	Sunscape Apartments 2426 West Cardinal Loop, City of Austin, Travis County, Texas			216	1983 Average	The subject property consists of 15 buildings constructed slab on grade with wood framing, brick and hardboard siding trimmed with rough sawn cedar and a composition shingle roof.

Source: Atrium Real Estate Services 12/04

## **THE SALES COMPARISON APPROACH**

### **THE ADJUSTMENT PROCESS**

In order to narrow the range of sale prices indicated by the comparable sales, adjustments will be made to the sales for differing characteristics. The most preferred adjustment process is through a matched pairs analysis. This technique quantifies differences between sales by pairing sales that are similar in all respects except for one factor. Sale prices are compared and the differentiating factor is quantified. Where possible, pairings will be utilized to abstract adjustments. The adjustments will be applied based on the number of rating categories of difference between the comparable sale and the subject. For example, a slightly inferior rated sale differs from the subject by one rating category, while an inferior rated sale differs from the subject by two rating categories. In instances where pairings do not provide reasonable indications or when pairings are not available, adjustments will be applied based on a subjective analysis of the data. The adjustment process will begin with a discussion of the property rights.

**Property Rights Conveyed** – The transaction price of a sale is always based on the real property interest conveyed. When properties are sold, the sales price is generally impacted by the type of title that conveys whether it be fee simple or leased fee do to any existing leases. In the process of confirming the sales data, specific questions were asked concerning the property rights and the impact they may have had on the sales price. In this instance, the easements that were in existence were short term in nature and generally did not impact the purchase price. As such an adjustment for this attribute is not considered necessary.

**Terms of Sale/Financing** – The sales price of a property may differ from that of an identical property due to different financing terms. The sales gathered for this report reflected cash to seller transactions or those where 3<sup>rd</sup>-party financing was used. Therefore, it appears that no adjustments for cash equivalency are warranted.

**Conditions of Sale** – The category usually attempts to reflect the motivations of the buyer and seller. In many instances, the conditions surrounding a sale can greatly impact the final sales price. All of the sales reflected properties that were sold to investors and none of the sellers appear to be acting under duress to sell. As a result, it is our opinion that no adjustment for conditions of sale is required.

**Market Conditions/Time** – This adjustment is an attempt to reflect the change in market conditions between the closing date of a particular sale to the present. The sale comparables utilized in the present analysis ranged in date of sale from 03/27/03 to 05/14/04. When considering the sale prices of the comparables arranged according to date of sale, it does not appear that an adjustment for this characteristic is warranted. As such, it is our opinion that the market for comparable properties purchased during this time period has been relatively similar and we have not adjusted the sales for market conditions.

**Location** – The location of the sales in relationship to the subject was the next consideration. This single factor is generally considered one of the most important in terms of value for real property as properties with superior locations are able to command higher prices and/or rents. The following Table summarizes the locational ratings and again assume that the noise from the airport does not impact the subject property:

## THE SALES COMPARISON APPROACH

LOCATION RATINGS		
Sale	Location	Rating
1	Villas of La Costa Apartments 1016 Camino La Costa	Sl. Superior
2	Spring Creek Apartments 6407 Springdale Road	Inferior
3	Sterling Village Apartments 10401 N. Lamar Boulevard	Similar
4	Travis Park Apartments 1110 E. Oltorf Street	Sl. Superior
5	Lincoln Ridge Apartments 1804 E. William Cannon Drive	Sl. Superior
<i>Subject</i>	2426 West Cardinal Loop, City of Austin, Travis County, Texas	X

All of the sales are located within areas with similar demographics and growth patterns. Reasonable pairings could not be extracted at this point of the analysis. However, considering the relative location of these properties in relationship to the subject, we have utilized an adjustment of  $\pm 10\%$  per rating category for location. Based on the general location differences between the comparable sales and the subject property, this adjustment appears reasonable.

### Physical Characteristics:

Included in the physical characteristics adjustments are various categories including size of subject property, condition, amenities, occupancy at the time of sale, density, etc. The following summarizes those characteristics which require adjustment.

**Project size/Average unit size:** The average unit size of the subject property is 693 SF per unit while the average unit sizes of the sales range from 715 SF to 898 SF. The size of a particular project can potentially affect the price per unit that a buyer is willing to pay. All things equal, a property with a larger number of units often results in a higher overall sales price, but the per unit costs will typically decrease. In addition, properties with larger average unit sizes will often allow for a higher achievable monthly rent per unit. The accompanying table summarizes the total project size as well as the average unit size of the subject and the presented comparable sales. To this end. The sales have been adjusted on the basis of 5% per rating difference.

PROJECT/ UNIT SIZE RATINGS			
Sale	Total Units	Average Unit Size	Rating
1	204	780 SF	Similar
2	204	898 SF	Sl. Superior
3	207	715 SF	Similar
4	199	846 SF	Sl. Superior
5	300	726 SF	Sl. Inferior
<i>Subject</i>	216	693 SF	X

## THE SALES COMPARISON APPROACH

**Property Condition/Construction:** The subject property is in average condition and includes 15 buildings constructed slab on grade with wood framing, brick and hardboard siding trimmed with rough sawn cedar and a composition shingle roof. The accompanying table summarizes the year of construction and conditions of the properties. In reviewing the general condition/construction characteristics of the properties, no adjustment seems necessary for this attribute.

CONDITION/CONSTRUCTION RATINGS		
Sale	Year of Construction Condition	Rating
1	1978 Average	Similar
2	1984 Average	Similar
3	1984 Average	Similar
4	1970 Good	Similar
5	1987 Average	Similar
Subject	1983 Average	X

**Amenities:** The amenity package at the subject property is similar that found at the comparable sales. All of the units have basic appliances with some ceiling fans. Each project has laundry facilities and some common areas. No adjustment is considered necessary for this feature, as the subject and the comparable sales are considered to be relatively similar for amenities.

**Other Characteristics** – The sales were considered to be relatively similar for other characteristics. As such, no further adjustments were considered necessary. The adjusted values of the sales have been summarized in the following adjustment grid.

ADJUSTMENT GRID					
	SALE #1	SALE #2	SALE #3	SALE #4	SALE #5
Price/unit	\$36,375	\$28,186	\$33,698	\$39,698	\$44,000
Property Rights Conveyed	0	0	0	0	0
Adjusted \$/unit	\$36,375	\$28,186	\$33,698	\$39,698	\$44,000
Conditions of Sale/Financing	0	0	0	0	0
Adjusted \$/unit	\$36,375	\$28,186	\$33,698	\$39,698	\$44,000
Date of Sale	05/14/04	04/23/04	03/12/04	02/12/04	03/27/03
Market Conditions/Time	0	0	0	0	0
Adjusted \$/unit	\$36,375	\$28,186	\$33,698	\$39,698	\$44,000
Location Adjustment	-10%	+20%	0	-10%	-10%
Physical Characteristics					
Project/Unit Size Adjustment	0	-5%	0	-5%	+5%
Condition/Construction	0	0	0	0	0
Amenities	0	0	0	0	0
Other Characteristics	0	0	0	0	0
Net Location & Physical Characteristics Adjustment	-10%	+15%	0	-15%	-5%
<b>Adjusted \$/unit</b>	<b>\$32,738</b>	<b>\$32,414</b>	<b>\$33,698</b>	<b>\$33,743</b>	<b>\$41,800</b>

## **THE SALES COMPARISON APPROACH**

### **Reconciliation and Value Estimate**

In estimating the value of the subject via this approach, five closed sales were considered. These data were analyzed and adjusted, suggesting a value estimate for the subject property between \$32,414/unit and \$41,800/unit. The mean and median of the data is \$34,879/unit and \$33,698/unit, respectively. For purposes of this assignment, we have placed greatest weight on Sale #3 which is required no adjustment with some additional weight afforded the central tendency of the data. Placing greater weight on this sale, while considering the overall central tendency of the data, we have reconciled to a unit value of \$34,000/unit. It should be noted that the Bergstrom Arm Apartment project is located across the street from the subject property and sold in December 2002 for ±\$29,082/unit. The project is older than the subject having been built in 1974 but was smaller (98 units) with a larger average unit size (758 SF). We elected not to use this sale herein primarily because it too is impact by the noise from the airport. However, based on our reconciled unit indication of \$34,000/unit, this sale is ±14% less than the subject. Considering the impact of the noise, this is reasonable and provides additional support to our final value conclusion. Therefore, the following outlines our estimate of the market value of the fee simple interest in the subject property via the Sales Comparison Approach:

$$216 \text{ units} \times \$34,000/\text{unit} = \$7,344,000$$

Rounded to:                    \$7,345,000

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***THE INCOME CAPITALIZATION APPROACH***

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## **THE INCOME CAPITALIZATION APPROACH**

The Income Capitalization Approach is one of the three traditional approaches an appraiser may use in the valuation process. Income-producing real estate is typically purchased as an investment, and from an investor's point of view earning power is the critical element affecting property value. One basic investment premise is that the higher the earnings, the higher the value. An investor who purchases income-producing real estate is essentially trading present dollars for the right to receive future dollars. The Income Capitalization Approach to value consists of methods, techniques, and mathematical procedures that an appraiser uses to analyze a property's capacity to generate benefits (i.e., usually the monetary benefits of income and reversion) and convert these benefits into an indication of present value.

The benefits of owning specific rights in income-producing real estate include the right to receive all profits accruing to the real property during the holding period (i.e., the term of ownership) plus the proceeds from resale or reversion of the property at the termination of the investment. However, in this instance, the Income Capitalization Approach will be utilized to estimate the bulk value of the subject units through a sell-out analysis. A reversion (value of resale at end of term) is not appropriate. Various measures of future benefits are considered in the Income Capitalization Approach. Commonly used measures include potential sales proceeds (from sale of the units) and net proceeds.

**Potential gross proceeds** is the total potential income attributable to the real property based on the sales of the individual units before operating expenses are deducted.

**Net proceeds** is the actual or anticipated net income remaining after all operating expenses are deducted from the potential gross proceeds.

**Yield capitalization** is a method used to convert future benefits into present value by discounting each future benefit at an appropriate yield rate or by developing an overall rate that explicitly reflects the investment's income pattern, value change, and yield rate. Like direct capitalization, yield capitalization should reflect market behavior. The method is profit- or yield-oriented, simulating typical investor assumptions with formulas that calculate the present value of expected benefits assuming specified profit or yield requirements.<sup>5</sup> This method is commonly referred to as a Discounted Cash Flow Analysis.

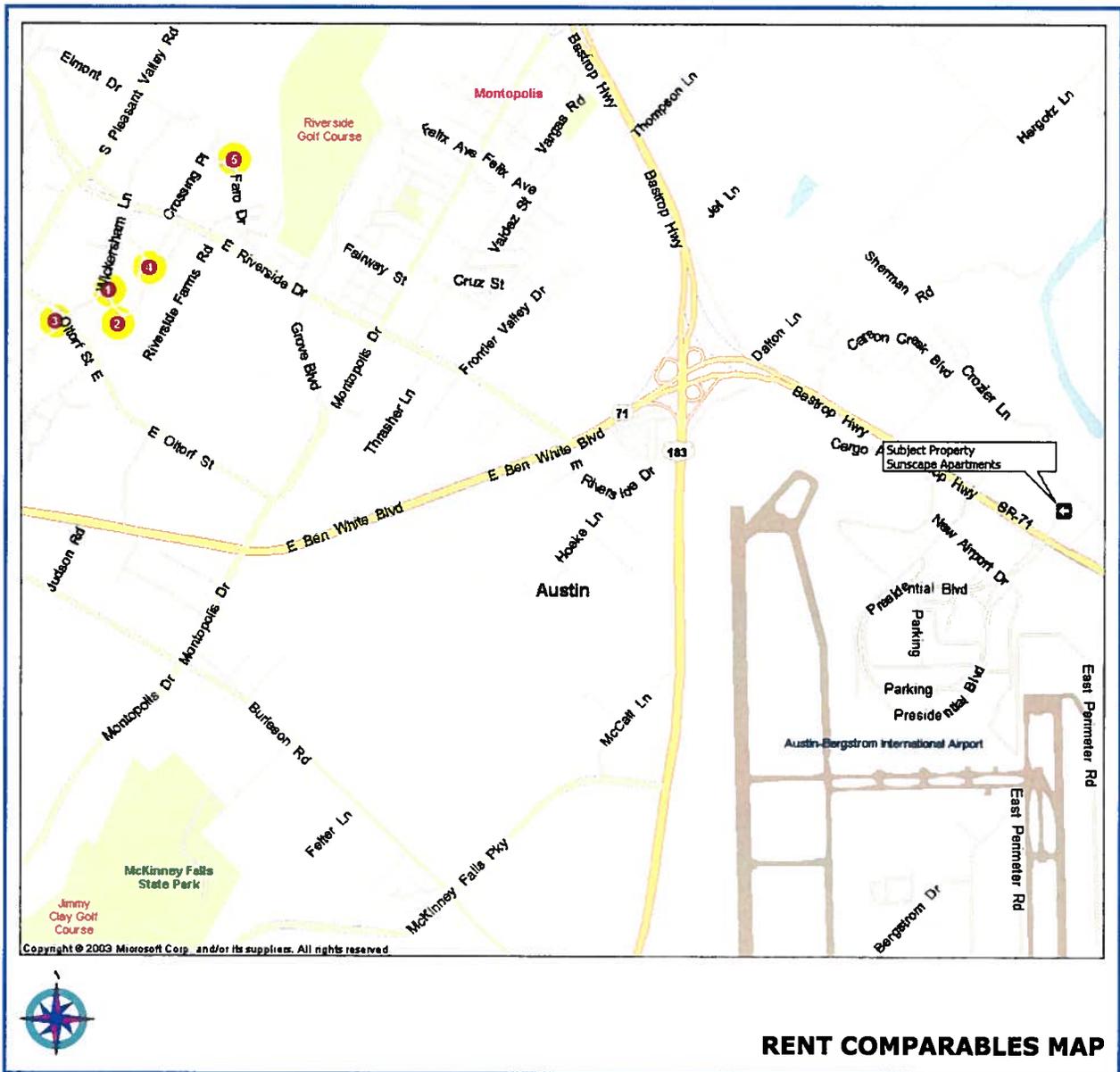
### **Application to Subject Property**

The subject property is the Sunscape Apartments with ±149,744 SF GBA and 216 units. The Income Capitalization Approach will be utilized to estimate the value of the subject via a Direct Capitalization technique. This is the most appropriate methodology for buildings like the subject. Included on the following pages are complete descriptions of the rent comparables used in this analysis as well as a map showing their relative locations.

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<sup>5</sup> *The Appraisal of Real Estate*, 12<sup>th</sup> Edition (Chicago: Appraisal Institute, 2001) pg. 549.

