

APPLICATION FOR OHDA FUNDING

CHESTNUT NEIGHBORHOOD REVITALIZATION CORPORATION

THE CHICON - PHASE TWO (The Ivory)

1. Applicant Entity

- a. **Introduction** – Chestnut Neighborhood Revitalization Corporation (CNRC) is a 501c3 non-profit affordable housing developer, created in 2001 by Reverend Joseph Parker of David Chapel Church after he finished sheperding one of Austin’s first neighborhood plans that called out for an organization like CNRC.

Since its beginnings, CNRC has provided several single family homes, a 22-unit senior affordable housing project and a 2-building mixed-use, mixed-income project called The Chicon.

Phase One of The Chicon consisted of two buildings with a total of 28 units, with 21 of those units selling to homeowners who make below 80%MFI. CNRC also built 6,624sf of commercial space – selling the space well below market to local small businesses. One of those businesses (Paws on Chicon) was recently named Best Pet Store of Austin, beating out Thomlinson’s who owns 6+ stores in Austin.

CNRC received \$5.2 Million from the City of Austin as a repayable zero interest loan. All of these funds were used to purchase all of the properties for both Phase 1 and Phase 2 of The Chicon. All of the funds have been paid back to the City.

CNRC owns the remaining vacant tract that was purchased with CoA funds, and the City has a lien on that property to build at least 12 more affordable units. CNRC is still committed to building at least 12 more affordable units as part of the original loan agreement. However, The Ivory will now have 40 affordable units to those making less than 80% MFI and 13 more units for people making between 80-120%MFI and 3 commercial owner-occupied units.

CNRC will be developing Phase 2 under the Affordable Housing Unlocked Ordinance. CNRC has engaged an engineer and architect to determine the feasibility of developing under this new ordinance. We should be breaking ground in April as soon as we obtain our site development permit.

Yet, *the appraisal has come back lower than what our bank (Capital Impact Partners) and CNRC thought, so we are requesting an additional \$1M so that their LTV ratio is 93% vs 105% which is where it is now.*

- b. **Certificate of Status** – see attached Certificate
- c. **Capacity** –

The Chicon – Phase Two

- i. CNRC will serve as the developer and overall project manager.
 - ii. CNRC Board President, Sean Garretson, will serve as the primary point of contact for all correspondence and as overall project manager.
 1. CNRC has 15+ years experience as a developer of affordable housing developments, having developed over \$20M in subsidized housing.
 2. Board President Sean Garretson has his own urban planning and development company.
 3. Board Vice President Sam Covey has his own structural engineering firm and extensive experience working on similar-sized projects.
 - iii. KRDB will serve as the architect and builder of a modular development. KRDB has recently completed a similar modular project on MLK and Leona and has worked with the City of Austin’s housing programs before.
 - iv. Civil and Environmental Consultants (CEC) will serve as the civil engineer for this project.
 - v. The MEP, Structural engineers and legal team will be firms that KRDB or CNRC has worked with on similar projects.
 - vi. Market Analysis/Sales – Our Presales for the Workforce Housing Units is strong with 50 households already prequalified for 40 units. These sales prices are going to be set based on the 80% MFI standards and the prices provided to CNRC under Affordable Housing Unlocked). We have already 300+ signed up for the 13 market rate units. We will close on the WF housing units first and then the market rate units once the building is vertical.
- d. **Statement of Confidence** – all projects considered for this project, and as part of CVs are within Austin.
- e. **Financial Capacity** – CNRC is a seasoned developer with over 15 years of experience ranging from developing single family affordable homes using CDBG and HOME Funds to a 22-unit Senior Affordable Housing development using Section 201 HUD funds and CoA Bond fund, to building the last two mixed-use projects of The Chicon using a mixture of funds from City of Austin Bond funds to TSHAC low-interest loan funds.
- i. CNRC is a non-profit developer. Please see attached Federal IRS designation as such.
 - ii. See attached 2020 Audit. 2021 Audit is not yet complete.

2. Development Team

a. Team Members

- i. Developer – CNRC
 1. Sean Garretson
 2. sean@pegasusatx.com
- ii. Architect – KRDB
 1. Chris Krager
 2. chris@krdb.com
- iii. Builder – Motivado Group (MDG)
- iv. Civil Engineer- Civil & Environmental Consultants
 1. Chad Kimbell
 2. ckimbell@cecinc.com

The Chicon – Phase Two

- v. Structural Engineer - LEAP
- vi. Surveyor - TBD
- vii. Market Analyst -TBD
- viii. Commercial and Residential Realtor – Skout
 - 1. Rob Seidenberg
 - 2. rob@skoutaustin.com
- b. **MBE/WBE** – at this time, no member of the team is a participant of either program.
- c. **CVs of Team** – see attached resumes of the following individuals:
 - i. Sean Garretson
 - ii. Sam Covey
 - iii. Chris Krager / KRDB
 - iv. Chad Kimball / Civil & Environmental Consultants
 - v. Other Members of the Team will be identified prior to funding closures.

3. Project Proposal

a. Project Description

- i. Phase 2 of The Chicon will be a vertical, mixed-use community comprised of owner-occupied residential and commercial units – all well below market.
- ii. The project will consist of 53 residential units and 1500 square feet of commercial space.
- iii. Of the 53 units:
 - 1. Forty (44) will be for those making less than 80%MFI;
 - 2. Two (2) units will be adaptable for Mobility Impaired; and
 - 3. Six (6) units will be adaptable for sensory-impaired.
 - 4. Thirteen (13) will be for those making between 80-120% MFI
- iv. Overall project cost is \$12,291,000. CNRC is requesting \$1,000,000 from the City of Austin as a zero interest forgivable loan. The City provided CNRC a \$300k predevelopment loan which has all been used. CNRC acquired a \$425k predevelopment loan from CIP.
- v. The appraisal came back lower than anticipated and CIP has spoken with the City about the need for an additional \$1M to help CIP achieve a LTV ratio of 90% vs 105% which it is currently at.
- vi. Phase 2 will be designed and built under the Affordable Housing Unlocked Ordinance. The CNRC team met with CoA staff to discuss the parameters. (see attached PRELIMINARY Designs by KRDB that were done as a preliminary massing study to determine unit counts and compatibility, under the new Ordinance).
- vii. The units will be smaller than normal, but still larger than many of the micro-unit rental projects that have been developed in East Austin.
- viii. This will be a carless community. Under the Affordable Housing Unlocked Ordinance, most parking is waived. This will allow us to place only a few parking spaces (for ADA units, a 2-vehicle E-fleet only for the residents) and possibly 1-2 commercial spaces, depending on final site plan review).
- ix. Every buyer will receive an E-bike from MOD bikes that is theirs to keep. We have designed an e-bike storage facility within the building for charging.

The Chicon – Phase Two

- x. This project sits on a N-S and E-W bus lane and bike lane.
- xi. Regarding transit, this project is in an island where we are less than 500 feet away from several of the transit zones, yet our transit access and food access are still good.
- xii. This project helps to provide and sustain affordable units in an area that has seen rapid gentrification and displacement.
- xiii. Most of the board members grew up or have lived and worked in the Chestnut Neighborhood. We are stewards of our neighborhood, yet just as City Council has done recently by passing the Affordable Housing Unlocked ordinance, CNRC is also focused on achieving the goals of Austin's Housing Blueprint and producing all types of affordable homes. CNRC could build up to a 7-story building on this property under the Affordable Housing Unlocked ordinance, but we are choosing to build a 4-story project.

b. Market Assessment

- i. Pre-sales have already been very strong, with all of the 40 Workforce Housing Units being sold out and more than 300 on wait list for the 13 market rate units. Our realtor is keeping us abreast of the fluctuating price trends in Central East Austin, but we are going to wait to go to contract on the Market rate units until The Ivory is vertical.
- ii. The Workforce unit pricing is set by the CoA: Maximum price at the current HUD 80% MFI Standards are: \$211,400 for an efficiency or 1-bedroom and \$249,400 for a 2-bedroom.
- iii. The Chicon is on Chicon Street and two blocks away from 12th and Chicon. The neighborhoods of 78702 have seen rapid gentrification over the last 15 years. Income levels in the area have also increased rapidly, as have property values and rent prices.
- iv. Vacant lots and homes (single family and condominiums) are selling rapidly.
- v. Austin is arguably the best large urban market in the US, in terms of job growth, income to cost of living and population growth. Most economists predict that the housing market is not staying on pace with the demand in Austin.
- vi. The residential units of Phase Two of The Chicon are all priced near \$300/sf – nearly \$100/sf below what the market currently is seeing in East Austin (78702). CNRC's discussions with realtors about the project indicate a very strong demand for the types of units and at the prices we are selling them for.
- vii. There are several projects under construction in the area that are selling micro-units at \$400/sf with a waiting list.
- viii. Several developments exist in Austin that do not have parking. This is a trend among developers nationwide, and certainly a trend among the market this project will serve.
- ix. CNRC believes most of the buyers will be among the creative community, new tech employees coming for Google/Facebook/Apple, or existing residents.

c. Good Neighbor Reach-out / Marketing Plan

The Chicon – Phase Two

- i. CNRC has provided numerous presentations to several neighborhood groups and will continue to provide updates during construction.
 - ii. A written communication via email has been sent to the Planning Contact Teams for Chestnut and Davis-Thompson Neighborhoods. In addition, this communication was sent to residents of the existing Chicon buildings as well as to the Chestnut Neighborhood Association. A post has also appeared about CNRC's application on CNRC's facebook and website pages.
 - d. **Smart Housing** – See attached Smart Housing letter.
- 4. Property**
- a. **Map(s) of Property** (see attached maps)
 - b. **Appraisal** – The post-construction appraisal is \$11,320,000. The property was purchased in 2012 for \$205,000. TCAD has the property at \$624,000. CNRC's estimate is that it would appraise at between \$750,000-\$1.5M (especially under the new AHU ordinance). Copies of the appraisal for 1309 Chicon are attached.
 - c. **Zoning Verification Letter** – the property is currently zoned GR-MU-V-CO-NP . However, CNRC obtained Affordable Housing Unlocked Approval (see attached).
 - d. **Proof of Site Control** – See attached TCAD Map Locator and TCAD verification.
 - e. **Phase I Environmental** – a Phase I was completed in 2012 and updated in 2021. A Copy can be provided if necessary. No activity has occurred on this property since this Assessment.
 - f. **Historic Assessment** – no building existed on this property when purchased, nor has any building been placed or built on this property since purchase.