# THE INCOME CAPITALIZATION APPROACH



## THE INCOME CAPITALIZATION APPROACH

<b>RENT COMPARABLE SUMMARY</b>					
#	PROJECT NAME LOCATION	NUMBER OF UNITS	UNIT TYPE	MONTHLY RENT	UNIT SIZE
<b>1</b>	Lexington Hills 2430 Cromwell Circle	238	1/1	\$449	545 SF
			1/1	\$499	603 SF
			1/1	\$605	787 SF
			2/1	\$650	914 SF
			2/2	\$669	1,009 SF
			2/2	\$700	1,084 SF
<b>2</b>	Coppertree Apartments 2425 Cromwell Circle	252	1/1	\$469	485 SF
			1/1	\$499	582 SF
			1/1	\$559	663 SF
			1/1	\$609	760 SF
			2/2	\$649	825 SF
			2/2	\$679	925 SF
<b>3</b>	Woodmeade Apartments 2501 Wickersham	297	Eff.	\$420	408 SF
			1/1	\$485	601 SF
			1/1Study	\$625	967 SF
			2/2	\$670	870 SF
			2/2	\$750	1,056 SF
<b>4</b>	Riverchase Apartments 2239 Cromwell Circle	284	1/1	\$415	475 SF
			1/1	\$450	575 SF
			1/1	\$475	635 SF
			1/1	\$525	728 SF
			2/1	\$600	825 SF
			2/2	\$700	940 SF
			2/2	\$800	975 SF
<b>5</b>	Wildcreek Apartments 1511 Faro Drive	232	1/1	\$399	525 SF
			2/1	\$528	795 SF
<b>SUBJECT</b>	Sunscape Apartments 2426 West Cardinal Loop, City of Austin, Travis County, Texas	216	Eff.	\$355 - \$715	399 SF
			1/1		542 SF
			1/1		648 SF
			2/1		818 SF
			2/2		901 SF
			2/2		980 SF

Source: Atrium Real Estate Services 12/04

# **THE INCOME CAPITALIZATION APPROACH**

## **APARTMENT RENTAL NO. 1**



### **Property Identification**

<b>Record ID</b>	10
<b>Property Type</b>	Garden
<b>Property Name</b>	Lexington Hills (formerly Berkshire Hills)
<b>Address</b>	2450 Cromwell Circle, Austin, Travis County, Texas 78741
<b>Tax ID</b>	03-1511-11-01
<b>Map Page/Grid</b>	615Y/MK-19
<b>Owner</b>	Lexington Hills
<b>On-Site Manager</b>	Ken
<b>Management Co.</b>	Bershire Realty Holdings
<b>Verification</b>	Sharon McKutcheon, manager, 512-389-2021, October 14, 2004; Ken, manager, 512-389-2021, 12/30/2004; Confirmed by JDA

## THE INCOME CAPITALIZATION APPROACH

### APARTMENT RENTAL NO. 1 (Cont.)

<u>Unit Type</u>	<u>Unit Mix</u>		<u>Rent/Mo.</u>	<u>Mo. Rent/SF</u>
	<u>No. of Units</u>	<u>Size SF</u>		
1/1	16	545	\$449	\$0.82
1/1	110	603	\$499	\$0.83
1/1	41	787	\$605	\$0.77
2/1	16	914	\$650	\$0.71
2/2	32	1,009	\$669	\$0.66
2/2	23	1,084	\$700	\$0.65

<b>Occupancy</b>	94%
<b>Rent Premiums</b>	\$15/month for Fireplace; \$10/month for upstairs
<b>Total Units</b>	238
<b>Unit Size Range</b>	545 - 1,084
<b>Avg. Unit Size</b>	753
<b>Monthly Rent Range</b>	\$565 - \$890
<b>Avg. Rent/Unit</b>	\$673
<b>Avg. Rent/SF</b>	\$0.89
<b>Net Rentable SF</b>	179,161

#### **Physical Data**

<b>No. of Buildings</b>	17
<b>Construction Type</b>	Wood frame
<b>HVAC</b>	Central
<b>Stories</b>	3
<b>Utilities with Rent</b>	Gas.
<b>Unit Amenities</b>	Patios/Balconies, Fireplaces, Ceiling Fans, Icemakers, Washer/Dryer Connections, walk-in closets, outside storage, mini-blinds.
<b>Project Amenities</b>	Outdoor Pool, Clubhouse, Laundry, Whirlpool/Jacuzzi, Exercise/Fitness, business center, BBQ grills, shuttle route.
<b>Parking</b>	Surface, adequate
<b>Year Built</b>	1986
<b>Condition</b>	Average

#### **Legal Description**

Lot 1, Block A, Chevy Chase South, Phase 4, Section B, City of Austin, Travis County, Texas

#### **Remarks**

Property is individually metered. Current leases are being executed with 6-9-12 month terms with some concessions built into the quoted rates. Concession averages 1 month free, prorated through a 12 month lease. Face rates on leases are \$565, \$580, \$670, \$785, \$840, and \$890, respectively. Property sold in November 2004 for an undisclosed amount.

## **THE INCOME CAPITALIZATION APPROACH**

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### **APARTMENT RENTAL NO. 2**



#### **Property Identification**

<b>Record ID</b>	12
<b>Property Type</b>	Garden
<b>Property Name</b>	Coppertree Apartments
<b>Address</b>	2425 Cromwell Circle, Austin, Travis County, Texas 78741
<b>Tax ID</b>	03-1008-01-14
<b>Map Page/Grid</b>	615Y/MK-19
<b>Owner</b>	Tree Copper Ltd
<b>On-Site Manager</b>	Diane Donaldson
<b>Management Co.</b>	DTI Investments
<b>Verification</b>	Diane Donaldson, manager, (512) 389-1080, July 1, 2004; Tony, (512) 389-1080, 12/30/2004; Confirmed by JDA

## THE INCOME CAPITALIZATION APPROACH

### APARTMENT RENTAL NO. 2 (Cont.)

#### Unit Mix

<u>Unit Type</u>	<u>No. of Units</u>	<u>Size SF</u>	<u>Rent/Mo.</u>	<u>Mo. Rent/SF</u>
1/1	30	485	\$469	\$0.97
1/1	90	582	\$499	\$0.86
1/1	36	663	\$559	\$0.84
2/1	36	760	\$609	\$0.80
2/2	30	825	\$649	\$0.79
2/2	30	925	\$679	\$0.73

<b>Occupancy</b>	94%
<b>Rent Premiums</b>	\$10/month for pond view, \$10/month for 3rd floor
<b>Total Units</b>	252
<b>Unit Size Range</b>	485 - 925
<b>Avg. Unit Size</b>	677
<b>Monthly Rent Range</b>	\$439 - \$649
<b>Avg. Rent/Unit</b>	\$527
<b>Avg. Rent/SF</b>	\$0.78
<b>Net Rentable SF</b>	170,658

#### Physical Data

<b>Construction Type</b>	Wood frame
<b>HVAC</b>	Central
<b>Stories</b>	3
<b>Unit Amenities</b>	Patios/Balconies, Fireplaces, Ceiling Fans, Vaulted Ceilings, Washer/Dryer Connections, disposals, outside storage, mini-blinds, wic.
<b>Project Amenities</b>	2 Outdoor Pools, Clubhouse, Laundry, Whirlpool/Jacuzzi, Exercise/Fitness, on shuttle route, fishing pier.
<b>Parking</b>	Surface, adequate
<b>Year Built</b>	1986
<b>Condition</b>	Average

#### Legal Description

Lot 1, Block C, Chevy Chase South, Phase 4, Section B, City of Austin, Travis County, Texas

#### Remarks

Property is individually metered. Current leases are being executed with 6-9-12 month terms with some concessions built into the quoted rates. Some units have fireplaces and washer/dryer connections.

# **THE INCOME CAPITALIZATION APPROACH**

## **APARTMENT RENTAL NO. 3**



### **Property Identification**

**Record ID** 18  
**Property Type** Garden  
**Property Name** Woodmeade Apartments  
**Address** 2501 Wickersham, Austin, Travis County, Texas 78741  
**Tax ID** 03-1008-02-11  
**Map Page/Grid** 645C/MK-18  
**Owner** Woodmeade Partners Ltd  
**Management Co.** Merrill Management  
**Verification** Rebecca, (512)462-1811, October 14, 2004, 12/30/2004;  
 Confirmed by JTB

<b><u>Unit Type</u></b>	<b><u>Unit Mix</u></b>			<b><u>Mo. Rent/SF</u></b>
	<b><u>No. of Units</u></b>	<b><u>Size SF</u></b>	<b><u>Rent/Mo.</u></b>	
Efficiency	72	408	\$420	\$1.03
1/1	113	601	\$485	\$0.81
1/1 study	40	967	\$625	\$0.65
2/2	36	870	\$670	\$0.77
2/2	36	1,056	\$750	\$0.71

## **THE INCOME CAPITALIZATION APPROACH**

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### **APARTMENT RENTAL NO. 3 (Cont.)**

<b>Occupancy</b>	94%
<b>Rent Premiums</b>	\$10 extra to live on third floor
<b>Total Units</b>	297
<b>Unit Size Range</b>	408-1056
<b>Avg. Unit Size</b>	691
<b>Monthly Rent Range</b>	420-750
<b>Avg. Rent/Unit</b>	\$543
<b>Avg. Rent/SF</b>	\$0.79
<b>Net Leasable SF</b>	205,305

#### **Physical Data**

#### **Utilities with Rent**

Water, Sewer, Trash Collection.

#### **Unit Amenities**

Patios/Balconies, Fireplaces, Ceiling Fans, Vaulted Ceilings, Washer/Dryer Connections, Disability access, Oversized closets, Built-ins.

#### **Project Amenities**

2 Outdoor Pools, Laundry, Pets allowed, Storage Rooms.

#### **Year Built**

1985

#### **Legal Description**

Lot 3, Chevy Chase South Phase 5-A, a subdivision in Travis County, Texas.

#### **Remarks**

Six, 9, and 12 month leases are offered, with mostly 6 month leases being signed lately. Concessions include 1/2 month rent free for 6 and 9 month leases, prorated; 1 month rent free for 12 month leases, prorated.

# **THE INCOME CAPITALIZATION APPROACH**

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## **APARTMENT RENTAL NO. 4**



### **Property Identification**

<b>Record ID</b>	13
<b>Property Type</b>	Garden
<b>Property Name</b>	Riverchase Apartments
<b>Address</b>	2239 Cromwell Circle, Austin, Travis County, Texas 78741
<b>Tax ID</b>	03-0711-03-10
<b>Map Page/Grid</b>	615Y/MK-19
<b>Owner</b>	Riverchase Associates, Ltd.
<b>On-Site Manager</b>	Natalie Guthrie
<b>Management Co.</b>	Riverchase Associates, Ltd.
<b>Verification</b>	Natalie, manager, 512-389-1335, July 1, 2004; Brittany, 512-389-1335, 10/22/2004; Confirmed by JDA

## **THE INCOME CAPITALIZATION APPROACH**

### **APARTMENT RENTAL NO. 4 (Cont.)**

#### **Unit Mix**

<b><u>Unit Type</u></b>	<b><u>No. of Units</u></b>	<b><u>Size SF</u></b>	<b><u>Rent/Mo.</u></b>	<b><u>Mo. Rent/SF</u></b>
1/1	48	475	\$415	\$0.87
1/1	48	575	\$450	\$0.78
1/1	64	635	\$475	\$0.75
1/1	48	728	\$525	\$0.72
2/1	36	825	\$600	\$0.73
2/2	24	940	\$700	\$0.74
2/2	16	975	\$800	\$0.82

<b>Occupancy</b>	85%
<b>Rent Premiums</b>	None noted
<b>Total Units</b>	284
<b>Unit Size Range</b>	475 - 975
<b>Avg. Unit Size</b>	683
<b>Monthly Rent Range</b>	\$415 - \$800
<b>Avg. Rent/Unit</b>	\$522
<b>Avg. Rent/SF</b>	\$0.77
<b>Net Rentable SF</b>	193,844

#### **Physical Data**

<b>No. of Buildings</b>	19
<b>Construction Type</b>	Wood frame
<b>HVAC</b>	Central
<b>Stories</b>	2
<b>Unit Amenities</b>	Patios/Balconies, Ceiling Fans, Vaulted Ceilings, Icemakers, Washer/Dryer Connections, walk in closets, outside storage, mini-blinds.
<b>Project Amenities</b>	Outdoor Pool, Laundry, Sports Court, Whirlpool/Jacuzzi, Exercise/Fitness, on shuttle.
<b>Parking</b>	Surface, adequate
<b>Year Built</b>	1987
<b>Condition</b>	Average

#### **Legal Description**

Lot 1, Block B, Chevy Chase South, Phase 4, Section B, City of Austin, Travis County, Texas

#### **Remarks**

Property is individually metered. Current leases are being executed with 6-9-12 month terms with some concessions built into the quoted rates. Some units have fireplaces and washer/dryer connections.

# **THE INCOME CAPITALIZATION APPROACH**

## **APARTMENT RENTAL NO. 5**



### **Property Identification**

**Record ID** 14  
**Property Type** Garden  
**Property Name** Wildcreek Apartments  
**Address** 1511 Faro Drive, Austin, Travis County, Texas 78741  
**Tax ID** 03-0711-01-05  
**Map Page/Grid** 615V/MK-19  
**Owner** Wildcreek Apartments Partnership, Ltd.  
**On-Site Manager** Margaret Marrazzo  
**Management Co.** Equimax  
**Verification** Margaret, manager, 512-385-2605, July 2, 2004, 12/30/2004;  
 Confirmed by JDA

### **Unit Mix**

<b><u>Unit Type</u></b>	<b><u>No. of Units</u></b>	<b><u>Size SF</u></b>	<b><u>Rent/Mo.</u></b>	<b><u>Mo. Rent/SF</u></b>
1/1	116	525	\$399	\$0.76
2/1	116	795	\$528	\$0.66

**Occupancy** 85%  
**Rent Premiums** None  
**Total Units** 232

## **THE INCOME CAPITALIZATION APPROACH**

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### **APARTMENT RENTAL NO. 5 (Cont.)**

<b>Unit Size Range</b>	525 - 795
<b>Avg. Unit Size</b>	660
<b>Monthly Rent Range</b>	\$399 - \$528
<b>Avg. Rent/Unit</b>	\$464
<b>Avg. Rent/SF</b>	\$0.70
<b>Net Rentable SF</b>	153,120

#### **Physical Data**

<b>No. of Buildings</b>	19
<b>Construction Type</b>	Wood frame
<b>HVAC</b>	Central
<b>Stories</b>	2
<b>Utilities with Rent</b>	Water.
<b>Unit Amenities</b>	Fireplaces, Ceiling Fans, Microwaves, mini-blinds.
<b>Project Amenities</b>	2 Outdoor Pools, Outdoor Tennis, Laundry, Sports Court, Whirlpool/Jacuzzi, BBQ grills, on shuttle route.
<b>Parking</b>	Surface, adequate
<b>Year Built</b>	1984
<b>Condition</b>	Average

#### **Legal Description**

Lot 1, Wildcreek Subdivision, City of Austin, Travis County, Texas

#### **Remarks**

Property is individually metered. Current leases are being executed with 6-12 month terms with some concessions built into the quoted rates. Some units have fireplaces.

# THE INCOME CAPITALIZATION APPROACH

RENT COMPARABLE SUMMARY									
#	LOCATION	MO. RENT	UNIT SIZE	RENT/SF	# UNITS	UNIT TYPE	OCCUPANCY YOC	COMMENTS	
1	Lexington Hills 2430 Cromwell Circle	\$449 \$499 \$605 \$650 \$669 \$700	545 SF 603 SF 787 SF 914 SF 1,009 SF 1,084 SF	\$0.82 \$0.83 \$0.77 \$0.71 \$0.66 \$0.65	238	1/1 1/1 1/1 2/1 2/2 2/2	94% 1986	Property is individually metered. Current leases are being executed with 6-9-12 month terms with some concessions built into the quoted rates.	
2	Coppertree Apartments 2425 Cromwell Circle	\$469 \$499 \$559 \$609 \$649 \$679	485 SF 582 SF 663 SF 760 SF 825 SF 925 SF	\$0.97 \$0.86 \$0.84 \$0.80 \$0.79 \$0.73	252	1/1 1/1 1/1 1/1 2/2 2/2	94% 1986	Property is individually metered. Current leases are being executed with 6-9-12 month terms with some concessions built into the quoted rates. Some units have fireplaces and washer/dryer connections.	
3	Woodmeade Apartments 2501 Wickersham	\$420 \$485 \$625 \$670 \$750	408 SF 601 SF 967 SF 870 SF 1,056 SF	\$1.03 \$0.81 \$0.65 \$0.77 \$0.71	297	Eff. 1/1 1/1Study 2/2 2/2	94% 1985	Project is individually metered. Other complex amenities include two pools, laundry facilities, pets allowed and is on a shuttle route.	
4	Riverchase Apartments 2239 Cromwell Circle	\$415 \$450 \$475 \$525 \$600 \$700 \$800	475 SF 575 SF 635 SF 728 SF 825 SF 940 SF 975 SF	\$0.87 \$0.78 \$0.75 \$0.72 \$0.73 \$0.74 \$0.82	284	1/1 1/1 1/1 1/1 2/1 2/2 2/2	85% 1987	Property is individually metered. Current leases are being executed with 6-9-12 month terms with some concessions built into the quoted rates. Some units have fireplaces and washer/dryer connections.	
5	Wildcreek Apartments 1511 Faro Drive	\$399 \$528	525 SF 795 SF	\$0.76 \$0.66	232	1/1 2/1	85% 1984	Property is individually metered. Current leases are being executed with 6-12 month terms with some concessions built into the quoted rates. Some units have fireplaces.	
Subject	Sunscape Apartments 2426 West Cardinal Loop, City of Austin, Travis County, Texas	\$355 - \$715	399 SF 542 SF 648 SF 818 SF 901 SF 980 SF		216	Eff. 1/1 1/1 2/1 2/2 2/2	73% 1983	The subject property consists of 15 buildings constructed slab on grade with wood framing, brick and hardboard siding trimmed with rough sawn cedar and a composition shingle roof. Property has surface parking, fencing, and a laundry room. Unit amenities include vaulted ceilings on second floors, carpet and vinyl tile.	

Source: Atrium Real Estate Services 12/04

# THE INCOME CAPITALIZATION APPROACH

## INCOME COMPARABLE ANALYSIS

### Potential Gross Rental Income Summary

The comparables exhibit a wide range of rates, although they do provide a foundation upon which to make reasonable estimates of the subject's achievable market rent. The range of rents is indicative of the location of each comparable, age/condition of each project and amenities. The comparables range from \$399/month to \$800/month or from \$0.65/SF to \$1.03/SF. The following Table presents the pertinent details about the subject and its tenant base.

Subject Property Rental Summary (Occupied and Leased Units)								Weighted
Unit Type	Size (SF)	Number of Units	Total SF	Lease Rates	Rent/SF	Total Rent	Total Rent Per Unit Type	Average Rent/SF
Efficiency	399	2	798	\$355	\$0.89	\$710		
Efficiency	399	2	798	\$370	\$0.93	\$740		
Efficiency	399	1	399	\$380	\$0.95	\$380		
Efficiency	399	1	399	\$387	\$0.97	\$387		
Efficiency	399	13	5,187	\$399	\$1.00	\$5,187		
Efficiency	399	5	1,995	\$400	\$1.00	\$2,000		
Efficiency	399	1	399	\$430	\$1.08	\$430		
Efficiency	399	1	399	\$454	\$1.14	\$454		
Efficiency	399	2	798	\$460	\$1.15	\$920	\$11,208	\$1.00
1/1	542	1	542	\$393	\$0.73	\$393		
1/1	542	1	542	\$397	\$0.73	\$397		
1/1	542	1	542	\$404	\$0.75	\$404		
1/1	542	1	542	\$406	\$0.75	\$406		
1/1	542	1	542	\$425	\$0.78	\$425		
1/1	542	7	3,794	\$434	\$0.80	\$3,038		
1/1	542	1	542	\$435	\$0.80	\$435		
1/1	542	18	9,756	\$445	\$0.82	\$8,010		
1/1	542	2	1,084	\$454	\$0.84	\$908		
1/1	542	1	542	\$465	\$0.86	\$465		
1/1	542	2	1,084	\$495	\$0.91	\$990	\$15,871	\$0.81
1/1	648	1	648	\$445	\$0.69	\$445		
1/1	648	1	648	\$450	\$0.69	\$450		
1/1	648	1	648	\$470	\$0.73	\$470		
1/1	648	3	1,944	\$475	\$0.73	\$1,425		
1/1	648	1	648	\$480	\$0.74	\$480		
1/1	648	18	11,664	\$490	\$0.76	\$8,820		
1/1	648	1	648	\$495	\$0.76	\$495		
1/1	648	1	648	\$520	\$0.80	\$520		
1/1	648	1	648	\$530	\$0.82	\$530		
1/1	648	1	648	\$540	\$0.83	\$540	\$14,175	\$0.75
2/1	818	1	818	\$550	\$0.67	\$550		
2/1	818	3	2,454	\$553	\$0.68	\$1,659		
2/1	818	1	818	\$555	\$0.68	\$555		
2/1	818	8	6,544	\$575	\$0.70	\$4,600		
2/1	818	2	1,636	\$600	\$0.73	\$1,200		
2/1	818	1	818	\$605	\$0.74	\$605		
2/1	818	1	818	\$645	\$0.79	\$645	\$9,814	\$0.71
2/2	901	1	901	\$526	\$0.58	\$526		
2/2	901	2	1,802	\$560	\$0.62	\$1,120		
2/2	901	1	901	\$570	\$0.63	\$570		
2/2	901	1	901	\$590	\$0.65	\$590		
2/2	901	4	3,604	\$599	\$0.66	\$2,396		
2/2	901	1	901	\$619	\$0.69	\$619		
2/2	901	16	14,416	\$625	\$0.69	\$10,000		
2/2	901	1	901	\$655	\$0.73	\$655		
2/2	901	2	1,802	\$675	\$0.75	\$1,350	\$17,826	\$0.68
2/2	980	1	980	\$560	\$0.57	\$560		
2/2	980	1	980	\$591	\$0.60	\$591		
2/2	980	1	980	\$600	\$0.61	\$600		
2/2	980	2	1,960	\$617	\$0.63	\$1,234		
2/2	980	1	980	\$620	\$0.63	\$620		
2/2	980	1	980	\$625	\$0.64	\$625		
2/2	980	9	8,820	\$645	\$0.66	\$5,805		
2/2	980	2	1,960	\$695	\$0.71	\$1,390		
2/2	980	1	980	\$715	\$0.73	\$715	\$12,140	\$0.69
<b>Averages/Totals</b>	<b>684</b>	<b>158</b>	<b>108,131</b>	<b>\$699</b>	<b>\$0.75</b>	<b>\$81,034</b>	<b>\$81,034</b>	<b>\$0.75</b>

## **THE INCOME CAPITALIZATION APPROACH**

### **Unit Type A - Eff.Units (399 SF)**

As noted, the subject property has 40 Eff. units of 399 SF. The subject's rent roll indicates these units are currently leasing for between \$355 and \$460 per month or from \$0.89/SF to \$1.15/SF per month with a weighted average of \$1.00/SF. In looking into the southeast submarket, very few properties of similar size and age were found to contain efficiency units as this market tends to cater to college students and families. Rent #3 exhibited some efficiency units that were leasing for \$420/month or \$1.03/SF. This project is about the same age as the subject and is in an area that is considered to be slightly superior. The current asking rate for the subject is \$399 per month or \$1.00/SF; however, this appraisal is based on the assumption that there is no noise impact from the airport. It is our opinion that the current rent levels at the subject reflect the noise impact and we have placed limited on weight on these indications throughout most of this analysis. However, with limited data for this unit type, we have considered the historical operations and estimated a market rent for these efficiency units at \$400/month or  $\pm$ \$1.00/SF.

### **Unit Type B - 1/1Units (542 SF)**

As noted, the subject property has 48 1/1 units of 542 SF. The subject's rent roll indicates these units are currently leasing for between \$393 and \$495 per month or from \$0.73/SF to \$0.91/SF per month with a weighted average of \$0.81/SF. The current asking rate for the subject is \$495 per month or \$0.91/SF. The best indications for this unit type come from Rent #1 (\$0.77/SF to \$0.82/SF), Rent #2 (\$0.80/SF to \$0.97/SF), Rent #3 (\$0.81/SF), and Rent #4 (\$0.72/SF to \$0.87/SF). These comparables reflect a range of \$0.77/SF to \$0.97/SF with a central tendency of  $\pm$ \$0.88/SF per month. This equates to roughly \$475/month. While this is below the current asking rates, our review of the provided leases indicates that the most recent leases at the property were signed at \$445/month. Our estimate of the non-noise impacted rental levels is above this rate by \$30/month or roughly 7%.

### **Unit Type C - 1/1Units (648 SF)**

As noted, the subject property has 32 1/1 units of 648 SF. The subject's rent roll indicates these units are currently leasing for between \$445 and \$540 per month or from \$0.69/SF to \$0.83/SF per month with a weighted average of \$0.75/SF. The current asking rate for the subject is \$540 per month or \$0.83/SF. The best indications for this unit type come from Rent #1 (\$0.83/SF), Rent #2 (\$0.84/SF) and Rent #4 (\$0.75/SF). These comparables reflect a range of \$0.75/SF to \$0.84/SF with a central tendency of  $\pm$ \$0.80/SF per month. This equates to roughly \$520/month. This is slightly below the current asking rates, and our review of the provided leases indicates that the most recent leases at the property were signed at \$475/month and \$490/month. Our estimate of the non-noise impacted rental levels is above this rate by \$30/month to \$45/month or roughly 6% to 9%.

### **Unit Type D - 2/1 units (818 SF)**

As noted, the subject property has 24 2/1 units of 818 SF. The subject's rent roll indicates these units are currently leasing for between \$550 and \$645 per month or from \$0.67/SF to \$0.79/SF per month with a weighted average of \$0.71/SF. The current asking rate for the subject is \$625 per month or \$0.76/SF. The best indications for this unit type come from Rent #1 (\$0.71/SF), Rent #4 (\$0.73/SF) and Rent #5 (\$0.66/SF). These comparables reflect a range of \$0.66/SF to \$0.73/SF with a central tendency of  $\pm$ \$0.70/SF per month. In this case we have estimated a rate at the upper end of the range or \$0.73/SF which equates to roughly \$600/month. This is slightly below the current asking rates and our review of the provided leases indicates that the most recent leases at the property were signed at \$575/month. Our estimate of the non-noise impacted rental levels is above this rate by \$25/month or roughly 4%.

## **THE INCOME CAPITALIZATION APPROACH**

### **Unit Type E - 2/2 units (901 SF)**

As noted, the subject property has 40 2/2 units of 901 SF. The subject's rent roll indicates these units are currently leasing for between \$526 and \$675 per month or from \$0.58/SF to \$0.75/SF per month with a weighted average of \$0.68/SF. The current asking rate for the subject is \$675 per month or \$0.75/SF. The best indications for this unit type come from Rent #1 (\$0.66/SF), Rent #2 (\$0.79/SF), Rent #3 (\$0.77/SF), and Rent #4 (\$0.74/SF). These comparables reflect a range of \$0.66/SF to \$0.79/SF with a central tendency of  $\pm$ \$0.73/SF per month. In this case we have estimated a rate near the upper end of the range or \$0.75/SF which equates to roughly \$675/month. This is equal to the current asking rates and our review of the provided leases indicates that the most recent leases at the property were signed at \$625/month. Our estimate of the non-noise impacted rental levels is above this rate by \$50/month or roughly 8%.

### **Unit Type F - 2/2 units (980 SF)**

As noted, the subject property has 32 2/2 units of 980 SF. The subject's rent roll indicates these units are currently leasing for between \$560 and \$715 per month or from \$0.57/SF to \$0.73/SF per month with a weighted average of \$0.69/SF. The current asking rate for the subject is \$695 per month or \$0.71/SF. The best indications for this unit type come from Rent #1 (\$0.65/SF to \$0.66/SF), Rent #2 (\$0.73/SF), Rent #3 (\$0.71/SF), and Rent #4 (\$0.82/SF). These comparables reflect a range of \$0.65/SF to \$0.82/SF with a central tendency of  $\pm$ \$0.76/SF per month. In this case we have estimated a rate near the central tendency or \$0.76/SF which equates to roughly \$745/month. This is slightly above the current asking rates, and our review of the provided leases indicates that the most recent leases at the property were signed at \$645/month. Our estimate of the non-noise impacted rental levels is above this rate by \$100/month or roughly 16%.

### **Market Rent Summary**

Sunscape Apartments					
Unit	Unit Type	Size SF	# of Units	Monthly Rent	Total Annual Rent
A	Eff.	399 SF	40	\$400	\$192,000
B	1/1	542 SF	48	\$475	\$273,600
C	1/1	648 SF	32	\$520	\$199,680
D	2/1	818 SF	24	\$600	\$172,800
E	2/2	901 SF	40	\$675	\$324,000
F	2/2	980 SF	32	\$745	\$286,080
				Total	\$1,448,160

## **THE INCOME CAPITALIZATION APPROACH**

### **Ancillary Income**

Added to the potential rental income is the ancillary income from late fees, deposit forfeitures, laundry room use, and other income. The provided operating statements reported ancillary income ranging of \$133/unit annually for 2003, \$107/unit in 2002, \$152/unit in 2001, \$183/unit in 2000, and \$146/unit for 1999. We have reconciled to \$150/unit/year for ancillary income. This is considered reasonable.