Project Summary Form

1) Project Name Chicon Phase II - The Ivory	2) Project Type Mixed-Income	3) New Construction or Rehabilitation New Construction
4) Address(s) or Location Description 1309 Chicon Street		5) Mobility Bond Corridor East MLK/FM 969
6) Census Tract 8.03	7) Council District District 1	8) Elementary School CAMPBELL EL
9) Affordability Period 99 Years		
10) Type of Structure Multi-family	11) Occupied? Yes	12) How will funds be used? Construction

13) Summary of Rental Units by MFI Level

Income Level	Efficiency	One Bedroom	Two Bedroom	Three Bedroom	Four (+) Bedroom	Total
Up to 20% MFI						0
Up to 30% MFI						0
Up to 40% MFI						0
Up to 50% MFI						0
Up to 60% MFI						0
Up to 80% MFI						0
Up to 120% MFI						0
No Restrictions						0
Total Units	0	0	0	0	0	0

14) Summary of Units for Sale at MFI Level

Income Level	Efficiency	One	Two	Three	Four (+)	Total
Up to 60% MFI						0
Up to 80% MFI		38	2			40
Up to 120% MFI		7	6			13
No Restrictions						0
Total Units	0	45	8	0	0	53

15) Initiatives and Priorities (of the Affordable Units)

Initiative	# of Units	Initiative	# of Units
Accessible Units for Mobility Impairments	2	Continuum of Care Units	
Accessible Units for Sensory Impairments	6		

Use the City of Austin GIS Map to Answer the questions below

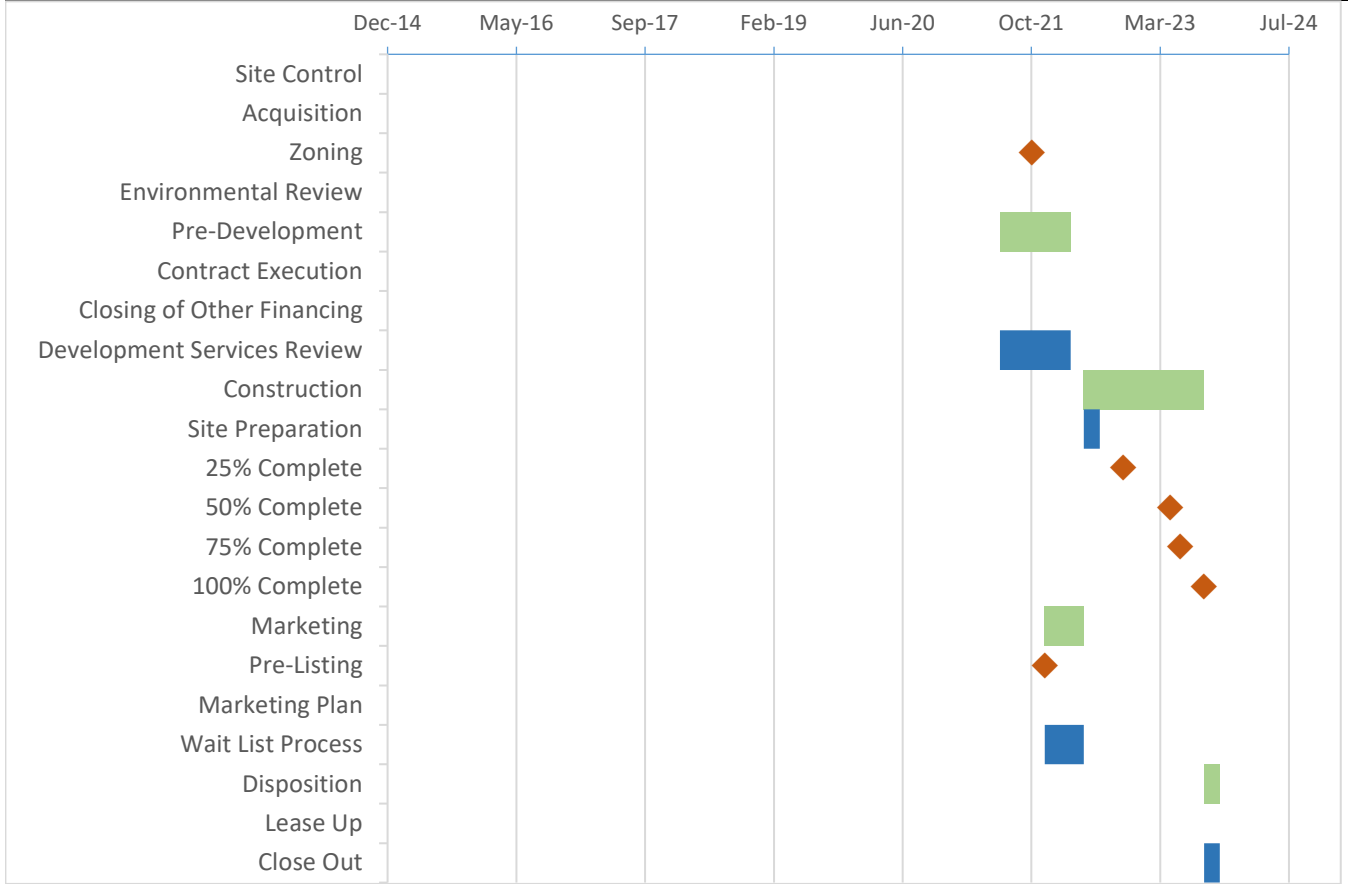
- 16) Is the property within 1/2 mile of an Imagine Austin Center or Corridor? Yes
- 17) Is the property within 1/4 mile of a High-Frequency Transit Stop? Yes
- 18) Is the property within 3/4 mile of Transit Service? Yes
- 19) The property has Healthy Food Access? Yes

20) Estimated Sources and Uses of funds

<u>Sources</u>		<u>Uses</u>	
Debt	10,541,000	Acquisition	450,000
Equity		Off-Site	
Grant		Site Work	
Other		Sit Amenities	
Deferred Developer Fee		Building Costs	9,250,000
Previous AHFC Funding	750,000	Contractor Fees	726,000
Current AHFC Request	1,000,000	Soft Costs	782,000
		Financing	983,000
		Developer Fees	100,000
Total \$	12,291,000	Total \$	12,291,000

Development Schedule

	Start Date	End Date
Site Control	Jan-11	Jan-00
Acquisition	Jan-11	
Zoning	Nov-21	
Environmental Review		
Pre-Development	Jul-21	Apr-22
Contract Execution		
Closing of Other Financing		Apr-22
Development Services Review	Jul-21	Apr-22
Construction	May-22	Sep-23
Site Preparation	May-22	Jul-22
25% Complete	Oct-22	
50% Complete	Apr-23	
75% Complete	Jun-23	
100% Complete	Sep-23	
Marketing	Dec-21	May-22
Pre-Listing	Dec-21	
Marketing Plan		
Wait List Process	Dec-21	May-22
Disposition	Sep-23	Nov-23
Lease Up		
Close Out	Sep-23	Nov-23



	Total Project Cost	Requested AHFC Funds	Description
Pre-Development			
Appraisal	10,000		
Environmental Review	10,000		
Civil Engineering	120,000		
Structural Engineer	34,000		
MEP Engineering	50,000		
GC - Pre-Construction	30,000		
Survey	30,000		
Architectural	291,000		
Subsurface Investigation	25,000		
CIP Transaction Costs	52,781		
Capitalized Interest	35,656		
Project Management	80,000		
Tree Assessment	5,000		
Subtotal Pre-Development Cost	\$773,437		
Acquisition			
Site and/or Land	450,000		
Structures			
Other (specify)			
Subtotal Acquisition Cost	\$450,000	\$0	
Construction			
Construction Cost Figure	8,500,000	1000000	
Construction Cost Contingency	850,000		
Solar Rebate	-150,000		
Solar	350,000		
Ebikes + Ebike Charging stations	121,000		
Rough Carpentry			
Finish Carpentry			
Waterproofing and Insulation			
Roofing and Sheet Metal			
Plumbing/Hot Water			
HVAC/Mechanical			
Electrical			
Doors/Windows/Glass			
Lath and Plaster/Drywall and Acoustical			
Tiel Work			
Soft and Hard Floor			
Paint/Decorating/Blinds/Shades			
Specialties/Special Equipment			
Cabinetry/Appliances			
Carpet			
Other (specify)			
Construction Contingency			
Subtotal Construction Cost	\$9,671,000	\$1,000,000	
Soft & Carrying Costs			
Legal	10,000		
Audit/Accounting	20,000		
Title/Recordin			
Architectural (Inspections)	20,000		
Construction Interest	821,975		Pre-paid interest payments
Construction Period Insurance	50,000		
Construction Period Taxes	35,000		
Title Insurance (buyers)	60,000		
Marketing	30,000		
Homebuyer Prequalification and Mktg	80,000		
Construction Inspector	13,000		
CIP Transaction Costs	144,588		
Other (specify)	112,000		Development Fee, deferred
Subtotal Soft & Carrying Costs	\$1,396,563	\$0	
TOTAL PROJECT BUDGET	\$12,291,000	\$1,000,000	