GROSS INCOME SCHEDULE	
Potential Gross Rental Income	\$1,448,160
Ancillary Income \$150/unit/year x 216 units	\$32,400
Potential Gross Income	\$1,480,560

### **Vacancy and Collection Loss**

Vacancy and collection losses represent losses incurred by the lessor due to vacancies, which usually reflect the lost rent during typical tenant turnover and non-collection of rents. Although vacancy levels and collection losses can vary widely over any given year, a stabilized factor will be utilized in the following analysis.

The comparable rentals used in this analysis have current occupancies of 85% to 94%. The subject is currently 73% leased and has historically performed above this level. Its current occupancy level is a reflection of the noise problems as well as the current market conditions. Considering the occupancy information of the subject and the comparables, and the characteristics of the market as a whole, we are using a vacancy and collection loss allowance that reflects the market. As shown previously, the subject's submarket has an overall occupancy rate of  $\pm 90\%$  for project built before 1993. This segment represents the largest segment of this submarket and reflects the demand for affordably priced housing. Making some allowance for periodic fluctuations and potential collection problems, we have used a vacancy and collection loss factor of 10% which reflects a stabilized rate of 8% plus 2% for collection losses. This factor also includes a percentage to account for owner expenses during periods of vacancy and minor concessions.

### **Operating Expense Estimates**

In developing an operating expense estimate, all expenses normally incurred in operating and maintaining the property must be recognized. The source or basis for the expense estimates is usually through an analysis of the subject's historical operating statements. This information is typically verified and compared with operating information from similar properties, from information or quotes from people actively involved with the expense item, or from published information. The following summary represents the operating information provided by the owner.

# THE INCOME CAPITALIZATION APPROACH

	Through 8/2004			2003			2002			2001			2000			1999		
	Total	\$/Unit	\$/SF															
Potential Income	\$ 907,467.00	\$ 4,201.24	\$ 6.06	\$ 1,423,508.99	\$ 6,590.32	\$ 9.31	\$ 1,409,289.00	\$ 6,234.49	\$ 9.41	\$ 1,346,010.00	\$ 6,231.53	\$ 8.99	\$ 1,286,115.00	\$ 5,954.24	\$ 8.59	\$ 1,244,776.00	\$ 5,762.83	\$ 8.31
Vacancy Loss	\$ (125,412.00)	\$ (580.61)	\$ (0.84)	\$ (74,219.94)	\$ (343.61)	\$ (0.50)	\$ (128,773.93)	\$ (596.18)	\$ (0.86)	\$ (35,999.79)	\$ (164.81)	\$ (0.24)	\$ (33,889.68)	\$ (156.90)	\$ (0.23)	\$ (49,048.17)	\$ (237.07)	\$ (0.33)
Allowance-Concessions	\$ (36,541.00)	\$ (169.17)	\$ (0.24)	\$ (85,579.00)	\$ (396.30)	\$ (0.57)	\$ (26,533.00)	\$ (122.84)	\$ (0.18)	\$ (628.73)	\$ (2.91)	\$ (0.00)	\$ (474.00)	\$ (2.19)	\$ (0.00)	\$ (423.00)	\$ (1.96)	\$ (0.00)
Staff/Model	\$ (23,538.00)	\$ (104.34)	\$ (0.15)	\$ (33,471.00)	\$ (154.96)	\$ (0.22)	\$ (33,395.00)	\$ (154.56)	\$ (0.22)	\$ (45,736.00)	\$ (211.74)	\$ (0.31)	\$ (38,394.00)	\$ (177.75)	\$ (0.26)	\$ (36,253.00)	\$ (167.84)	\$ (0.24)
Miscellaneous Income	\$ 36,261.96	\$ 167.88	\$ 0.24	\$ 28,678.82	\$ 132.77	\$ 0.19	\$ 23,107.35	\$ 106.98	\$ 0.15	\$ 32,830.42	\$ 151.99	\$ 0.22	\$ 39,462.89	\$ 182.70	\$ 0.26	\$ 31,442.00	\$ 145.56	\$ 0.21
Total Income	\$ 759,237.96	\$ 3,514.99	\$ 5.07	\$ 1,258,917.81	\$ 5,828.32	\$ 8.41	\$ 1,243,704.42	\$ 5,787.89	\$ 8.31	\$ 1,296,875.90	\$ 6,004.06	\$ 8.66	\$ 1,257,820.21	\$ 5,800.09	\$ 8.37	\$ 1,190,493.83	\$ 5,511.55	\$ 7.95
Utilities	\$ 128,388.27	\$ 594.39	\$ 0.86	\$ 165,196.46	\$ 764.80	\$ 1.10	\$ 167,767.71	\$ 776.70	\$ 1.12	\$ 176,909.24	\$ 819.02	\$ 1.18	\$ 185,759.27	\$ 860.00	\$ 1.24	\$ 170,593.13	\$ 789.78	\$ 1.14
Maintenance/Repair	\$ 48,288.06	\$ 223.56	\$ 0.32	\$ 58,739.02	\$ 271.94	\$ 0.39	\$ 70,878.96	\$ 328.14	\$ 0.47	\$ 77,020.10	\$ 356.37	\$ 0.51	\$ 147,404.40	\$ 682.43	\$ 0.98	\$ 70,893.90	\$ 328.21	\$ 0.47
Advertising	\$ 8,728.82	\$ 40.41	\$ 0.06	\$ 13,664.72	\$ 63.26	\$ 0.09	\$ 11,664.24	\$ 54.00	\$ 0.08	\$ 12,475.56	\$ 57.76	\$ 0.08	\$ 18,681.06	\$ 86.49	\$ 0.12	\$ 18,883.98	\$ 87.43	\$ 0.13
Office Operations	\$ 13,901.93	\$ 60.19	\$ 0.09	\$ 14,822.86	\$ 67.70	\$ 0.10	\$ 17,360.43	\$ 80.37	\$ 0.12	\$ 15,315.63	\$ 70.91	\$ 0.10	\$ 15,042.51	\$ 69.64	\$ 0.10	\$ 14,848.11	\$ 68.74	\$ 0.10
Payroll	\$ 99,369.59	\$ 460.04	\$ 0.66	\$ 136,064.27	\$ 629.93	\$ 0.91	\$ 146,803.61	\$ 679.65	\$ 0.98	\$ 156,570.38	\$ 724.86	\$ 1.05	\$ 141,694.02	\$ 655.99	\$ 0.95	\$ 140,690.23	\$ 651.34	\$ 0.94
Management Fee	\$ 32,600.00	\$ 150.93	\$ 0.22	\$ 48,900.00	\$ 226.39	\$ 0.33	\$ 48,900.00	\$ 226.39	\$ 0.33	\$ 55,225.00	\$ 255.67	\$ 0.37	\$ 48,000.00	\$ 222.22	\$ 0.32	\$ 47,400.00	\$ 219.44	\$ 0.32
Property Taxes	\$ 72,961.68	\$ 337.79	\$ 0.49	\$ 120,160.00	\$ 556.30	\$ 0.80	\$ 118,083.28	\$ 546.69	\$ 0.79	\$ 124,384.39	\$ 575.85	\$ 0.83	\$ 111,621.78	\$ 516.77	\$ 0.75	\$ 106,541.82	\$ 493.25	\$ 0.71
Insurance	\$ 35,367.12	\$ 163.74	\$ 0.24	\$ 44,506.14	\$ 206.05	\$ 0.30	\$ 49,942.44	\$ 231.22	\$ 0.33	\$ 54,716.49	\$ 253.32	\$ 0.37	\$ 16,529.99	\$ 76.53	\$ 0.11	\$ 19,435.74	\$ 89.98	\$ 0.13
Total Expenses	\$ 438,705.47	\$ 2,031.04	\$ 2.93	\$ 601,853.47	\$ 2,786.36	\$ 4.02	\$ 631,402.67	\$ 2,923.16	\$ 4.32	\$ 672,616.79	\$ 3,113.97	\$ 4.49	\$ 684,733.03	\$ 3,170.06	\$ 4.57	\$ 589,286.91	\$ 2,728.18	\$ 3.94
Net Income	\$ 320,532.49	\$ 1,483.95	\$ 2.14	\$ 657,064.34	\$ 3,041.96	\$ 4.39	\$ 612,301.75	\$ 2,864.73	\$ 4.09	\$ 624,259.11	\$ 2,890.09	\$ 4.17	\$ 568,087.18	\$ 2,630.03	\$ 3.79	\$ 601,206.92	\$ 2,783.37	\$ 4.01

As shown, the subject's overall expenses have ranged from  $\pm\$2,031/\text{unit}$  to  $\pm\$3,170/\text{unit}$  over the last 5 years. The 2004 expenses annualized would be  $\pm\$3,047/\text{unit}$ . The expenses reported on the sale comparables ranged from  $\pm\$3,300/\text{unit}$  to  $\pm\$4,500/\text{unit}$ . We also reviewed operating statements on properties previously appraised in this area and found a range for expenses from  $\pm\$3,000/\text{unit}$  to  $\pm\$3,700/\text{unit}$ . Based on the provided information, a review of some expenses comparables and published expense data from IREM, we have reconciled to an expense estimate for the subject of  $\$3,000$  per unit per year or roughly  $\$648,000$  annually. This estimate is slightly above the past two years, but more in-line with the market and the more normalized operation of the property.

## Net Operating Income Schedule

A summary of the projected income and operating expenses are presented in the following table.

NET OPERATING INCOME SCHEDULE	
Income/Expenses	
Potential Gross Income	\$1,448,560
Less: Vacancy & Collection Loss (10%)	-\$148,056
Effective Gross Income	\$1,332,504
Less: Operating Expenses	-\$648,000
<b>Net Operating Income</b>	<b>\$684,504</b>

## Direct Capitalization Rate Development

Direct capitalization is used to convert an estimate of a single year's income into an indication of value. This method capitalizes the projected net operating income into a value indication by use of a formula:

$$\text{Income/Rate} = \text{Value}$$

## Market Extraction Technique

Where sufficient information was available in relation to comparable sales considered in this report, we have estimated capitalization rates, which fall in the range of 8.0% to 9.05%. In addition, we reviewed capitalization rates from sales that have taken place over the last 12 months. This data, presented in the *Highest and Best Use Analysis* section, indicated that overall rates in 2004 were  $\pm 8.6\%$  while in 2003 they were roughly 8% on average. In 2002, the rates were about 8.7% on average and in 2001 they were  $\pm 9.7\%$ . The central tendency of the sales used in this report was approximately 8.0%. Therefore, we have reconciled to a rate of 8.0% using the market extraction technique.

## **THE INCOME CAPITALIZATION APPROACH**

### **Band of Investment**

The Band of Investment was also used to estimate an overall rate ( $R_0$ ). This technique consists of two components - the mortgage contribution and the equity contribution and estimates an overall rate by weighing rates of return earned on different share interests held in real property.

The mortgage contribution is developed by multiplying the mortgage-to-value ratio (M) by the mortgage constant ( $R_M$ ). The equity contribution is developed by multiplying the equity yield rate ( $R_E$ ) by the equity-to-value ratio (1-M).

The Appraisal Institute conducts a mortgage commitment survey which details various lending criteria for several property types. Based on a recent survey, it would appear that a loan on the subject property would consist of a 75% loan for 30 years. Interest rates for this type of investment were generally quoted around 5.5% to 8%, say 7%. Based on a 75% loan to value ratio, the equity contribution would be 25%. The equity yield rate was estimated from conversations with investors, lenders, local brokers and comparisons to yields on alternative investments. It was found that typical investors are requiring  $\pm 8\%$  to  $\pm 16\%$  yield on their money. Considering the subject's location as well as the age and condition of the subject and the lack of taxes, an 10% return is considered to be reasonable. As such, the capitalization rate via the Band of Investment method is estimated to be 8.5%. The Band of Investment procedure is demonstrated as follows:

Mortgage Contribution ( $M \times R_M$ )	$0.75 \times 0.079836 =$	0.059877
Equity Contribution ( $(1-M) \times R_E$ )	$0.25 \times 0.10 =$	0.025000
		8.49%
<b>Overall Rate</b>		<b>8.5%</b>

### **Direct Capitalization Rate Conclusion**

The Market Extraction Technique yielded a capitalization rate of 8.0%, while the Band of Investment Technique indicated an overall rate of 8.5%. Therefore, we have reconciled to an overall rate of 8.25%. This rate is considered reasonable and supportable by the data.

### **Income Capitalization Approach Summary**

The estimated 8.25% capitalization rate range will be used in conjunction with the projected net operating income to estimate the market value of the subject property. As such, the market value of the subject property, via the Income Capitalization Approach, would be estimated as follows:

$$\text{NET OPERATING INCOME} \div \text{CAPITALIZATION RATE} = \text{VALUE}$$

$$\$684,504 \div 0.0825 = \$8,297,018$$

$$\text{Rounded To: } \$8,300,000$$

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***RECONCILIATION & QUALIFICATIONS***

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## **RECONCILIATION OF VALUE ESTIMATE**

In the preceding sections of this report, an indication of the subject's market value was estimated based upon two separate appraisal approaches or techniques by processing data considered pertinent to that approach and significant with respect to the property under appraisal. As a result of the analyses and appraisal approaches to value, the indications of value by each approach were:

<b>SUNSCAPE APARTMENTS</b>	
<b>APPROACH</b>	<b>MARKET VALUE</b>
Sales Comparison Approach	\$7,345,000
Income Capitalization Approach	\$8,300,000

In each of these approaches the appraisers have attempted to thoroughly document all of the input data and explain the methodology used in processing and/or analyzing this data. Insofar as can be determined, this data has been furnished from reliable sources, and has been accepted as being accurate. Full recognition to the inherent weaknesses in each of the approaches has been given and, because the appraisal of real property is not by any means an exact science, a great deal of subjective judgment becomes a part of each of the recognized approaches.

In the Sales Comparison Approach, we gathered the most comparable building sales in order to estimate the subject's value via this approach. In undertaking our research efforts, we made a diligent search of the subject's neighborhood for properties that had sold or that were under contract. The search for comparables included investigating the Travis County Deed Records, numerous conversations with local brokers and property owners, and a review of the data contained in our office. Our search included the time period from 2003 to the effective date of the appraisal and included searching for buildings in the subject neighborhood and surrounding area that exhibited similar income and expense expectations was estimated via this approach. Under this fact set, a market value of \$7,345,000 was estimated.