Projected Affordability Data for Home Sales (OHDA)

	Unit Model 1	Unit Model 2	Unit Model 3	Unit Model 4	Unit Model 5	Unit Model 6	Unit Model 7
Number of Units	29	9	2	4	3	6	0
Number of Bedrooms	1	1	2	1	2	2	0
Square Footage	450	650	800	450	650	800	0
Anticipated Sale Price	\$160,000	\$207,000	\$248,000	\$259,000	\$365,000	\$460,000	\$0
Borrower Contribution	\$16,000	\$20,700	\$24,800	\$25,900	\$36,500	\$46,000	\$0
Homebuyer Subsidy	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Principal Amount of Mortgage	\$144,000	\$186,300	\$223,200	\$233,100	\$328,500	\$414,000	\$0
Anticipated Interest Rate	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%
Monthly Principal Amount	\$200	\$300	\$350	\$425	\$600	\$800	\$0
Monthly Interest	\$500	\$600	\$650	\$775	\$1,000	\$1,200	\$0
Estimated Monthly Taxes	\$253	\$328	\$393	\$410	\$578	\$728	\$0
Estimated Monthly Insurance	\$50.00	\$75.00	\$85.00	\$50.00	\$75.00	\$85.00	\$0.00
TOTAL Estimated PITI	\$1,003	\$1,303	\$1,478	\$1,660	\$2,253	\$2,813	\$0

Project Name	Chicon Phase II - The Ivory	
Project Type	Mixed-Income	
Council District	District 1	
Census Tract	8.03	
Prior AHFC Funding	\$750,000	
Current AHFC Funding Request Amount	\$1,000,000	
Estimated Total Project Cost	\$12,291,000	
High Opportunity	No	
High Displacement Risk	YES	
High Frequency Transit	Yes	
Imagine Austin	Yes	
Mobility Bond Corridor	East MLK/FM 969	
SCORING ELEMENTS		Description
UNITS		
< 20% MFI	0	# of rental units at < 20% MFI
< 30% MFI	0	# of rental units at < 30% MFI
<i>District Goal</i>	12%	% of City's affordable housing goal
<i>High Opportunity</i>	FALSE	% of City's affordable housing goal for high opportunity areas
<i>Displacement Risk</i>	28%	% of City's affordable housing goal to reduce displacement
<i>High Frequency Transit</i>	18%	% of City's affordable housing goal near high frequency transit
<i>Imagine Austin</i>	18%	% of City's affordable housing goal in imagine austin corridors
<i>Geographic Dispersion</i>	0%	% of City's affordable housing goal to increase geographic dispersion
<i>Mobility Bond Corridor</i>	5%	% of City's affordable housing goal within mobility bond corridors
SCORE	0	% of annual goal * units * 50%, max of 75
< 40% MFI	0	# of rental units at < 40% MFI
< 50% MFI	0	# of rental units at < 50% MFI
<i>District Goal</i>	12%	% of City's affordable housing goal
<i>High Opportunity</i>	FALSE	% of City's affordable housing goal for high opportunity areas
<i>Displacement Risk</i>	28%	% of City's affordable housing goal to reduce displacement
<i>High Frequency Transit</i>	18%	% of City's affordable housing goal near high frequency transit
<i>Imagine Austin</i>	18%	% of City's affordable housing goal in imagine austin corridors
<i>Geographic Dispersion</i>	0%	% of City's affordable housing goal to increase geographic dispersion
<i>Mobility Bond Corridor</i>	5%	% of City's affordable housing goal within mobility bond corridors
SCORE	0	% of annual goal * units * 25%, max of 75
< 60% MFI	0	# of units for purchase at < 60% MFI
<i>District Goal</i>	12%	% of City's affordable housing goal
<i>High Opportunity</i>	FALSE	% of City's affordable housing goal for high opportunity areas
<i>Displacement Risk</i>	28%	% of City's affordable housing goal to reduce displacement
<i>High Frequency Transit</i>	18%	% of City's affordable housing goal near high frequency transit
<i>Imagine Austin</i>	18%	% of City's affordable housing goal in imagine austin corridors
<i>Geographic Dispersion</i>	0%	% of City's affordable housing goal to increase geographic dispersion
<i>Mobility Bond Corridor</i>	5%	% of City's affordable housing goal within mobility bond corridors
SCORE	0	% of annual goal * units * 50%, max of 75
< 80% MFI	40	# of units for purchase at < 80% MFI
<i>District Goal</i>	12%	% of City's affordable housing goal
<i>High Opportunity</i>	FALSE	% of City's affordable housing goal for high opportunity areas
<i>Displacement Risk</i>	28%	% of City's affordable housing goal to reduce displacement
<i>High Frequency Transit</i>	18%	% of City's affordable housing goal near high frequency transit
<i>Imagine Austin</i>	18%	% of City's affordable housing goal in imagine austin corridors
<i>Geographic Dispersion</i>	0%	% of City's affordable housing goal to increase geographic dispersion
<i>Mobility Bond Corridor</i>	5%	% of City's affordable housing goal within mobility bond corridors
SCORE	8	% of annual goal * units * 25%, max of 75
Unit Score	8	MAXIMUM SCORE = 300
INITIATIVES AND PRIORITIES		
<i>Continuum of Care</i>	0	Total # of units provided up to 100 per year
Continuum of Care Score	0	(total CoC Units/100 + HF Units/50)*20
Access to Healthy Food	Yes	Within 1 Mile of Healthy Food (City GIS)
Continuum of Care Weighted Score	0	Mobility, Access to Jobs, Community Institutions, Social Cohesion
<i>2 Bedroom Units</i>	2	Total Affordable 2 Bedroom units
<i>3 Bedroom Units</i>	0	Total Affordable 3 Bedroom units
<i>4 Bedroom Units</i>	0	Total Affordable 4+ Bedroom units
Multi-Generational Housing Score	1	Multi-bedroom Unit/Total Units * 20
TEA Grade	71	Elementary School Rating from TEA
Multi-Generational Housing Weighted Score	0	Educational Attainment, Environment, Community Institutions, Social Cohesion, E
<i>Accessible Units</i>	8	mobility and sensory units
<i>Non-PSH, Non-Voucher Under 20% MFI</i>	0	Total units under 20% MFI
Accessibility Score	4	Accessible Unit/Total Units * 20
Metro Access Service	Yes	Within 3/4 mile of fixed route transit
Accessibility Weighted Score	2	Housing Stability, Health, Mobility, Community Institutions
Initiatives and Priorities Score	7	MAXIMUM SCORE = 200
UNDERWRITING		
<i>AHFC Leverage</i>	19%	% of total project cost funded through AHFC request
Leverage Score	21	3 points per 5% reduction in leverage below 50% (max 30)
<i>AHFC Per Unit Subsidy (including prior amounts)</i>	\$43,750	Amount of assistance per unit
Subsidy per unit score	20	(\$200,000 - per unit subsidy)*25/\$200,000
<i>AHFC Per Bedroom Subsidy</i>	\$41,667	Amount of assistance per bedroom
Subsidy per Bedroom Score	20	(\$200,000 - per bedroom subsidy)*25/\$200,000
<i>Debt Coverage Ratio (Year 5)</i>	0.00	Measured at the 5 Year mark
Debt Coverage Ratio Score	0	Minimum = 1.0; Maximum = 1.5; 1.25 = best score
Underwriting Score	60	MAXIMUM SCORE = 100
APPLICANT		
FINAL QUANTITATIVE SCORE	76	THRESHOLD SCORE = 50



CAPITAL IMPACT
PARTNERS

Chicon II

City of Austin

January 27, 2022



Chicon II Sources & Uses

CNRC The Chicon II (\$000)								
Sources:			Amount	% Total	Uses:		Amount	% Total
CDFI Construction Loan	\$	11,541	94%	Land Acquisition	\$	450	4%	
CoA Phase 1 Forgivable Loan	\$	450	4%	Hard Costs & Contingencies	\$	9,350	76%	
CoA Pre-Dev Forgivable Loan	\$	300	2%	Predevelopment Costs	\$	726	6%	
				Soft Costs & Contingencies	\$	782	6%	
				Transaction Costs	\$	145	1%	
				Capitalized Interest	\$	838	7%	
Total Sources of Funds	\$	12,291	100%	Total Project Costs	\$	12,291	100%	

Note - above does not show the \$425k CIP Predevelopment Loan as that loan will be repaid at the closing of the CDFI Construction Loan.