The Income Capitalization Approach is very important to investors when dealing with income-producing properties as it is a measure of anticipated return to a specific investor. In the Income Capitalization Approach section of this report, the Direct Capitalization Technique was utilized. The Income Capitalization Approach was performed to estimate the fee simple value of the subject. The estimated market rental rates and occupancy levels were projected by surveying competing buildings in the area. The data provided from this review of the market provided the necessary basis to form estimates of market rent, vacancy and collection loss, and the various expenses associated with ownership of a similar project. As was shown, a market value estimate of \$8,300,000 was determined from the Income Capitalization Approach.

After having reviewed the approaches which were utilized in this analysis of the subject property, the type and validity of the data available for each and the general nature of the property being appraised, slightly more weight has been placed on the Income Approach.

## **RECONCILIATION OF VALUE ESTIMATE**

Based on the analysis and data included within this report, it is our opinion that the as is market value of the fee simple interest in the subject property:

**SEVEN MILLION NINE HUNDRED THOUSAND DOLLARS  
(\$7,900,000)**

**Please note: This value conclusion is specifically limited by the *Assumptions and Limiting Conditions*, with emphasis on the *Extraordinary Assumptions* and *Hypothetical Conditions* detailed at the beginning of this appraisal report.**

## **QUALIFICATIONS OF LORY R. JOHNSON, MAI**

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### **ASSOCIATIONS/STATE CERTIFICATIONS**

Texas Certified General Real Estate Appraiser #TX-1321640-G  
Member of the Appraisal Institute (MAI) #09346  
Member of Austin Chapter of the Appraisal Institute  
2003 Past President of the Austin Chapter of the Appraisal Institute  
2003/2004 Regional Representative (Region VIII) of the Austin Chapter of the AI  
2003/2004 Member of the Nominations Committee for Region VIII of the Appraisal Institute  
2002/2003 Member of the General Demonstration Reports Subcommittee of the AI  
2002 President of the Austin Chapter of the Appraisal Institute  
1999-2002 Officer of the Austin Chapter of the Appraisal Institute  
2000-2004 Chair of the Education Committee of the Austin Chapter of the Appraisal Institute  
1996/1997/1998 Director for the Austin Chapter of the Appraisal Institute  
1993-2002 Various Committee Chairs for the Austin Chapter of Appraisal Institute  
1995/1996/1997 Region VIII Regional Ethics & Counseling Panel - Appraisal Institute  
Member of the International Right of Way Association, Chapter #74  
2004 Chair of the Newsletter Committee - Austin IRWA Chapter #74  
1995 Chair of Valuation Committee - Austin IRWA Chapter #74  
Designated Member of the Austin Board of Realtors  
Texas Real Estate Broker's License #354928

### **EDUCATION**

Bachelor of Science Degree, Ag Economics, Texas A&M University, 1986  
Graduate courses in the Masters of Business Administration program, St. Edwards University  
Numerous Appraisal Institute professional courses as well as a large variety of real estate appraisal related continuing education courses and seminars completed.

### **PROFESSIONAL BACKGROUND**

- \* October 1991 to present: President of Atrium Real Estate Services, a full service commercial and residential real estate appraisal and consulting company.
- \* Nov 1986 to August 1991: Appraiser w/ McCluskey-Jenkins and SW Property Consultants

Appraisal background includes consulting, analysis and valuation of various commercial properties including single and multi-tenant commercial/retail buildings, shopping centers, restaurants, mini-storage facilities, apartment complexes, condominiums, multi-tenant office buildings, special purpose properties (marinas, cemetery, retirement centers, veterinary clinic, nursing home, etc.), vacant land, and various commercial properties for eminent domain purposes including single and multi- parcel right of way expansion and easement acquisition projects. Easement valuations on numerous property types of various easement interests (conservation, temporary construction, ingress/egress, utility, inundation, etc.) have also been completed. In addition, appraisals of single family residences and comprehensive desk and/or field reviews and TXDOT A-10 reviews have been completed on numerous residential and commercial properties as well as counseling and expert testimony in regards to consulting assignments and litigation support services.

## **QUALIFICATIONS OF JIM AMORIN, MAI, SRA**

Member of the Appraisal Institute (MAI, SRA) #9685/Instructor for the Appraisal Institute  
2004-2006 Member Board of Directors of the Appraisal Institute Representing Region VIII  
2005-2007 Audit Committee of the National Board of Directors of the Appraisal Institute  
2003-2004 Chair: General Demonstration Report Subcommittee of the Appraisal Institute  
2004 Immediate Past President of the Austin Chapter of the Appraisal Institute  
2003 President of the Austin Chapter of the Appraisal Institute  
2003-2004 Member: General Admissions Committee of the Appraisal Institute  
2003-2004 Member: Qualifying Education Subcommittee of the Appraisal Institute  
2002 Vice President of the Austin Chapter of the Appraisal Institute  
2001, 2002 Vice Chair: General Demonstration Report Subcommittee of the Appraisal Institute  
2001, 2002 Member of the Nominations Committee for Region VIII of the Appraisal Institute  
2001 Secretary of the Austin Chapter of the Appraisal Institute  
2001, 2002 Chair: Programs Committee of the Austin Chapter of the Appraisal Institute  
2000 Treasurer of the Austin Chapter of the Appraisal Institute  
1999/2000 Regional Representative of the Austin Chapter of the Appraisal Institute  
1999-2002 Chair: Membership Development & Retention Committee of the Austin Chapter  
1998-2002 Chair: Admission Committee of the Austin Chapter of the Appraisal Institute  
1998/1999 Director of the Austin Chapter of the Appraisal Institute  
1997 Member of the Programs Committee of the Austin Chapter of the Appraisal Institute  
1997 Member of the Nominations Committee of the Austin Chapter of the Appraisal Institute  
1995-2004 Admissions Committee - Austin Chapter of the Appraisal Institute  
1995-2004 Region VIII Regional Ethics & Counseling Panel - Appraisal Institute  
1995-2004 National Experience Review Panel - Appraisal Institute  
Texas Certified General Real Estate Appraiser #TX-1321905-G; Salesman's License #402167  
Member, International Right of Way Association, Chapter #74; CCIM Candidate #6660383

### **PROFESSIONAL BACKGROUND**

- \* November 1992 to present: Vice President with Atrium Real Estate Services, a full service commercial real estate appraisal company.
- \* February 1988 to November 1992: Senior Appraiser with Southwest Property Consultants. Served in various capacities including Director of West Coast Operations.

Appraisal background includes analysis and valuation of various commercial properties including vacant land, single and multi-tenant commercial/retail buildings, restaurants, mini-storage facilities, apartment complexes, multi-tenant office buildings, special purpose properties (mixed use subdivisions, water and utility companies, country clubs, retirement center, churches), and various commercial properties for eminent domain purposes. In addition, 3rd party Comprehensive Desk Reviews have been completed on numerous commercial properties as well as counseling, and expert testimony in United States Bankruptcy Court.

### **EDUCATION**

BBA in Finance and a BBA in Real Estate and Urban Land Development, University of Texas @ Austin, May 1988

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***ADDENDA***

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**Sunscape Apartments Rent Roll**

Apt No.	Phone	Resident Name	Type Apt	Rent Sched
<b>BLDG A</b>				
101		Haros	B-2	625.00
102			B-2	625.00
103		Lara	B-2	675.00
104		Reed	B-2	625.00
201			B-2	625.00
202		Crawford	B-2	625.00
203		Reyes	B-2	625.00
204			B-2	625.00
<b>BLDG B</b>				
101		Nuells	B	600.00
102		Lewis	B	575.00
103		Cloud	B	575.00
104		Aguilar	B	575.00
105		Bonilla	B	555.00
106		Roy	B	605.00
107			B	575.00
108		Ford	B	553.00
201		Childs	B	575.00
202		Lewis	B	553.00
203			B	575.00
204			B	575.00
205			B	575.00
206		Herrera-Flores	B	575.00
207			B	575.00
208		Hernandez	B	575.00
<b>BLDG C</b>				
101		Farmer	B	553.00
102		Perez	B	575.00
103		Alcala	B	550.00
104		Rodriguez	B	600.00
201		Bermudez	B	645.00
202			B	575.00
203			B	575.00
204		Castillo	B	575.00
<b>BLDG D</b>				
101			B-2	625.00
102		Herrera	B-2	625.00
103		Villareal	B-2	625.00
104		Aleman	B-2	599.00
105		Martinez	B-2	599.00
106		Edwards	B-2	599.00
107		Ashenfelter	B-2	599.00
108		Samudio	B-2	625.00

5,050.00

9,191.00

4,648.00

**Sunscape Apartments Rent Roll**

Apt No.	Phone	Resident Name	Type Apt	Rent Sched
201		Reyes	B-2	625.00
202			B-2	625.00
203			B-2	625.00
204		Bradshaw	B-2	619.00
205		Lewis	B-2	625.00
206			B-2	625.00
207		Ellison	B-2	560.00
208		Prier	B-2	590.00
<b>BLDG E</b>				
101		Arggon	B-2	625.00
102			B-2	625.00
103		Galvan	B-2	526.00
104		Pena	B-2	625.00
105		Nash	B-2	625.00
106			B-2	625.00
107		Martin	B-2	570.00
108		Trevino	B-2	625.00
201		Williams	B-2	625.00
202		Conterars	B-2	675.00
203		Harris	B-2	560.00
204		Brown	B-2	655.00
205			B-2	625.00
206		Arvisu	B-2	625.00
207			B-2	625.00
208		Alvarez	B-2	625.00
<b>BLDG F</b>				
101		Donio	B-3	645.00
102		Gilfeather	B-3	695.00
103		Rohrpasser	B-3	591.00
104		Cavness	B-3	617.00
105			B-3	645.00
106			B-3	645.00
107		Walker	B-3	645.00
108		Garcia	B-3	645.00
201			B-3	645.00
202		Lopez	B-3	645.00
203			B-3	645.00
204		Castillo	B-3	645.00
205			B-3	645.00
206			B-3	645.00
207		Suazo	B-3	645.00
208		Francis	B-3	600.00
<b>BLDG G</b>				
101		Ealy	B-3	645.00
102		Smith	B-3	645.00
103		Trant	B-3	560.00

9,790.00

9,861.00

10,243.00

**Sunscape Apartments Rent Roll**

Apt No.	Phone	Resident Name	Type Apt	Rent Sched
104		Wilson	B-3	715.00
105			B-3	645.00
106			B-3	645.00
107		Gonzales	B-3	620.00
108		Mata	B-3	645.00
201			B-3	645.00
202			B-3	645.00
203		Williams	B-3	617.00
204		Freeman	B-3	625.00
205		Torres	B-3	695.00
206			B-3	645.00
207			B-3	645.00
208			B-3	645.00
<b>BLDG H</b>				
101		Perez	A	445.00
102			A	445.00
103			A	445.00
104		Alvarez	A	434.00
105		Concolor	A	454.00
106		Schuette	A	434.00
107		Silas	A	445.00
108			A	445.00
201		Supinsky	A	445.00
202			A	445.00
203			A	445.00
204			A	445.00
205			A	445.00
206		Alvarado	A	434.00
207		Garcia	A	445.00
208		Brown	A	445.00
<b>BLDG I</b>				
101		Walker	A	445.00
102		Vega	A	445.00
103		Wyndermier	A	495.00
104		Roblilo	A	445.00
105		Alcala	A	435.00
106		Jackson	A	445.00
107			A	445.00
108		Castro	A	445.00
201		Streig	A	404.00
202		Batista	A	445.00
203		Kidane	A	425.00
204		Woods	A	445.00
205		Sandoval	A	465.00
206		Storm	A	434.00
207		Sonnenburg	A	445.00
208		Lamas	E	454.00

10,282.00

7,096.00

7,117.00

**Sunscape Apartments Rent Roll**

Apt No.	Phone	Resident Name	Type Apt	Rent Sched
<b>BLDG J</b>				
101		Banuelos	E	399.00
102			E	399.00
103		Riojas	E	399.00
104			E	399.00
105		Garcia	E	399.00
106			E	399.00
107		Garcia	E	400.00
108		Quinoez	E	399.00
201			E	399.00
202		Haros	E	399.00
203			E	399.00
204		Cedellio	E	430.00
205			E	399.00
206		Gray	E	400.00
207		Withrow	E	400.00
208			E	400.00
<b>BLDG K</b>				
101			A	445.00
102		Ellis	A	445.00
103		Berry	A	445.00
104		Hendryx	A	434.00
105		MODEL	A	495.00
106		Zoch	A	434.00
107		Calhoun	A	434.00
108		Vera	A	454.00
201		Walters	A	406.00
202		Warthen	A	393.00
203		Roberts	A	397.00
204		Mallory	A	445.00
205			A	445.00
206		Quintero	A	445.00
207			A	445.00
208		Ruiz	A	445.00
<b>BLDG L</b>				
101		Lane	E	370.00
102		SHOP	E	399.00
103		Lawrence	E	355.00
104		Morales	E	399.00
105			E	399.00
106		Cubit	E	399.00
107			E	399.00
108		Garcia	E	399.00
109		Michael	E	399.00
110		Petmecky	E	370.00
111			E	399.00
112			E	399.00

6,419.00

7,007.00

Sunscape Apartments Rent Roll				
Apt No.	Phone	Resident Name	Type Apt	Rent Sched
201		Escamilla	E	399.00
202		Rambo	E	400.00
203		Torres	E	380.00
204		Simo	E	399.00
205		Vielma	E	387.00
206		Coles	E	399.00
207			E	399.00
208		Vasquez	E	355.00
209		Nealy	E	400.00
210			E	399.00
211		Watts	E	460.00
212		Mendoza	E	460.00
<b>BLDG M</b>				
101		Williams	A-1	490.00
102		Ogidh	A-1	490.00
103		Winters	A-1	475.00
104			A-1	490.00
105		Simms	A-1	490.00
106		Castro	A-1	480.00
107		Lopez	A-1	490.00
108		Storm	A-1	520.00
201		Brooks	A-1	490.00
202		Gathers	A-1	490.00
203		Rodriguez	A-1	490.00
204		Anderson	A-1	475.00
205		Noel	A-1	490.00
206		Arteaga	A-1	470.00
207		Cavanaugh	A-1	490.00
208		Lee	A-1	475.00
<b>BLDG N</b>				
101		Mancha	A-1	490.00
102			A-1	490.00
103		Soto	A-1	490.00
104		Altom	A-1	530.00
105		Houston	A-1	540.00
106		Safaro	A-1	445.00
107		Riojas	A-1	490.00
108		Saunders	A-1	450.00
201		Edmond	A-1	490.00
202		Reese	A-1	495.00
203		Piries	A-1	490.00
204		Russell	A-1	490.00
205			A-1	490.00
206		Torres	A-1	490.00
207		Suazo	A-1	490.00
208		Brooks	A-1	490.00

6,264.00

3,259.00

7,795.00

0

0.00

**Sunscape Apartments Rent Roll**

Apt No.	Phone	Resident Name	Type Apt	Rent Sched
<b>TOTAL</b>				<b>111,872.00</b>

104022

Sunscape Apartments  
Del Valle, Texas  
Income Statement  
For the Twelve Months Ending December 31, 1999

	<u>Current Month</u>		<u>Year to Date</u>	
<b>INCOME:</b>				
Potential Income	\$ 103,989.00	108.07	\$ 1,244,776.00	104.75
Vacancy Loss	<2,723.00>	<2.83>	<49,048.17>	<4.13>
Allowances/Concessions	0.00	0.00	<423.00>	<0.04>
Staff/Model	<2,800.00>	<2.91>	<36,253.00>	<3.05>
Miscellaneous Income	1,524.00	1.58	31,442.00	2.65
<b>Total Income</b>	<b>99,990.00</b>	<b>103.91</b>	<b>1,190,493.83</b>	<b>100.18</b>
<b>EXPENSES:</b>				
<b>Utilities</b>				
Electricity	1,283.81	1.33	18,894.89	1.59
Gas	2,375.67	2.47	29,110.98	2.45
Water	9,708.15	10.09	116,742.41	9.82
Trash Removal	566.79	0.59	5,844.85	0.49
<b>Total Utilities</b>	<b>13,934.42</b>	<b>14.48</b>	<b>170,593.13</b>	<b>14.36</b>
<b>Routine Maintenance</b>				
Plumbing	2,707.21	2.81	12,595.04	1.06
Electrical	987.35	1.03	3,183.11	0.27
Heating & A/C	460.93	0.48	3,339.32	0.28
Appliance Mtce	441.83	0.46	2,223.02	0.19
Keys & Locks	0.00	0.00	1,266.82	0.11
Landscaping	0.00	0.00	16,632.18	1.40
Pest Control	284.46	0.30	4,137.46	0.35
Pool Maintenance	0.00	0.00	2,588.87	0.22
Carpet/Floors Repair	0.00	0.00	1,117.48	0.09
Carpet Rep/Clean	1,613.20	1.68	12,369.80	1.04
Drapery/Blinds Repair	318.64	0.33	2,685.89	0.23
General Cleaning	0.00	0.00	505.71	0.04
Interior Painting	0.00	0.00	2,029.94	0.17
Interior Repair	155.50	0.16	2,984.08	0.25
Exterior Repair	0.00	0.00	2,467.47	0.21
Windows & Doors	0.00	0.00	55.74	0.00
Glass & Mirror	0.00	0.00	711.97	0.06
<b>Total Routine Maintenance</b>	<b>6,969.12</b>	<b>7.24</b>	<b>70,893.90</b>	<b>5.97</b>
<b>Advertising</b>				
Newspaper Ads	0.00	0.00	271.04	0.02
Directory Advertising	1,796.68	1.87	14,513.18	1.22
Signs & Billboards	0.00	0.00	252.26	0.02
Apartment Locators	440.00	0.46	3,847.50	0.32
<b>Total Advertising</b>	<b>2,236.68</b>	<b>2.32</b>	<b>18,883.98</b>	<b>1.59</b>
<b>Office Operations</b>				
Telephone	266.52	0.28	2,856.86	0.24
Answering Service	136.39	0.14	2,087.89	0.18
Pagers/Communications	0.00	0.00	604.43	0.05
Postage	111.89	0.12	1,343.01	0.11
Dues & Subscriptions	219.51	0.23	1,010.95	0.09
Office Supplies	279.18	0.29	2,490.50	0.21
Credit Checks	129.95	0.14	2,790.35	0.23

For Management Purposes Only

Sunscape Partners  
Income Statement  
For the Twelve Months Ending December 31, 2000

	<u>Current Month</u>	<u>%</u>	<u>Year to Date</u>	<u>%</u>
<b>INCOME:</b>				
Potential Income	\$ 109,785.00	102.24	\$ 1,286,115.00	102.66
Vacancy Loss	<1,932.00>	<1.80>	<33,889.68>	<2.71>
Uncollectable	0.00	0.00	0.00	0.00
Allowances/Concessions	0.00	0.00	<474.00>	<0.04>
Staff/Model	<3,306.00>	<3.08>	<38,394.00>	<3.06>
Vending Income	0.00	0.00	0.00	0.00
App Fee Income	0.00	0.00	0.00	0.00
Current Delinquent Rent	0.00	0.00	0.00	0.00
Delinquent Rent Collected	0.00	0.00	0.00	0.00
Late Charge Income	0.00	0.00	0.00	0.00
NSF charge Income	0.00	0.00	0.00	0.00
Reletting Fee Income	0.00	0.00	0.00	0.00
Security Deposits Forfeited	0.00	0.00	0.00	0.00
Employee Rent Income	0.00	0.00	0.00	0.00
From Insurance	0.00	0.00	7,037.70	0.56
Miscellaneous Income	2,831.51	2.64	32,425.19	2.59
<b>Total Income</b>	<b>107,378.51</b>	<b>100.00</b>	<b>1,252,820.21</b>	<b>100.00</b>
<b>EXPENSES:</b>				
<b>Utilities</b>				
Electricity	1,235.34	1.15	19,309.21	1.54
Gas	3,418.58	3.18	35,271.19	2.82
Water	10,319.49	9.61	124,284.85	9.92
Trash Removal	0.00	0.00	6,894.02	0.55
Cable	0.00	0.00	0.00	0.00
Meter Administration	0.00	0.00	0.00	0.00
<b>Total Utilities</b>	<b>14,973.41</b>	<b>13.94</b>	<b>185,759.27</b>	<b>14.83</b>
<b>Routine Maintenance</b>				
Plumbing	817.61	0.76	10,357.27	0.83
Electrical	122.69	0.11	1,615.06	0.13
Heating & A/C	92.78	0.09	7,479.02	0.60
Appliance Mice	44.49	0.04	1,567.58	0.13
Keys & Locks	96.00	0.09	1,715.69	0.14
Office Supplies	0.00	0.00	72.20	0.01
Landscaping	1,378.11	1.28	16,315.63	1.30
Maintenance Supply	0.00	0.00	0.00	0.00
Pest Control	284.46	0.26	3,900.96	0.31
Pool Maintenance	89.30	0.08	3,082.05	0.25
Carpet/Floors Repair	0.00	0.00	1,782.88	0.14
Carpet Repl/Clean	773.82	0.72	5,252.98	0.42
Draperies/Blinds Repair	0.00	0.00	1,717.65	0.14
General Cleaning	0.00	0.00	768.59	0.06
Interior Painting	203.65	0.19	3,994.62	0.32
Pool Maintenance	0.00	0.00	0.00	0.00
Roof Mice	0.00	0.00	0.00	0.00
Interior Repair	180.89	0.17	6,664.47	0.53
Exterior Repair	391.25	0.36	5,326.20	0.43
Windows & Doors	0.00	0.00	798.99	0.06

For Management Purposes Only

Sunscape Partners  
Income Statement  
For the Twelve Months Ending December 31, 2000

	<u>Current Month</u>	<u>%</u>	<u>Year to Date</u>	<u>%</u>
Fire Prevention	0.00	0.00	360.06	0.03
Glass & Mirror	0.00	0.00	304.47	0.02
Miscellaneous Mice	24.01	0.02	267.74	0.02
<b>Total Routine Maintenance</b>	<b>4,499.06</b>	<b>4.19</b>	<b>73,344.11</b>	<b>5.85</b>
<b>Non-Routine Maintenance</b>				
Plumbing Repairs	0.00	0.00	20,434.11	1.63
Heating & A/C	0.00	0.00	6,075.83	0.48
Painting	0.00	0.00	0.00	0.00
Boiler Room/Water Heater	0.00	0.00	0.00	0.00
New Carpets & Floors	0.00	0.00	15,552.52	1.24
New Appliances	0.00	0.00	3,049.30	0.24
New Drapes & Blinds	0.00	0.00	0.00	0.00
New Windows	0.00	0.00	0.00	0.00
Exterior Improvements	0.00	0.00	3,836.04	0.31
Interior Improvements	0.00	0.00	15,721.30	1.25
Equipment	0.00	0.00	0.00	0.00
Pavement	0.00	0.00	1,325.00	0.11
Roofing	0.00	0.00	7,820.52	0.62
Signage	0.00	0.00	245.67	0.02
Unit Restoration	0.00	0.00	0.00	0.00
<b>Total Non-Routine Maintenance</b>	<b>0.00</b>	<b>0.00</b>	<b>74,060.29</b>	<b>5.91</b>
<b>Advertising</b>				
Newspaper Ads	0.00	0.00	1,306.40	0.10
Directory Advertising	1,230.00	1.15	13,252.09	1.06
Signs & Billboards	0.00	0.00	0.00	0.00
Models	0.00	0.00	0.00	0.00
Promotions	0.00	0.00	0.00	0.00
Apartment Locators	0.00	0.00	4,122.57	0.33
<b>Total Advertising</b>	<b>1,230.00</b>	<b>1.15</b>	<b>18,681.06</b>	<b>1.49</b>
<b>Office Operations</b>				
Telephone	188.14	0.18	2,519.69	0.20
Answering Service	337.97	0.31	2,455.36	0.20
Pagers/Communications	196.88	0.18	826.59	0.07
Postage	26.40	0.02	678.42	0.05
Dues & Subscriptions	0.00	0.00	1,367.40	0.11
Printing	0.00	0.00	0.00	0.00
Office Supplies	176.08	0.16	3,142.08	0.25
Furniture Rental	0.00	0.00	0.00	0.00
Security Service	0.00	0.00	0.00	0.00
Credit Checks	753.98	0.70	3,005.09	0.24
Legal Fees	62.00	0.06	530.55	0.04
Bank Charges	0.00	0.00	59.93	0.00
Office Equipment	0.00	0.00	122.40	0.01
Promotion/Gifts	0.00	0.00	335.00	0.03
Rent Reimbursement	0.00	0.00	0.00	0.00
<b>Total Office Operations</b>	<b>1,741.45</b>	<b>1.62</b>	<b>15,042.51</b>	<b>1.20</b>

For Management Purposes Only

Sunscape Partners  
Income Statement  
For the Twelve Months Ending December 31, 2000

	<u>Current Month</u>	<u>%</u>	<u>Year to Date</u>	<u>%</u>
<b>Payroll</b>				
Manager Salary	3,233.34	3.01	34,003.74	2.71
Assistant Manager Salary	2,800.00	2.61	25,166.44	2.01
Maintenance Salaries	5,610.76	5.23	49,567.90	3.96
Porter Salary	660.00	0.61	12,084.24	0.96
Housekeeper Salary	0.00	0.00	0.00	0.00
Payroll Taxes	1,969.37	1.83	17,482.09	1.40
Workmans Comp	312.49	0.29	3,389.61	0.27
Employee Rent Expense	0.00	0.00	0.00	0.00
Employee Screening	0.00	0.00	0.00	0.00
Medical Insurance	0.00	0.00	0.00	0.00
<b>Total Payroll</b>	<u>14,585.96</u>	<u>13.58</u>	<u>141,694.02</u>	<u>11.31</u>
<b>Property Expense</b>				
Management Fee	4,000.00	3.73	48,000.00	3.83
Commissions	0.00	0.00	0.00	0.00
Homeowners	0.00	0.00	0.00	0.00
Property Taxes	9,767.97	9.10	111,621.78	8.91
Insurance	54.74	0.05	16,529.99	1.32
Miscellaneous	0.00	0.00	0.00	0.00
Bond Premium	0.00	0.00	0.00	0.00
<b>Total Property Expenses</b>	<u>13,822.71</u>	<u>12.87</u>	<u>176,151.77</u>	<u>14.06</u>
<b>Total Operating Expenses</b>	<u>50,852.59</u>	<u>47.36</u>	<u>684,733.03</u>	<u>54.66</u>
<b>Net Operating Income (Loss)</b>	<u>56,525.92</u>	<u>52.64</u>	<u>568,087.18</u>	<u>45.34</u>
<b>Partnership Expense</b>				
Interest Income	0.00	0.00	0.00	0.00
Interest Expense	22,751.49	21.19	278,875.45	22.26
Legal/Professional	0.00	0.00	1,200.00	0.10
Depreciation	0.00	0.00	0.00	0.00
Amortization	0.00	0.00	0.00	0.00
<b>Total Partnership Expenses</b>	<u>22,751.49</u>	<u>21.19</u>	<u>280,075.45</u>	<u>22.36</u>
<b>Net Income (Loss)</b>	<u>\$ 33,774.43</u>	<u>31.45</u>	<u>\$ 288,011.73</u>	<u>22.99</u>

For Management Purposes Only

Sunscape  
Income Statement  
For the Twelve Months Ending December 31, 2001

	<u>Current Month</u>		<u>Year to Date</u>	
<b>INCOME:</b>				
Potential Income	\$ 113,535.00	104.40	\$ 1,346,010.00	103.79
Vacancy Loss	<3,701.00>	<3.40>	<35,599.79>	<2.75>
Allowances/Concessions	0.00	0.00	<628.73>	<0.05>
Staff/Model	<3,415.00>	<3.14>	<45,736.00>	<3.53>
Miscellaneous Income	2,333.00	2.15	32,830.42	2.53
<b>Total Income</b>	<b>108,752.00</b>	<b>100.00</b>	<b>1,296,875.90</b>	<b>100.00</b>
<b>EXPENSES:</b>				
<b>Utilities</b>				
Electricity	1,466.18	1.35	21,321.13	1.64
Gas	3,023.46	2.78	47,606.35	3.67
Water	7,639.24	7.02	101,311.61	7.81
Trash Removal	617.09	0.57	6,670.15	0.51
<b>Total Utilities</b>	<b>12,747.97</b>	<b>11.72</b>	<b>176,909.24</b>	<b>13.64</b>
<b>Routine Maintenance</b>				
Plumbing	0.00	0.00	10,964.04	0.85
Electrical	0.00	0.00	5,655.45	0.44
Heating & A/C	0.00	0.00	4,308.73	0.33
Appliance Mnce	0.00	0.00	1,884.99	0.15
Keys & Locks	0.00	0.00	1,975.14	0.15
Grounds Replacements	1,447.02	1.33	18,595.72	1.43
Maintenance Supply	0.00	0.00	1,500.00	0.12
Pest Control	287.70	0.26	4,329.59	0.33
Pool Maintenance	0.00	0.00	2,178.59	0.17
Carpet/Floors Repair	0.00	0.00	2,137.48	0.16
Carpet Repl/Clean	210.98	0.19	4,817.73	0.37
Drapery/Blinds Repair	110.74	0.10	2,596.97	0.20
General Cleaning	0.00	0.00	869.64	0.07
Interior Painting	263.69	0.24	3,354.21	0.26
Roof Mnce	0.00	0.00	600.00	0.05
Interior Repair	0.00	0.00	4,178.00	0.32
Exterior Repair	0.00	0.00	6,063.65	0.47
Fire Prevention	0.00	0.00	132.85	0.01
Glass & Mirror	0.00	0.00	556.35	0.04
Miscellaneous Mnce	0.00	0.00	320.97	0.02
<b>Total Routine Maintenance</b>	<b>2,320.13</b>	<b>2.13</b>	<b>77,020.10</b>	<b>5.94</b>
<b>Advertising</b>				
Newspaper Ads	0.00	0.00	566.60	0.04
Directory Advertising	670.00	0.62	8,424.00	0.65
Signs & Billboards	0.00	0.00	82.46	0.01
Apartment Locators	0.00	0.00	3,402.50	0.26
<b>Total Advertising</b>	<b>670.00</b>	<b>0.62</b>	<b>12,475.56</b>	<b>0.96</b>
<b>Office Operations</b>				
Telephone	280.09	0.26	3,043.78	0.23
Answering Service	185.11	0.17	2,612.96	0.20
Pagers/Communications	27.68	0.03	710.80	0.05
Postage	0.00	0.00	1,582.26	0.12
Dues & Subscriptions	0.00	0.00	970.40	0.07
Office Supplies	0.00	0.00	2,812.76	0.22