City of Austin Request

	Amount	Percentage of Loan Amount	Lender Requirements
Funding Needed	\$11,541,000	94% of Costs	< 90%
Appraisal	\$11,320,000	102% of Value	< 80% (< 90%*)
Net Sales	\$12,087,456	95.5% of Sales	Typical < 80% Required < 90%

*Lenders have already agreed to an exception from standard 80% LTV requirement.

To achieve 90% loan-to-value and an acceptable loan-to-sales:

- Construction Loan will need to be \$10.19MM (**\$1.35MM** less)
- Request is for the City to provide **\$1.0MM**
- CIP is willing to consider a **\$350k** subordinate loan for the balance
 - Senior Loan will be set at a 90% LTV
 - With the subordinate, CIP would have a total LTV of **93.1%**





Chicon II Sources & Uses

CNRC The Chicon II (\$000)					
Sources:			Uses:		
	Amount	% Total		Amount	% Total
CDFI Construction Loan	\$ 11,541	94%	Land Acquisition	\$ 450	4%
CoA Phase 1 Forgivable Loan	\$ 450	4%	Hard Costs & Contingencies	\$ 9,350	76%
CoA Pre-Dev Forgivable Loan	\$ 300	2%	Predevelopment Costs	\$ 726	6%
			Soft Costs & Contingencies	\$ 782	6%
			Transaction Costs	\$ 145	1%
			Capitalized Interest	\$ 838	7%
Total Sources of Funds	\$ 12,291	100%	Total Project Costs	\$ 12,291	100%

CNRC The Chicon II (\$000)					
Sources:			Uses:		
	Amount	% Total		Amount	% Total
CDFI Construction Loan	\$ 10,188	83%	Land Acquisition	\$ 450	4%
CoA Phase 1 Forgivable Loan	\$ 450	4%	Hard Costs & Contingencies	\$ 9,350	76%
CoA Pre-Dev Forgivable Loan	\$ 300	2%	Predevelopment Costs	\$ 726	6%
CoA Requested Funds	\$ 1,000	8%	Soft Costs & Contingencies	\$ 782	6%
CIP Subordinate Loan	\$ 353	3%	Transaction Costs	\$ 145	1%
			Capitalized Interest	\$ 838	7%
Total Sources of Funds	\$ 12,291	100%	Total Project Costs	\$ 12,291	100%



Resolution

Board of Directors of Chestnut Neighborhood Revitalization Corporation

SUBMITTAL FOR HOUSING DEVELOPMENT ASSISTANCE

Whereas, Chestnut Neighborhood Revitalization Corporation, a Texas non-profit CHDO organization, has as its primary purpose the provision of affordable housing to low- and moderate-income households;

Whereas, Chestnut Neighborhood Revitalization Corporation is applying for funding from the City of Austin for funding of an affordable housing and mixed-use project (referred to as Phase Two of The Chicon) in Austin, Travis County, Texas;

Whereas, Chestnut Neighborhood Revitalization Corporation has engaged an architect and civil engineer to examine the feasibility of a project to be developed under the "Affordable Housing Unlocked Ordinance" of the City of Austin;

Whereas, the plan for this new development will consist of 1500 sf of commercial space plus 49 units, with all of them going to individuals and families below 80% MFI (5 of them going to below 60% MFI);

Whereas, Chestnut Revitalization Corporation has secured preliminary funding approval from banks and foundations, for a potential cost estimate of \$7.8 Million;

Whereas, The Board of Directors of **Chestnut Neighborhood Revitalization Corporation** hereby authorizes the submission of an application for funding to the City of Austin for up to \$1,500,000 for the purpose of securing bank financing to develop the project; and

Whereas, The Board of Directors of **Chestnut Neighborhood Revitalization Corporation** designates Sean Garretson (Board President) and Sam Covey (Board Vice President) as signees for any and all documents required by the City of Austin/Austin Housing Finance Corporation in the funding process.

Adopted and approved by the Board of Directors on the 1st day of August, 2019

Chestnut Neighborhood Revitalization Corp.

Sean Garretson

Sean Garretson, President
Board of Directors

Projected Affordability Data for Home Sales (OHDA)

	Unit Model 1	Unit Model 2	Unit Model 3	Unit Model 4	Unit Model 5	Unit Model 6	Unit Model 7
Number of Units	20	21	6	0	0	0	0
Number of Bedrooms	1	1	2	0	0	0	0
Square Footage	500	650	900	0	0	0	0
Anticipated Sale Price	\$147,500	\$191,750	\$229,500	\$0	\$0	\$0	\$0
Borrower Contribution	\$5,000	\$5,000	\$5,000	\$0	\$0	\$0	\$0
Homebuyer Subsidy	\$5,000	\$5,000	\$5,000	\$0	\$0	\$0	\$0
Total Principal Amount of Mortgage	\$142,500	\$186,750	\$224,500	\$0	\$0	\$0	\$0
Anticipated Interest Rate	5.00%	5.00%	5.00%	0.00%	0.00%	0.00%	0.00%
Monthly Principal Amount	\$850	\$1,000	\$1,175	\$0	\$0	\$0	\$0
Monthly Interest	\$800	\$925	\$1,000	\$0	\$0	\$0	\$0
Estimated Monthly Taxes	\$585	\$650.00	\$700.00	\$0.00	\$0.00	\$0.00	\$0.00
Estimated Monthly Insurance	\$150.00	\$200.00	\$225.00	\$0.00	\$0.00	\$0.00	\$0.00
TOTAL Estimated PITI	\$2,385	\$2,775	\$3,100	\$0	\$0	\$0	\$0

Sources		Uses	
Debt	5500000	Acquisition	0
Third Party Equity	500000	Off-Site	280,000
Grant	50000	Site Work	200,000
Deferred Developer Fee	0	Sit Amenities	0
Other	245000	Building Costs	5,900,000
City of Austin	1500000	Contractor Fees	415000
		Soft Costs	180,000
		Financing	200,000
		Developer Fees	644,000
Total	\$ 7,795,000	Total	\$ 7,819,000

Development Budget

	Total Project Cost	Requested AHFC Funds	Description
Pre-Development			
Appraisal	10,000		
Environmental Review	30,000		includes permit fees
Engineering	150,000		
Survey	5,000		
Architectural	220,000		
Subtotal Pre-Development Cost	\$415,000	\$0	
Acquisition			
Site and/or Land	0		
Structures	0		
Other (specify)	280,000		General conditions (site office, traffic control, waste mgr
Subtotal Acquisition Cost	\$280,000	\$0	
Construction			
Infrastructure	200,000		
Site Work	200,000		
Demolition	50,000		lot grading, haul-off, and tree removal
Concrete	150,000		
Masonry	250,000		elevator shaft and stucco façade
Rough Carpentry	50,000		
Finish Carpentry	200,000		
Waterproofing and Insulation	100,000		
Roofing and Sheet Metal	300,000		roofing, flashing, and metal siding façade
Plumbing/Hot Water	200,000		
HVAC/Mechanical	100,000		
Electrical	150,000		
Doors/Windows/Glass	300,000		
Lath and Plaster/Drywall and Acoustical	50,000		
Tiel Work	0		included in modular units
Soft and Hard Floor	50,000		floors included in modular units, patching mate lines nee
Paint/Decorating/Blinds/Shades	50,000		
Specialties/Special Equipment	3,000,000		Modular units, shipping,, set
Cabinetry/Appliances	0		included in modular units
Carpet	0		none in project
Other (specify)	350,000		Steel and elevator
Construction Contingency	350,000		
Subtotal Construction Cost	\$6,100,000	\$0	
Soft & Carrying Costs			
Legal	20,000		
Audit/Accounting	20,000		
Title/Recordin	10,000		
Architectural (Inspections)	20,000		modular and site inspections
Construction Interest	200,000		
Construction Period Insurance	50,000		BR and GL
Construction Period Taxes	10,000		
Relocation	0		
Marketing	50,000		Includes CLT Creation
Davis-Bacon Monitoring	0		
Other (specify)	644,000		CNRC Project Management Fee (\$6,000 @24 mos) + Dev
Subtotal Soft & Carrying Costs	\$1,024,000	\$0	
TOTAL PROJECT BUDGET	\$7,819,000	\$0	

**Chestnut Neighborhood Revitalization Corporation
and Related Organization**

Consolidated Financial Statements
and Supplemental Information

December 31, 2020

Chestnut Neighborhood Revitalization Corporation
and Related Organization

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December 31, 2020

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Independent Auditors' Report

To the Directors
Chestnut Neighborhood Revitalization Corporation

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Chestnut Neighborhood Revitalization Corporation and Related Organization, which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statement of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Chestnut Neighborhood Revitalization Corporation and Related Organization as of December 31, 2020, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 14 to 16 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.