For Management Purposes Only

Sunscape  
Income Statement  
For the Twelve Months Ending December 31, 2001

	<u>Current Month</u>		<u>Year to Date</u>	
Credit Checks	204.65	0.19	2,199.91	0.17
Legal Fees	0.00	0.00	186.00	0.01
Bank Charges	35.54	0.03	228.95	0.02
Office Equipment	0.00	0.00	164.92	0.01
Promotion/Gifts	300.00	0.28	802.89	0.06
<b>Total Office Operations</b>	<b>1,033.07</b>	<b>0.95</b>	<b>15,315.63</b>	<b>1.18</b>
<b>Payroll</b>				
Manager Salary	3,233.34	2.97	33,436.08	2.58
Assistant Manager Salary	2,901.10	2.67	28,266.35	2.18
Maintenance Salaries	5,104.00	4.69	68,211.92	5.26
Porter Salary	0.00	0.00	4,545.14	0.35
Payroll Taxes	859.73	0.79	15,230.44	1.17
Workmans Comp	0.00	0.00	3,896.80	0.30
Medical Insurance	1,293.65	1.19	2,983.65	0.23
<b>Total Payroll</b>	<b>13,391.82</b>	<b>12.31</b>	<b>156,570.38</b>	<b>12.07</b>
<b>Property Expense</b>				
Management Fee	4,075.00	3.75	55,225.00	4.26
Property Taxes	10,743.01	9.88	124,384.39	9.59
Insurance	4,352.70	4.00	54,716.49	4.22
<b>Total Property Expenses</b>	<b>19,170.71</b>	<b>17.63</b>	<b>234,325.88</b>	<b>18.07</b>
<b>Total Operating Expenses</b>	<b>49,333.70</b>	<b>45.36</b>	<b>672,616.79</b>	<b>51.86</b>
<b>Net Operating Income (Loss)</b>	<b>59,418.30</b>	<b>54.64</b>	<b>624,259.11</b>	<b>48.14</b>

For Management Purposes Only

Sunscape  
Income Statement  
For the Twelve Months Ending December 31, 2002

	<u>Current Month</u>		<u>Year to Date</u>	
<b>INCOME:</b>				
Net Rental Income	\$ 118,990.00	116.08	\$ 1,409,289.00	113.31
<b>EXPENSES:</b>				
<b>Utilities</b>				
Electricity	1,707.33	1.67	22,860.81	1.84
Gas	2,723.37	2.66	37,838.51	3.04
Water	7,970.65	7.78	99,033.29	7.96
Trash Removal	631.38	0.62	8,035.10	0.65
<b>Total Utilities</b>	<u>13,032.73</u>	<u>12.71</u>	<u>167,767.71</u>	<u>13.49</u>
<b>Routine Maintenance</b>				
Plumbing	715.64	0.70	7,974.67	0.64
Electrical	19.14	0.02	3,638.21	0.29
Heating & A/C	7.42	0.01	6,365.93	0.51
Appliance Mtce	0.00	0.00	2,821.69	0.23
Keys & Locks	7.01	0.01	1,695.81	0.14
Grounds Replacements	1,505.89	1.47	19,173.27	1.54
Pest Control	287.70	0.28	2,288.52	0.18
Pool Maintenance	48.00	0.05	1,824.93	0.15
Carpet/Floors Repair	0.00	0.00	638.71	0.05
Carpet Repl/Clean	21.60	0.02	3,525.48	0.28
Drapery/Blinds Repair	156.61	0.15	3,612.08	0.29
General Cleaning	118.79	0.12	1,637.37	0.13
Interior Painting	311.29	0.30	3,928.27	0.32
Interior Repair	214.34	0.21	4,643.86	0.37
Exterior Repair	0.00	0.00	4,920.29	0.40
Windows & Doors	0.00	0.00	128.40	0.01
Glass & Mirror	0.00	0.00	1,065.17	0.09
Miscellaneous Mtce	0.00	0.00	996.30	0.08
<b>Total Routine Maintenance</b>	<u>3,413.43</u>	<u>3.33</u>	<u>70,878.96</u>	<u>5.70</u>
<b>Advertising</b>				
Newspaper Ads	0.00	0.00	261.35	0.02
Directory Advertising	575.00	0.56	8,450.00	0.68
Signs & Billboards	0.00	0.00	473.39	0.04
Apartment Locators	0.00	0.00	2,479.50	0.20
<b>Total Advertising</b>	<u>575.00</u>	<u>0.56</u>	<u>11,664.24</u>	<u>0.94</u>
<b>Office Operations</b>				
Telephone	318.50	0.31	4,074.08	0.33
Answering Service	195.93	0.19	2,710.13	0.22
Pagers/Communications	28.73	0.03	1,212.02	0.10
Postage	0.00	0.00	457.73	0.04
Dues & Subscriptions	0.00	0.00	1,295.39	0.10
Office Supplies	15.92	0.02	4,309.48	0.35
Credit Checks	204.65	0.20	2,391.15	0.19
Legal Fees	0.00	0.00	62.00	0.00

For Management Purposes Only





Sunscape  
Income Statement  
For the Twelve Months Ending December 31, 2002

	<u>Current Month</u>		<u>Year to Date</u>	
Bank Charges	0.00	0.00	666.45	0.05
Promotion/Gifts	0.00	0.00	182.00	0.01
<b>Total Office Operations</b>	<u>763.73</u>	<u>0.75</u>	<u>17,360.43</u>	<u>1.40</u>
<b>Payroll</b>				
Manager Salary	3,400.01	3.32	36,530.08	2.94
Assistant Manager Salary	3,021.50	2.95	22,413.25	1.80
Maintenance Salaries	4,431.00	4.32	64,640.52	5.20
Porter Salary	576.00	0.56	3,754.50	0.30
Payroll Taxes	771.64	0.75	9,686.20	0.78
Workmans Comp	170.64	0.17	3,654.72	0.29
Medical Insurance	656.19	0.64	6,124.34	0.49
<b>Total Payroll</b>	<u>13,026.98</u>	<u>12.71</u>	<u>146,803.61</u>	<u>11.80</u>
<b>Property Expense</b>				
Management Fee	4,075.00	3.98	48,900.00	3.93
Property Taxes	10,178.95	9.93	118,085.28	9.49
Insurance	4,224.82	4.12	49,942.44	4.02
<b>Total Property Expenses</b>	<u>18,478.77</u>	<u>18.03</u>	<u>216,927.72</u>	<u>17.44</u>
<b>Total Operating Expenses</b>	<u>49,290.64</u>	<u>48.08</u>	<u>631,402.67</u>	<u>50.77</u>
<b>Net Operating Income (Loss)</b>	<u>53,220.36</u>	<u>51.92</u>	<u>612,301.75</u>	<u>49.23</u>

For Management Purposes Only

Sunscape  
Income Statement  
For the Twelve Months Ending December 31, 2003

	<u>Current Month</u>		<u>Year to Date</u>	
<b>INCOME:</b>				
Potential Income	\$ 113,870.00	122.87	\$ 1,423,508.93	113.07
Vacancy Loss	<12,165.09>	<13.13>	<74,219.94>	<5.90>
Allowances/Concessions	<7,715.00>	<8.32>	<85,579.00>	<6.80>
Staff/Model	<2,899.00>	<3.13>	<33,471.00>	<2.66>
Gas	2,811.06	3.03	45,422.44	3.61
Water	5,967.16	6.44	84,231.59	6.69
Trash Removal	750.50	0.81	7,288.84	0.58
<b>Total Utilities</b>	<u>13,597.73</u>	<u>14.67</u>	<u>165,196.46</u>	<u>13.12</u>
<b>Routine Maintenance</b>				
Plumbing	3,704.52	4.00	10,929.85	0.87
Electrical	76.64	0.08	1,946.29	0.15
Heating & A/C	43.44	0.05	2,984.90	0.24
Appliance Mtce	47.94	0.05	1,107.63	0.09
Keys & Locks	0.00	0.00	718.19	0.06
Grounds Replacements	1,550.05	1.67	18,950.80	1.51
Maintenance Supply	0.00	0.00	24.58	0.00
Pest Control	0.00	0.00	2,329.25	0.19
Pool Maintenance	0.00	0.00	1,191.39	0.09
Carpet/Floors Repair	0.00	0.00	242.29	0.02
Carpet Repl/Clean	534.70	0.58	6,501.93	0.52
Drapery/Blinds Repair	21.49	0.02	1,718.22	0.14
General Cleaning	41.01	0.04	853.75	0.07
Interior Painting	913.09	0.99	5,270.19	0.42
Interior Repair	368.71	0.40	1,703.59	0.14
Exterior Repair	45.05	0.05	1,009.75	0.08
Fire Prevention	0.00	0.00	146.14	0.01
Glass & Mirror	0.00	0.00	690.91	0.05
Miscellaneous Mtce	9.39	0.01	419.37	0.03
<b>Total Routine Maintenance</b>	<u>7,356.03</u>	<u>7.94</u>	<u>58,739.02</u>	<u>4.67</u>
<b>Advertising</b>				
Newspaper Ads	118.38	0.13	269.88	0.02
Directory Advertising	715.00	0.77	8,580.00	0.68
Signs & Billboards	0.00	0.00	549.84	0.04
Promotions	0.00	0.00	495.00	0.04
Apartment Locators	0.00	0.00	3,770.00	0.30
<b>Total Advertising</b>	<u>833.38</u>	<u>0.90</u>	<u>13,664.72</u>	<u>1.09</u>
<b>Office Operations</b>				
Telephone	254.75	0.27	3,805.46	0.30
Answering Service	300.94	0.32	2,760.49	0.22
Pagers/Communications	172.85	0.19	766.23	0.06
Postage	62.50	0.07	249.68	0.02
Dues & Subscriptions	0.00	0.00	498.11	0.04
Office Supplies	332.09	0.36	2,561.81	0.20
Credit Checks	398.52	0.43	1,841.85	0.15

For Management Purposes Only

Sunscape  
Income Statement  
For the Twelve Months Ending December 31, 2003

	<u>Current Month</u>		<u>Year to Date</u>	
Legal Fees	0.00	0.00	533.57	0.04
Bank Charges	55.37	0.06	999.37	0.08
Promotion/Gifts	0.00	0.00	606.29	0.05
<b>Total Office Operations</b>	<b>1,577.02</b>	<b>1.70</b>	<b>14,622.86</b>	<b>1.16</b>
<b>Payroll:</b>				
Manager Salary	3,433.34	3.70	34,599.58	2.75
Assistant Manager Salary	3,524.50	3.80	26,961.36	2.14
Maintenance Salaries	4,896.50	5.28	51,424.84	4.08
Porter Salary	0.00	0.00	1,535.00	0.12
Payroll Taxes	1,073.88	1.16	9,342.94	0.74
Workmans Comp	772.79	0.83	3,872.68	0.31
Medical Insurance	791.43	0.85	8,327.87	0.66
<b>Total Payroll</b>	<b>14,492.44</b>	<b>15.64</b>	<b>136,064.27</b>	<b>10.81</b>
<b>Property Expense</b>				
Management Fee	4,075.00	4.40	48,900.00	3.88
Property Taxes	13,722.14	14.81	120,160.00	9.54
Insurance	3,922.47	4.23	44,506.14	3.54
<b>Total Property Expenses</b>	<b>21,719.61</b>	<b>23.44</b>	<b>213,566.14</b>	<b>16.96</b>
<b>Total Operating Expenses</b>	<b>59,576.21</b>	<b>64.28</b>	<b>601,853.47</b>	<b>47.81</b>
<b>Net Operating Income (Loss)</b>	<b>33,099.70</b>	<b>35.72</b>	<b>657,064.34</b>	<b>52.19</b>

For Management Purposes Only

8  
 Sunscape  
 Income Statement  
 For the Eight Months Ending August 31, 2004

	<u>Current Month</u>	<u>Year to Date</u>
<b>INCOME:</b>		
Potential Income	113,381.00	907,467.00
Vacancy Loss	<19,873.00>	<125,412.00>
Allowances/Concessions	<4,565.00>	<36,541.00>
Staff/Model	<2,795.00>	<22,538.00>
<b>Utilities</b>		
Electricity	3,225.64	20,583.01
Gas	4,768.81	38,816.92
Water	9,467.01	62,837.20
Trash Removal	1,298.20	6,151.14
<b>Total Utilities</b>	<b>18,759.66</b>	<b>128,388.27</b>
<b>Routine Maintenance</b>		
Plumbing	643.03	4,980.62
Electrical	118.27	1,744.83
Heating & A/C	362.00	3,140.24
Appliance Mtce	70.01	1,074.01
Keys & Locks	27.95	475.56
Grounds Replacements	1,693.24	12,217.22
Pest Control	289.84	2,359.06
Pool Maintenance	242.72	1,331.19
Carpet/Floors Repair	0.00	801.82
Carpet Repl/Clean	200.27	3,589.81
Drapery/Blinds Repair	0.00	1,477.23
General Cleaning	60.65	891.57
Interior Painting	224.30	7,576.62
Interior Repair	85.77	2,527.73
Exterior Repair	0.00	3,950.53
Glass & Mirror	0.00	9.06
Miscellaneous Mtce	9.95	140.96
<b>Total Routine Maintenance</b>	<b>4,028.00</b>	<b>48,288.06</b>
<b>Advertising</b>		
Newspaper Ads	0.00	65.96
Directory Advertising	740.00	5,874.95
Signs & Billboards	0.00	160.06
Promotions	0.00	222.85
Apartment Locators	0.00	2,405.00