Baton Rouge, Louisiana
November 9, 2021

Chestnut Neighborhood Revitalization Corporation
and Related Organization

Consolidated Statement of Financial Position
December 31, 2020

ASSETS

CURRENT ASSETS

Cash-Operations	\$ 677
Cash-Construction	28,251
Loans to Homeowners Associations	17,559
Due from Related Party	11,587
Prepaid Expenses	6,799
Total Current Assets	<u>64,873</u>

DEPOSITS HELD IN TRUST-FUNDED

Tenant Security Deposits Held in Trust	4,126
----------------------------------------	-------

RESTRICTED DEPOSITS AND FUNDED RESERVES

Replacement Reserve	86,621
Total Restricted Deposits	<u>86,621</u>

FIXED ASSETS

Land	589,889
Buildings	3,227,518
Furnishings	18,164
Miscellaneous Fixed Assets	7,369
Total Fixed Assets	<u>3,842,940</u>
Less Accumulated Depreciation	<u>860,247</u>
Net Fixed Assets	2,982,693

OTHER ASSETS

Prepaid Debt Issuance Costs	2,099
Construction in Progress	126,511
Total Other Assets	<u>128,610</u>

TOTAL ASSETS

\$ 3,266,923

Chestnut Neighborhood Revitalization Corporation
and Related Organization

Consolidated Statement of Financial Position
December 31, 2020

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable-Operations	\$ 11,390
Accrued Wages Payable	476
Accrued Payroll Taxes Payable	30
Accounts Payable-Construction	23,195
Accrued Management Fee Payable	1,063
Mortgage Payable (short-term)	1,801,715
Total Current Liabilities	<u>1,837,869</u>

DEPOSITS HELD IN TRUST-FUNDED

Tenant Security Deposits Held in Trust (contra)	4,126
-------------------------------------------------	-------

LONG-TERM LIABILITIES

Mortgage Payable	1,000,000
Note Payable (Net of \$2,281 Debt Issuance Costs)	97,719
Total Long-Term Liabilities	<u>1,097,719</u>

Total Liabilities	2,939,714
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NET ASSETS

Without Donor Restrictions (Deficit)	(1,864,196)
With Donor Restrictions	2,191,405
Total Net Assets	<u>327,209</u>

TOTAL LIABILITIES AND NET ASSETS

<u>\$ 3,266,923</u>

Chestnut Neighborhood Revitalization Corporation
and Related Organization

Consolidated Statement of Activities
For the Year Ended December 31, 2020

REVENUES:

Rent	\$ 197,837
Financial	11
Grants	56,591
Other	<u>14,838</u>
Total Revenue	269,277

EXPENSES:

Project Services	
Administrative	30,775
Utilities	27,451
Operating and Maintenance	94,523
Taxes and Insurance	31,577
Financial	3,327
Depreciation	<u>87,006</u>
Total Project Service Expenses	274,659
Supportive Services-Management and General	
Administrative	<u>83,461</u>
Total Support Service Expenses	<u>83,461</u>
Total Expenses	<u>358,120</u>
Decrease in Net Assets Without Donor Restrictions	(88,843)
Net Assets, Beginning of Period	<u>416,052</u>
NET ASSETS, END OF PERIOD	<u><u>\$ 327,209</u></u>

Chestnut Neighborhood Revitalization Corporation
and Related Organization

Consolidated Statement of Cash Flows
For the Year Ended December 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:

Decrease in Net Assets	\$	(88,843)
Adjustments to Reconcile Decrease in Net Assets to Net Cash Used in Operating Activities		
Depreciation Expense		87,006
Amortization of Debt Issuance Costs		207
Decrease (Increase) in:		
Due from Related Party		(11,587)
Prepaid Expenses		(252)
Increase (Decrease) in:		
Accounts Payable		2,969
Accrued Liabilities		600
Tenants Security Deposits Held in Trust		<u>(243)</u>
Net Cash Used in Operating Activities	\$	(10,143)

CASH FLOWS FROM INVESTING ACTIVITIES:

Payment of Development Costs		<u>(85,766)</u>
Net Cash Used in Investing Activities		<u>(85,766)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from Mortgages, Loans or Notes Payable		100,000
Payment of Debt Issuance Costs		<u>(4,587)</u>
Net Cash Provided by Financing Activities		<u>95,413</u>

Net Decrease in Cash, Cash Equivalents, and Restricted Cash (496)

CASH, CASH EQUIVALENTS, AND RESTRICTED CASH:

Beginning of Period		<u>120,171</u>
End of Period	\$	<u><u>119,675</u></u>

**SUPPLEMENTAL DISCLOSURE OF CASH FLOWS FROM
OPERATING ACTIVITIES:**

Cash Received During the Period for Interest	\$	<u>11</u>
----------------------------------------------	----	-----------

SUPPLEMENTAL DISCLOSURE OF NON CASH INVESTING ACTIVITIES:

Increase in Construction in Progress	\$	(9,809)
Increase in Accounts Payable-Construction		<u>9,809</u>
	\$	<u><u>0</u></u>

See accompanying notes to the consolidated financial statements.

Chestnut Neighborhood Revitalization Corporation
and Related Organization

Notes to the Consolidated Financial Statements
December 31, 2020

1. Organization and Summary of Significant Accounting Policies

Chestnut Neighborhood Revitalization Corporation (CNRC) is centered on the preservation of the rich, historic culture of the neighborhood and its residents. The mission of CNRC is to foster housing development projects that are affordable for low to moderate income residents, providing business and employment opportunities, facilitating the reduction of crime, creating pedestrian friendly streets and other revitalization efforts in the Austin, Texas area. CNRC is currently developing real estate that will be sold upon completion of construction.

The following significant accounting policies have been followed in the preparation of the financial statements:

Principles of Consolidation: Chestnut Senior Housing (CSH) is a single asset entity formed for the specific purpose of owning and operating a 22-unit apartment project for the elderly located in Austin, Texas. CSH has a majority of its Board of Directors who are also on CNRC's Board of Directors. As a result, these financial statements consolidate the financial statements of CSH.

Basis of Accounting: The financial statements are prepared on the accrual basis of accounting, which is in accordance with generally accepted accounting principles.

Subsequent Events: The financial statements and related disclosures include evaluation of events up through and including November 9, 2021, which is the date the financial statements were issued.

Revenue Recognition: CSH's rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between CSH and the tenants are operating leases. Rental income is recorded net of vacancies. Under CSH's Regulatory Agreement, CSH may not increase rents charged to tenants without HUD approval. Revenue is also provided from developer fees, grants and contracts, as well as reimbursed expenditures for management of development projects. Support from grants and contracts is recognized when earned. Those revenues are considered earned and expenditures have been incurred in accordance with the specific terms of the contracts. Individual contributions are recognized as revenue when received. Contributions received are recorded as without donor restrictions or with donor restrictions support depending on the existence and/or nature of any donor restrictions. Contributions reported as with donor restricted support are reclassified to net assets without donor restrictions upon expiration of the restriction. Revenue from sales of the commercial and residential condominiums are recognized on the date that title is transferred to the buyer. Sales of the condominiums are recorded net of the associated development costs and are reported as a net gain or loss on sales of condominiums.

Functional Expenses: The costs of providing program and other activities have been summarized on a functional basis in the Consolidated Statement of Activities. Accordingly, certain costs have been allocated among project services and supporting services. Expenses allocated to supporting services include conventions and meetings, management fee, audit expense, and bookkeeping fees. All supporting services expenses were allocated at 100%.

Cash, Cash Equivalents, and Restricted Cash: For the purposes of the Statement of Cash Flows, the entity considers all highly liquid investments purchased with maturities of three months or less to be cash equivalents.

Chestnut Neighborhood Revitalization Corporation
and Related Organization

Notes to the Consolidated Financial Statements (continued)
December 31, 2020

Concentration of Credit Risk: The entity maintains its cash in financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). Deposit accounts, at times, may exceed federally insured limits. The entity has not experienced any losses in such accounts.

Allowance for Uncollectible Receivables: Tenant receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Depreciation: The entity's land, building, improvements, and personal property are recorded at cost. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Depreciation is provided by the straight-line method over the estimated useful life of the asset.

Buildings	40 years
Building Improvements	7 years
Furniture, Fixtures, and Equipment	3-5 years

Impairment of Long-Lived Assets: The entity reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived asset is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount exceeds the fair value as determined from an appraisal, discounted cash flows analysis, or other valuation technique. There is no impairment loss recognized for the period ending December 31, 2020.

Debt Issuance Costs: Debt issuance costs of \$4,587 are amortized over the term of the mortgage loan using the straight-line method. Accounting principles generally accepted in the United States of America require that the effective yield method be used to amortize debt issuance costs; however, the effect of using the straight-line method is not materially different from the results that would have been obtained under the effective yield method. Estimated amortization expense for the permanent loans for the next five years is expected to be \$1,734 for 2021, \$1,457 for 2022, \$420 for 2023, \$419 for 2024, and \$350 for 2025. Debt issuance costs are presented as a direct deduction to the related note payable. Debt issuance costs amortization is reported as a component of interest expense. Prepaid debt issuance costs of \$2,099 have been reported on the consolidated statement of financial position for loan costs paid for a loan that has not yet been issued (See Note 3).

Other Liabilities: Accrued expenses for compensated absences, vacations, and sick pay are not shown due to the fact that the amount of the liability cannot be reasonably estimated. It is the Company's policy to expense these items when they are incurred.

Interest Expense: Total interest expense for the year ended December 31, 2020, is \$315, all of which was capitalized as part of construction in progress.

Chestnut Neighborhood Revitalization Corporation
and Related Organization

Notes to the Consolidated Financial Statements (continued)
December 31, 2020

Income Taxes: CNRC is exempt from federal income taxes under IRC 501(C)(3). The entity files information returns in the U.S. federal jurisdiction. Federal and state tax authorities generally have the right to examine and audit the previous three years of tax returns filed. There are no interest and penalties related to income taxes recognized in the statement of activities. The entity has not taken any tax positions that would significantly increase or decrease any unrecognized tax benefit within twelve months of the reporting date.