8  
**Sunscape**  
**Income Statement**  
For the Eight Months Ending August 31, 2004

Total Advertising	740.00	8,728.82
<hr/>		
Office Operations		
Telephone	413.15	3,168.22
Answering Service	209.14	1,699.11
Pagers/Communications	37.98	853.62
Postage	0.00	169.12
Dues & Subscriptions	101.00	788.25
Office Supplies	29.06	1,819.17
Security Service	0.00	12.99
Credit Checks	215.42	2,143.44
Bank Charges	122.94	772.72
Office Equipment	0.00	975.29
Promotion/Gifts	600.00	600.00
<hr/>		
Total Office Operations	1,728.69	13,001.93
<hr/>		
Payroll:		
Manager Salary	2,946.66	27,034.20
Assistant Manager Salary	2,665.25	22,735.50
Maintenance Salaries	5,197.10	33,378.09
Housekeeper Salary	180.00	180.00
Payroll Taxes	723.92	5,957.14
Workmans Comp	0.00	2,898.15
Medical Insurance	619.14	7,186.51
<hr/>		
Total Payroll	12,332.07	99,369.59
<hr/>		
Property Expense		
Management Fee	4,075.00	32,600.00
Property Taxes	7,453.63	72,961.68
Insurance	4,587.03	35,367.12
<hr/>		
Total Property Expenses	16,115.66	140,928.80
<hr/>		
Total Operating Expenses	53,704.08	438,705.47
<hr/>		
Net Operating Income (Loss)	28,550.47	320,532.49
<hr/>		

**Sunscape Apartments  
Del Valle, Texas**

Property Improvements (1999 - 2003)

1999

Flooring	\$	14,320.00
Appliances	\$	6,221.00
HVAC	\$	4,032.00
Plumbing (1)	\$	32,265.00
Interior (2)	\$	12,229.00
Perimeter Fence Repl	\$	29,000.00
	\$	<u>98,067.00</u>

2000

Flooring	\$	15,553.00
Appliances	\$	3,049.00
HVAC	\$	6,076.00
Plumbing (1)	\$	20,434.00
Interior (2)	\$	15,721.00
	\$	<u>60,833.00</u>

2001

Flooring	\$	18,260.00
Appliances	\$	4,123.00
HVAC	\$	3,021.00
Plumbing (1)	\$	27,359.00
Interior (2)	\$	2,492.00
Resurface / Tile Pool	\$	5,600.00
Pavement	\$	8,236.00
	\$	<u>69,091.00</u>

2002

Flooring	\$	29,983.00
Appliances	\$	3,711.00
HVAC	\$	2,913.00
Plumbing (1)	\$	11,112.00
	\$	<u>47,719.00</u>

2003

Flooring	\$	28,604.00
HVAC	\$	3,390.00
Plumbing (1)	\$	6,351.00
Roof Replacement	\$	110,244.00
Wood Repl / Repaint	\$	80,050.00
	\$	<u>228,639.00</u>

(1) Plumbing - Extensive plumbing upgrades for increased hot water efficiency and conservation; including water treatment system to reduce scale buildup, replacement of hot water supply lines, replacement of most tub, shower and washing machine valves, installing low flow shower heads.

(2) Interior - Replacement of outdated lighting fixtures and installation of ceiling fans

## 7.0 Conclusions and Recommendations

Sunland Group has performed a Phase I Environmental Site Assessment in conformance with the scope and limitations of ASTM Practice E 1527 of 2425 Cardinal Loop, Del Valle, Travis County, Texas; referred to as the "Property". Any exceptions to, or deletions from, this practice are described in Section 8 of this report. We conclude that at the time of this Phase I Assessment, the Property had a low level of environmental risk. Findings related to this Property are:

This Property appears to have a low level of environmental risk. Specific findings which support this classification are:

- The Property is a multi-family residential site and has been in its current use for several years. It is believed that prior to its current use the Property was as a manufactured home site.
- The neighboring properties are light industrial, commercial and multi-family residential in nature. The adjacent property to the north is occupied by the Del Valle ISD bus depot. This facility is utilized for maintenance and storage of school busses and other vehicles used by the ISD. The adjacent property to the east is multi-family residential in use and the adjacent property to the south is a commercial site. There was no indication that of these sites pose an environmental risk to the Property. A few fueling stations are located along Bastrop Highway (a.k.a. HWY 71). These fueling stations are in use. They appear to be in good condition and the Shell fueling station, located on the northwest corner of the HWY 71/Cardinal Loop intersection, has a release detection system. Since groundwater flow is believed to be to the north-northeast, this site would be the most likely candidate to impact the Property in the event of a release. However, given the presence of the release detection system, the probability of an impact to the soils or groundwater under the Property resulting in a release from this site is minimal.
- The south and west sides of the Property are elevated and would not receive storm water run-on. A drainage swell is located along the north and east sides of the Property, which would intercept storm water and carry it respectively east and north to the storm water inlet located near the northwest corner of the Property. Therefore, there is no stormwater run-on to the Property.
- There were three (3) pole mounted transformers located along the south and west property lines and nine (9) pad mounted transformers scattered throughout the interior of the Property.

Only one of the pole mounted transformers was marked as non PCB containing. The remaining pole mounted transformer and none of the pad mounted transformers were marked as "non PCB" or "PCB". However, all of the transformer appeared to be in good condition and showed no evidence of past or current releases from these units.

- There were small areas of stained soils located along the west property line that appeared to be the result of minor dumping of used automotive oil. Other than these small areas, there was no evidence of hazardous substance spills or releases on the Property.
- The site had several solid waste disposal dumpsters placed around the perimeter of the Property. There was no evidence of past or present waste dumping on the Property other than the domestic waste placed in the disposal dumpsters. There were no un-natural mounds or depressions on the Property which could indicate past burial of materials on the site.
- There was no evidence of above ground or underground storage tanks on the Property. There were above ground storage tanks located on the Del Valle bus depot site adjacent to the north of the Property. These tanks were placed within secondary containment and are located located down gradient from the Property.
- There were two groundwater monitoring wells located on the Property. These wells are associated with remediation efforts for a TCE plume that originated on the north side of the former Bergstrom Air Force Base located on the south side of HWY 71. Remediation and monitoring efforts have been continuous for several years and a steady decline of TCE concentrations has been seen. Sampling events which have taken place in 2002 showed the area of contamination (plume) has receded to the south away from the Property. Concentration levels of TCE found under the Property were well below the MCL and PQL levels published by the Texas Commission on Environmental Quality. Given the level of decline in concentration and the effective withdraw of this constituent from the Property, there is little reason for concern to the condition of the Property.
- There were no indications of underground pipelines or other utility easements crossing the Property.

Since no environmental concerns were found for this Property, there are no recommendations for additional investigation or for remediation of potential environmental issues.

These conclusions and recommendations are based on a limited inspection and research of public documents. Other parties drawing conclusions from the results of this assessment should recognize

the limitations of the methods used. This report was produced for the exclusive use of the Austin Bergstrom International Airport Noise Mitigation Program.

## SCHEDULE B

Commitment No.

G.F. No. 129646CM

## EXCEPTIONS FROM COVERAGE

In addition to the Exclusions and Conditions and Stipulations, your Policy will not cover loss, costs, attorney's fees, and expenses resulting from:

1. The following restrictive covenants of record itemized below (We must either insert specific recording data or delete this exception):  
Volume 2512, Page 327, of the Deed Records of Travis County, Texas.  
(Deleting therefrom any restrictions indicating any preference, limitation, or discrimination based on race, color, religion, sex, handicap, familial status, or national origin.)
2. Any discrepancies, conflicts, or shortages in area or boundary lines, or any encroachments or protrusions, or any overlapping of improvements.
3. Homestead or community property or survivorship rights, if any of any spouse of any insured. (Applies to the Owner Policy only.)
4. Any titles or rights asserted by anyone, including, but not limited to, persons, the public, corporations, governments or other entities,
  - a. to tidelands, or lands comprising the shores or beds of navigable or perennial rivers and streams, lakes, bays, gulfs or oceans, or
  - b. to lands beyond the line of the harbor or bulkhead lines as established or changed by any government, or
  - c. to filled-in lands, or artificial islands, or
  - d. to statutory water rights, including riparian rights, or
  - e. to the area extending from the line of mean low tide to the line of vegetation, or the rights of access to that area or easement along and across that area.  
(Applies to the Owner Policy only.)
5. Standby fees, taxes and assessments by any taxing authority for the year 2004, and subsequent years; and subsequent taxes and assessments by any taxing authority for prior years due to change in land usage or ownership, but not those taxes or assessments for prior years because of an exemption granted to a previous owner of the property under Section 11.13, Texas Tax Code, or because of improvements not assessed for a previous tax year.

(If Texas Short Form Residential Mortgagee Policy of Title Insurance (T-2R) is issued, that policy will substitute "which become due and payable subsequent to Date of Policy" in lieu of "for the year \_\_\_\_\_ and subsequent years.")

6. The terms and conditions of the documents creating your interest in the land.
7. Materials furnished or labor performed in connection with planned

Schedule B (Rev. 4/4/02) - Promulgated Page 3

Commitment for Title Insurance

Form T-7 (Clitic 998) - Sheet 3

Valid Only If Schedules A, C, D  
And Cover Page Are Attached

construction before signing and delivering the lien document described in Schedule A, if the land is part of the homestead of the owner. (Applies to the Mortgagee Title Policy Binder on Interim Construction Loan only, and may be deleted if satisfactory evidence is provided to us before a binder is issued.)

- 8. Liens and leases that affect the title to the land, but that are subordinate to the lien of the insured mortgage. (Mortgagee Policy only)
- 9. The Exceptions from Coverage and Express Insurance in Schedule B of the Texas Short Form Residential Mortgagee Policy of Title Insurance (T-2R). (Applies to Texas Short Form Residential Mortgagee Policy of Title Insurance (T-2R) only. Separate exceptions 1 through 8 of this Schedule B do not apply to the Texas Short Form Residential Mortgagee Policy of Title Insurance (T-2R).)
- 10. The following matters and all terms of the documents creating or offering evidence of the matters (We must insert matters or delete this exception.):
  - a. Easements, or claims of easements, which are not recorded in the public records.
  - b. Any portion of the property described herein within the limits or boundaries of any public or private roadway and/or highway.
  - c. Electric transmission/distribution line easement to Texas Power & Light Company, dated April 6, 1928, executed by J. B. Norwood, recorded in Volume 417, Page 247, of the Deed Records of Travis County, Texas.
  - d. Electric transmission/distribution line easement to the City of Austin, dated January 15, 1941, executed by Leora Giles, recorded in Volume 660, Page 465, of the Deed Records of Travis County, Texas.
  - e. Sanitary sewer easement to the City of Austin, dated November 25, 1970, executed by Joseph A. Walter, recorded in Volume 3955, Page 2302, of the Deed Records of Travis County, Texas.
  - f. Electric and telephone easement to the City of Austin, dated July 15, 1983, executed by Brown Stone Builders-Austin, Inc., recorded in Volume 8188, Page 580, of the Deed Records of Travis County, Texas.
  - g. Electric line easement to the City of Austin, dated March 13, 1984, executed by Sunscape-Sunwest, Inc., recorded in Volume 8521, Page 365, of the Deed Records of Travis County, Texas.
  - h. Drainage easement to the public, dated June 21, 1984, executed by Sunscape-Sunwest, Inc., recorded in Volume 8662, Page 138, of the Deed Records of Travis County, Texas.

Schedule B (Rev. 4/4/02) - Promulgated Page 3

Commitment for Title Insurance

Form T-7 (Clitic 998) - Sheet 4

Valid Only If Schedules A, C, D

And Cover Page Are Attached

- i. An easement as set out in Warranty Deed dated August 24, 1970, recorded in Volume 3919, Page 2237, Deed Records of Travis County, Texas, and all rights incident thereto and partially released by instrument dated June 14, 1983, as recorded in Volume 8181, Page 326, Deed Records of Travis County, Texas.
- j. A Memorandum of Lease dated May 31, 1984, executed by Coinmatic, Inc., as Lessor and Sunscape-Sunwest, Inc., as Lessee, recorded in Volume 8654, Page 558, Real Property Records, Travis County, Texas and the terms and conditions thereof, as modified by Subordination and Non-Disturbance Attornment Agreement dated August 15, 1994, executed by and between Coinmatic, Inc. and the Patrician Financial Company, recorded in Volume 12255, Page 186, Real Property Records, Travis County, Texas.
- k. Terms, conditions and stipulations contained in Cable Television Installation Agreement dated April 27, 1984, executed by and between Sunscape-Sunwest, Inc. and American Television and Communications Corporation, da Austin Cablevision, and recorded in Volume 8604, Page 279, of the Real Property Records of Travis County, Texas.
- l. Terms, conditions and stipulations contained in Easement and Memorandum of Agreement dated September 28, 2003, executed by and between Sunscape Partnership, LTD., a Texas Limited Partnership and Time Warner Entertainment-Advance/Newhouse Partnership, through its Austin Division, d/b/a Time Warner Cable, and recorded under File Number 2003249499 in the Official Public Records of Travis County, Texas.
- m. Rights of tenants in possession under unrecorded leases or rental agreements.

**PROPERTY ANALYSIS**

Parcel # 109.0

Project # N4062M

Owner(s) Sunscape Partnership

Address 2426 Cardinal Loop, Del Valle, Texas

Item #	Qty	Description	O	T	RE	PP
	<u>205</u>	<u>Refrigerators</u>	<u>X</u>		<u>X</u>	
	<u>212</u>	<u>Elec Stoves</u>	<u>X</u>		<u>X</u>	
	<u>216</u>	<u>Dishwashers</u>	<u>X</u>		<u>X</u>	
	<u>1</u>	<u>Furnished Model Unit (couch, chair, bed, dresser, dining set)</u>	<u>X</u>			<u>X</u>
	<u>1</u>	<u>Office Furniture (desk, chairs, couches, dining)</u>	<u>X</u>			<u>X</u>
	<u>32</u>	<u>Washer/Dryer Units in (2) Laundry Rooms</u>		<u>X</u>		
	<u>Unknown</u>	<u>Washer/Dryer Units in individual apartments</u>		<u>X</u>		
	<u>Unknown</u>	<u>Mini-Blinds, Ceiling Fans, etc. in apt units</u>	<u>X</u>		<u>X</u>	

Key: O = Owner      T = Tenant      RE = Real Estate      PP = Personal Property

[Signature]  
 Property Agent for owner

\_\_\_\_\_  
 Property Owner

5/26/04  
 Date

\_\_\_\_\_  
 Date