Estimates: The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Economic Concentrations: CSH's primary asset is its 22-unit apartment project. CSH's operations are concentrated in the multifamily housing real estate market. In addition, CSH operates in a regulated environment. The operations of CSH are subject to the administrative directives, rules and regulations of federal, state, and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules, and regulations are subject to change by an act of Congress, or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

2. Financing

Section 202 of the National Housing Act authorized HUD to provide funds as capital advances to nonprofit owners for new construction or acquisition/rehabilitation of supportive housing facilities. This capital advance note shall bear no interest and repayment is not required so long as the housing remains available for very low-income elderly persons for at least 40 years in accordance with Section 202 of the National Housing Act, the Regulatory Agreement and HUD Regulations. Failure to keep the housing available for elderly persons would result in HUD's billing the owner for the entire capital advance of \$2,000,100 plus 4.75% interest since the date of the first advance. The capital advance is classified in the consolidated statement of financial position as net assets with donor restrictions. The maturity date of the capital advance is September 1, 2050.

3. Mortgages and Notes Payable

Texas State Affordable Housing Corporation

On October 22, 2020, CNRC entered into a Promissory Note with Texas State Affordable Housing Corporation (TSAHC) for the purpose of financing the predevelopment costs of construction of its real estate development project. The maximum loan amount is \$100,000. The maturity date of the note agreement is October 22, 2022. Any amounts advanced under the note agreement will be charged interest at 2.50%. Amounts advanced under the Promissory Note during the year ended December 31, 2020 is \$100,000. Interest charged by TSAHC for the year ended December 31, 2020 is \$315.

Chestnut Neighborhood Revitalization Corporation
and Related Organization

Notes to the Consolidated Financial Statements (continued)
December 31, 2020

Austin Housing Finance Corporation

The Austin Housing Finance Corporation (AHFC) received general obligation bonds, in the amount of \$1,000,000, from the City of Austin for the purpose of financing affordable low-income housing. CSH entered into a Rental Housing Development Assistance (RHDA) Program Loan Agreement with AHFC to receive the general obligation bonds. Should CSH not default under Section 17 of the RHDA Agreement, there will be no repayment of the bond funds; however, if CSH were to default, AHFC can demand repayment of the bond funds within ten calendar days. The maturity date of the loan agreement is September 1, 2050.

On October 22, 2020, CNRC entered into a Promissory Note with AHFC for the purpose of financing the costs of construction of its real estate development project. The maximum loan amount is \$300,000. The maturity date of the note agreement is September 1, 2025. No interest is charged. No amounts have been advanced under the Promissory Note as of December 31, 2020. The loan is secured by a deed of trust on the real estate and improvements thereon.

CNRC received a loan in the amount of \$2,640,268 from AHFC to construct a 33-unit condominium complex for low and moderate-income households. During a prior year, CNRC and AHFC entered into a Third Modification Agreement amending the principal amount to \$3,962,717. On January 4, 2017, CNRC and AHFC entered into a Fourth Modification Agreement amending the principal amount to \$4,954,717. The note bears a 0% interest rate until maturity and \$150,143 of the principal will be forgiven with each eligible property unit sold and is collateralized by the property. The principal and interest shall be forgiven in its entirety if on March 31, 2017, CNRC is in compliance with all terms and conditions of the loan agreement. As part of the Third Modification Agreement, the maturity date was extended to December 31, 2018. On May 31, 2018, CNRC and AHFC entered into a Sixth Modification Agreement, which extended the maturity date to December 31, 2020. During 2018, twenty eligible property units were sold, and \$3,002,859 of the balance of the note payable was classified as forgiven and as a component of the net loss on sales of the condominiums on the consolidated statement of activities. During 2019, one eligible property unit was sold, and \$150,143 of the balance of the note payable was classified as forgiven and as a component of the net loss on the sales of the condominiums on the consolidated statement of activities. The balance of the note payable at December 31, 2020 is \$1,801,715. This is classified on the consolidated statement of financial position as mortgage payable (short-term). Management expects to receive an additional extension of the due date in the near future. The AHFC is expected to allow CNRC to continue with the terms of the loan and have \$150,143 of the principal to be forgiven with each eligible property unit sold from the next phase of condominiums.

The carrying value of assets pledged as collateral on the loans is \$716,400 in land and construction in progress.

4. Related Party-Identity of Interest

Related Party: Pegasus Planning and Development
Relationship: Corporation With Common Board Members
Transactions: Management and Reimbursable Expenses
Amount paid for services: \$69,075
Amount payable at December 31, 2020: None

During the year, CNRC overpaid expenses to Pegasus Planning and Development in the amount of \$11,587. This amount is shown as "Due from Related Party" on the consolidated statement of financial position.

Chestnut Neighborhood Revitalization Corporation
and Related Organization

Notes to the Consolidated Financial Statements (continued)
December 31, 2020

5. Management Fee

CSH has contracted with Prak Property Management, Inc. to provide management services. The charges for these services are based upon a management agreement. The charges are 5.10% of collected rental income plus \$10 per unit per month in special fees. For the period ended December 31, 2020, management fees charged amounted to \$12,721. The balance owed Prak Property Management, Inc. at December 31, 2020 is \$1,063.

CNRC has contracted with Pegasus Planning and Development to carry out the services as CNRC Executive Director. This was necessary as CNRC needed assistance with carrying out its mission that is beyond the normal duties of a board member. The charges for these services are based upon a signed agreement. The charges are \$4,500 per month. For the period ended December 31, 2020, management fees charged amount to \$54,000. The prepaid balance at December 31, 2020 is \$9,000.

6. Restricted Funds

Under the Regulatory Agreement, CSH is required to establish and maintain a replacement reserve account for the replacement of property and other project expenditures as approved by HUD. CSH is also required to complete a computation of surplus cash. Surplus cash is the cash remaining after all expenses of the project are paid less current obligations of the current reporting period. If surplus cash exists, CSH is required to deposit surplus cash into a residual receipts account within 60 days of its year-end. Restricted funds are held in separate accounts and generally are not available for operating purposes.

7. Net Assets

CNRC and CSH classifies net assets into two categories: without donor restrictions and with donor restrictions. Donor-imposed restrictions include that CSH provide affordable housing as indicated in the regulatory agreement. Net assets released from donor restrictions are indicated on the Consolidated Statement of Activities. There are no self-imposed limits on net assets without donor restrictions.

8. Liquidity and Availability

CNRC's and CSH's financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures, consists of operating cash and construction cash. None of these amounts are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position.

CSH manages liquidity needed for operations primarily through budgeted monthly cash inflows and outflows. Cash inflows can be easily predicted since they are comprised mostly of rent and subsidy receipts. Cash outflows are planned accordingly so as not to exceed those expected inflows. A minimal amount of excess cash is on hand in the event of unexpected outflows. In addition, CSH maintains funds in a reserve for replacement for planned property improvements and may be used only with the approval of HUD.

Chestnut Neighborhood Revitalization Corporation
and Related Organization

Notes to the Consolidated Financial Statements (continued)
December 31, 2020

9. Residual Receipts Contingency

Regulations require the return of residual receipts to HUD unless the funds are authorized by HUD to be retained by the Project for possible future uses. The use of these funds is contingent upon HUD's prior written approval. On June 19, 2015 HUD issued a directive that they will require the return of residual receipts balances in excess of \$250 per unit ("retained balance"), upon expiration of the Project Rental Assistance Contract, subject to certain conditions. The expiration date of the Project Rental Assistance Contract is December 31, 2021. There is no residual receipts account at December 31, 2020.

10. Section 202 Demonstration Planning Grant

CSH received a HUD grant of \$159,705 to assist in the development processing of the 22-unit project. Should CSH fulfill its obligation of the grant, which primarily is to continue to operate and occupy the building as affordable rental housing for low and very low-income persons, this grant will be forgiven. Should CSH not fulfill its obligation of the grant, the full amount of the grant will be payable upon demand by HUD. The grant is classified in the consolidated statement of financial position as net assets with donor restrictions.

11. TDHCA Grant

CSH received a grant of \$31,600 from the Texas Department of Housing and Community Affairs (TDHCA) under Capacity Building Grant Agreement #1000581 to aid the project during the construction period. The grant is classified in the consolidated statement of financial position as net assets with donor restrictions.

12. Land Lease

CSH entered into a Ground Lease with Option to Purchase with AHFC on October 10, 2008. CSH is to pay AHFC \$35,278 per year (increasing 3% annually thereafter) for rent of the land until September 1, 2058; however, as long as CSH complies with the terms of the lease, AHFC will release the obligation. After the termination date of the lease, CSH will have an option to purchase the land at fair market value as quoted by a qualified real estate appraiser licensed in Texas.

13. Construction in Progress

Development costs of the commercial and residential condominiums are charged to inventory: commercial and residential condominiums once the condominiums are completed. The balance of work in progress is classified as construction in progress on the consolidated statement of financial position. As the units are sold, the allocated costs of each unit is charged as a component of the net gain or loss on the sale of the units on the consolidated statement of activities.

Chestnut Neighborhood Revitalization Corporation
and Related Organization

Notes to the Consolidated Financial Statements (continued)
December 31, 2020

14. Phase 2 of Construction

CNRC is in discussions with various contractors, banks, and agencies, to secure contracts and funding for Phase 2 of the construction process. Phase 2 will consist of approximately 46 units in a mixed-use project. As of the audit report date, CNRC has entered into an agreement with KRDB, LLC in the amount of \$198,000 (subject to change) to complete the schematic design of the units. There is also an agreement with CEC/KBGE for the necessary civil engineering services. CNRC has also contracted with MDG Construction, LLC for preconstruction services. The fee is \$2,500 per month and runs from November 17, 2020, through November 17, 2021. CNRC is working with the City of Austin and the Austin Community Foundation (coordinated through TSHAC) in order to obtain forgivable loans and grants, and with banks and other sources to obtain low-income loans in order to complete construction of Phase 2 of the development.

15. Cash, Cash Equivalents, and Restricted Cash

In accordance with Accounting Standards Update (ASU) 2016-18, "Restricted Cash", the following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the consolidated statement of financial position to the amounts presented in the statement of cash flows:

	Beginning of Period	End of Period
Cash-Operations	\$ 148	\$ 677
Cash-Construction	39,021	28,251
Tenant Security Deposits Held in Trust	4,370	4,126
Replacement Reserve	76,632	86,621
	\$ 120,171	\$ 119,675

16. Loans to Homeowners Associations

During a prior year, CNRC loaned \$7,794 and \$9,765 to The Chicon at Gibbs Association, Inc. and The Chicon at Joyce Association, Inc, respectively, to assist in the start-up of the homeowners associations of the newly established commercial and residential condominiums which were sold to qualified buyers by CNRC. The balance owed CNRC at December 31, 2020 is \$17,559. Amounts are due in one lump sum on December 15, 2021. No interest is charged.

17. Risks and Uncertainties

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time. There has been no immediate impact to the entity's operations. Future potential impacts may include disruptions or restrictions on our employees' ability to work or the tenants' ability to pay the required monthly rent. Operating functions that may be changed include intake, recertifications and maintenance. Changes to the operating environment may increase operating costs. The future effects of these issues are unknown.

SUPPLEMENTAL INFORMATION

Chestnut Neighborhood Revitalization Corporation
and Related Organization

Consolidating Statement of Financial Position
December 31, 2020

	Chestnut Senior Housing	Chestnut Neighborhood Revitalization Corporation	Eliminations	<u>Consolidated</u>
Assets				
Current Assets				
Cash-Operations	\$ 677	\$ 0		\$ 677
Cash-Construction	0	28,251		28,251
Loans to Homeowners Associations	0	17,559		17,559
Due from Related Party	0	11,587		11,587
Prepaid Expenses	5,140	1,659		6,799
Total Current Assets	<u>5,817</u>	<u>59,056</u>		<u>64,873</u>
Deposits Held in Trust-Funded				
Tenant Security Deposits Held in Trust	4,126	0		4,126
Restricted Deposits and Funded Reserves				
Replacement Reserve	86,621	0		86,621
Total Restricted Deposits	<u>86,621</u>	<u>0</u>		<u>86,621</u>
Fixed Assets				
Land	0	589,889		589,889
Buildings	3,227,518	0		3,227,518
Furnishings	18,164	0		18,164
Miscellaneous Fixed Assets	7,369	0		7,369
Total Fixed Assets	<u>3,253,051</u>	<u>589,889</u>		<u>3,842,940</u>
Less Accumulated Depreciation	<u>860,247</u>	<u>0</u>		<u>860,247</u>
Net Fixed Assets	<u>2,392,804</u>	<u>589,889</u>		<u>2,982,693</u>
Other Assets				
Prepaid Debt Issuance Costs	0	2,099		2,099
Construction in Progress	0	126,511		126,511
Total Other Assets	<u>0</u>	<u>128,610</u>		<u>128,610</u>
Total Assets	<u><u>\$ 2,489,368</u></u>	<u><u>\$ 777,555</u></u>		<u><u>\$ 3,266,923</u></u>

(continued)
See independent auditors' report.

Chestnut Neighborhood Revitalization Corporation
and Related Organization

Consolidating Statement of Financial Position (continued)
December 31, 2020

	Chestnut Senior Housing	Chestnut Neighborhood Revitalization Corporation	Eliminations	<u>Consolidated</u>
Liabilities and Net Assets				
Current Liabilities				
Accounts Payable-Operations	\$ 11,390	\$ 0		\$ 11,390
Accrued Wages Payable	476	0		476
Accrued Payroll Taxes Payable	30	0		30
Accounts Payable-Construction	0	23,195		23,195
Accrued Management Fee Payable	1,063	0		1,063
Mortgages Payable	0	1,801,715		1,801,715
Total Current Liabilities	12,959	1,824,910		1,837,869
Deposits Held in Trust-Funded				
Tenant Security Deposits Held in Trust (contra)	4,126	0		4,126
Long-Term Liabilities				
Mortgage Payable (long term)	1,000,000	0		1,000,000
Note Payable				
(Net of \$2,281 Debt Issuance Costs)	0	97,719		97,719
Total Long-Term Liabilities	1,000,000	97,719		1,097,719
Total Liabilities	1,017,085	1,922,629		2,939,714
Net Assets				
Without Donor Restrictions (Deficit)	(719,122)	(1,145,074)		(1,864,196)
With Donor Restrictions	2,191,405	0		2,191,405
Total Net Assets	1,472,283	(1,145,074)		327,209
Total Liabilities and Net Assets				
	\$ 2,489,368	\$ 777,555		\$ 3,266,923

Chestnut Neighborhood Revitalization Corporation
and Related Organization

Consolidating Statement of Activities
December 31, 2020

	Chestnut Senior Housing	Chestnut Neighborhood Revitalization Corporation	Eliminations	Consolidated
REVENUES:				
Rent	\$ 197,837	\$ 0		\$ 197,837
Financial	11	0		11
Other	11,653	59,776		71,429
Total Revenue	209,501	59,776		269,277
EXPENSES:				
Project Services				
Administrative	30,520	255		30,775
Utilities	27,451	0		27,451
Operating and Maintenance	93,623	900		94,523
Taxes and Insurance	28,078	3,499		31,577
Financial	0	3,327		3,327
Depreciation	87,006	0		87,006
Total Project Service Expenses	266,678	7,981		274,659
Supportive Services-Management and General				
Administrative	22,811	60,650		83,461
Total Support Service Expenses	22,811	60,650		83,461
Total Expenses	289,489	68,631		358,120
Decrease in Net Assets Without Donor Restrictions	(79,988)	(8,855)		(88,843)
Net Assets, Beginning of Period	1,552,271	(1,136,219)		416,052
NET ASSETS, END OF PERIOD	\$ 1,472,283	\$ (1,145,074)		\$ 327,209



November 9, 2021

To the Board of Directors
Chestnut Neighborhood Revitalization Corporation and Related Organization

We have audited the consolidated financial statements of Chestnut Neighborhood Revitalization Corporation for the year ended December 31, 2020, and have issued our report thereon dated November 9, 2021. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated October 4, 2021, our responsibility, as described by professional standards, is to express an opinion about whether the consolidated financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the consolidated financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter dated October 4, 2021.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Chestnut Neighborhood Revitalization Corporation are described in Note 1 to the consolidated financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the period. We noted no transactions entered into by the entity during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the consolidated financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the consolidated financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the consolidated financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The disclosures in the consolidated financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the consolidated financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the consolidated financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 9, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's consolidated financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the entity's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of Board of Directors and management of Chestnut Neighborhood Revitalization Corporation and is not intended to be and should not be used by anyone other than these specified parties.



Maddox & Associates, APC



Valbridge
PROPERTY ADVISORS

Appraisal Report

Proposed Chicon Phase II Condominiums
1309 Chicon Street
Austin, Travis County, Texas 78702

Report Date: November 17, 2021



FOR:

Capital Impact Partners
Cheryl Ferguson
Senior Specialist, Closing Administrator
1400 Crystal Drive, Suite 500
Arlington, VA 22202

**Valbridge Property Advisors |
Austin**

901 Mopac Expressway South, Suite 300
Austin, TX 78746
737-242-8585 phone
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Valbridge File Number:
TX01-21-0909-000



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November 17, 2021

T. Jordan Sale, MAI
Director
Jsale@valbridge.com

Mary E. Douglas, MAI
Director
mdouglas@valbridge.com

Cheryl Ferguson
Senior Specialist, Closing Administrator
Capital Impact Partners
1400 Crystal Drive, Suite 500
Arlington, VA 22202

RE: Appraisal Report
Proposed Chicon Phase II Condominiums
1309 Chicon Street
Austin, Travis County, Texas 78702

Dear Ms. Ferguson:

In accordance with your request, we have performed an appraisal of the above referenced property. This appraisal report sets forth the pertinent data gathered, the techniques employed, and the reasoning leading to our value opinions. This letter of transmittal does not constitute an appraisal report and the rationale behind the value opinion(s) reported cannot be adequately understood without the accompanying appraisal report.

The subject property, as referenced above, is located at the southeast corner of E. 14th Street and Chicon Street, in the eastern portion of Austin and is further identified as tax parcel number 198693. The subject site is a 0.358-acre or 15,602-square-foot parcel to be improved with the proposed Chicon Phase II Condominiums. The condominium development will include 53 one- and two-bedroom condominium units and three (3) street level commercial/retail condominium units.

We developed our analyses, opinions, and conclusions and prepared this report in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation; the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute; the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA); and the requirements of our client as we understand them.

The client in this assignment is Capital Impact Partners and the intended user of this report is Capital Impact Partners and no others. The sole intended use is for loan underwriting and/or credit decisions. The value opinions reported herein are subject to the definitions, assumptions, limiting conditions, and certifications contained in this report.

The findings and conclusions are further contingent upon the following extraordinary assumptions and/or hypothetical conditions, the use of which might have affected the assignment results:

Extraordinary Assumptions:

- The 'as complete' appraisal analysis assumes that the building improvements are constructed and completed in accordance with the building specifications provided to the appraisers. Building plans/specifications and detailed cost estimates were provided to the appraisers by the property developer, Chestnut Neighborhood Revitalization Corporation. Architectural plans were prepared by KRDB Architects. The appraisers have relied upon the information prepared by these professionals.
- It is assumed that construction of the improvements will commence in the near term such that the appraisers' anticipated prospective date of completion and stabilization is reasonable. Based on discussions with the development, construction is expected to commence in February 2022 and will take approximately 16-18 months. Therefore, the appraisers estimate the 'as complete' date of value to be August 1, 2023; the 'as complete' value is based upon condominium sell-out assumptions discussed in a proceeding section of this report.
- This appraisal assumes that the appraised property will be subject to a condominium declaration. As of the date of value and report preparation, the appraisers were not provided with a condominium declaration for the subject property. The appraisers have estimated HOA fees for the residential and commercial units based on market data. The use of the above extraordinary assumption might have affected assignment results.

Hypothetical Conditions:

- None

Based on the analysis contained in the following report, our value conclusions are summarized as follows:

Value Conclusions

Component	As Is	Prospective As Complete/Stabilized (Condominium)	Prospective As Complete (Multifamily)
Value Type	Market Value	Market Value	Market Value
Property Rights Appraised	Fee Simple	Fee Simple	Fee Simple
Effective Date of Value	October 6, 2021	August 1, 2023	August 1, 2023
Value Conclusions			
Value Conclusion	\$1,480,000	\$11,320,000	\$8,810,000
	\$94.86 psf	\$202,143 per unit	\$157,321 per unit

Respectfully submitted,
 Valbridge Property Advisors | San Antonio



T. Jordan Sale, MAI
 Director
 State Certified General
 Real Estate Appraiser
 TX-1338161-G



Mary E. Douglas, MAI
 Senior Appraiser
 State Certified General
 Real Estate Appraiser
 TX-1380326-G

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Summary of Salient Facts

Property Identification

Property Name	Proposed Chicon Phase II Condominiums
Property Address	1309 Chicon Street Austin, Travis County, Texas 78702
Latitude & Longitude	30.275546, -97.720004
Tax Parcel Number	198693
Property Owner	Chestnut Neighborhood Revitalization Corporation

Site

Zoning	Community Commercial, Mixed Use Combining District, Conditional Overlay (GR-MU-V-CO-NP)
FEMA Flood Map No.	48453C0465K
Flood Zone	Zone X
Primary Land Area	0.358 acres

Proposed Improvements

Property Use	Condominium, PUD Project
Investment Class	A
Gross Building Area (GBA)	54,704 sf
Net Rentable Area (NRA)	31,649 sf
Number of Units	56 (53 Residential & 3 Commercial)
Number of Buildings	1
Number of Stories	5
Year Built	2022
Condition	Excellent (New)
Construction Class	C - Steel Frame
Construction Quality	Good

Valuation Opinions

Highest & Best Use - As Vacant	Residential and/or mixed-use development as warranted by demand
Highest & Best Use - As Improved	Mixed-use condominium development
Reasonable Exposure Time	12 months or less
Reasonable Marketing Time	12 months or less

Value Indications

Approach to Value	As Is	Prospective As Complete/Stabilized (Condominium)	Prospective As Complete (Multifamily)
Land Only - Sales Comparison	\$1,480,000		
Cost	N/A	\$10,930,000	Not developed
Sales Comparison	N/A	N/A	Not developed
Income Capitalization	N/A	\$11,320,000	\$8,810,000

Value Conclusions

Component	As Is	Prospective As Complete/Stabilized (Condominium)	Prospective As Complete (Multifamily)
Value Type	Market Value	Market Value	Market Value
Property Rights Appraised	Fee Simple	Fee Simple	Fee Simple
Effective Date of Value	October 6, 2021	August 1, 2023	August 1, 2023
Value Conclusions			
Value Conclusion	\$1,480,000	\$11,320,000	\$8,810,000
	\$94.86 psf	\$202,143 per unit	\$157,321 per unit

Aerial and Front Views

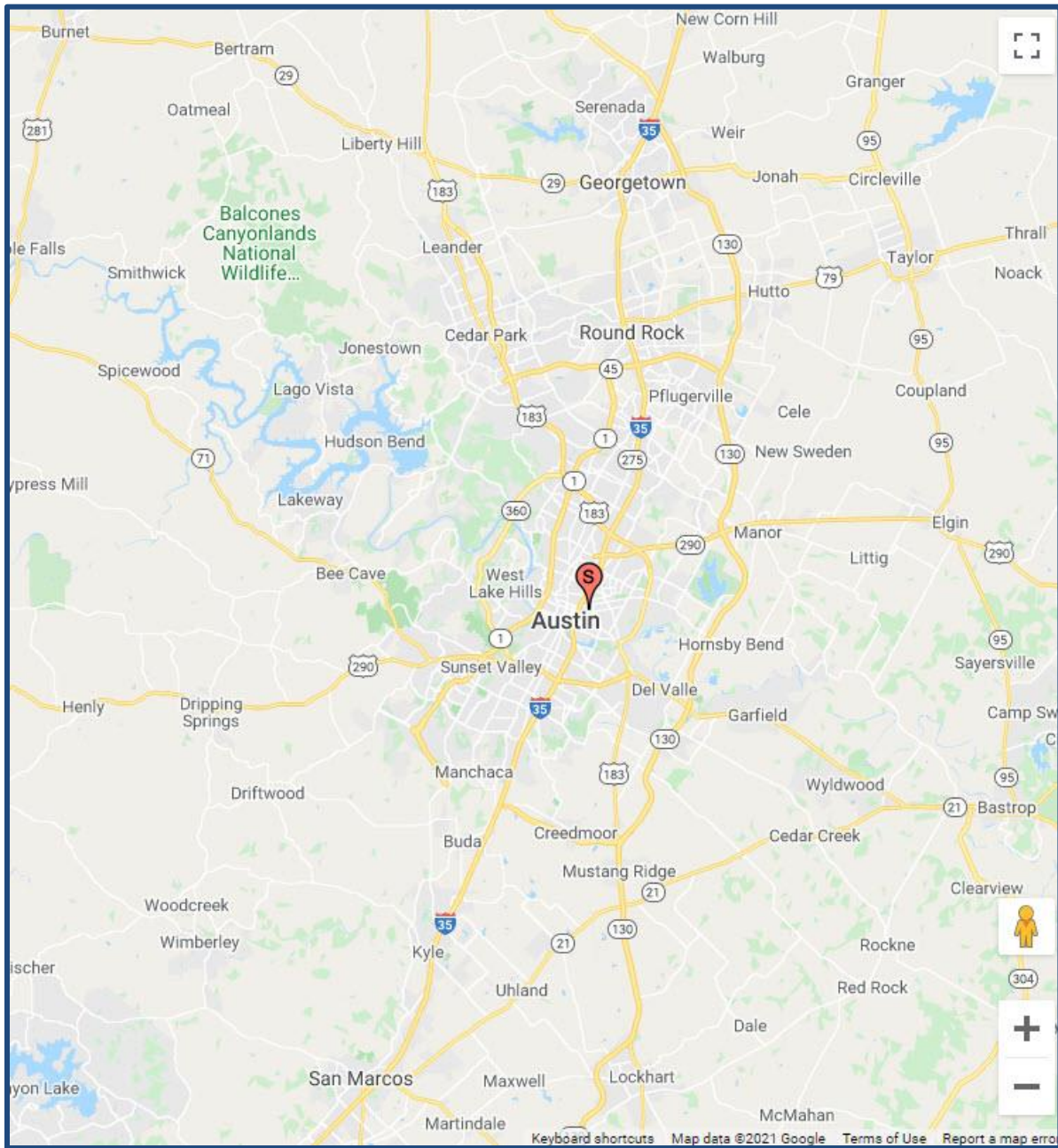
AERIAL VIEW



FRONT VIEW (RENDERING)



Location Map



Introduction

Client and Intended Users of the Appraisal

The client in this assignment is Capital Impact Partners and the sole intended user of this report is Capital Impact Partners. Under no circumstances shall any of the following parties be entitled to use or rely on the appraisal or this appraisal report:

- i. The borrower(s) on any loans or financing relating to or secured by the subject property,
- ii. Any guarantor(s) of such loans or financing; or
- iii. Principals, shareholders, investors, members or partners in such borrower(s) or guarantors.

Intended Use of the Appraisal

The sole intended use of this report is for loan underwriting and/or credit decisions.

Real Estate Identification

The subject property is located at the southeast corner of E. 14th Street and Chicon Street, in the eastern portion of Austin and is further identified as tax parcel number 198693. The subject site is a 0.358-acre or 15,602-square-foot parcel to be improved with the proposed Chicon Phase II Condominiums. The condominium development will include 53 one- and two-bedroom condominium units and three (3) street level commercial/retail condominium units.

Legal Description

Lot No(s). 9 & 10, Block 8, Outlot 34, Division "B", of the Original City of Austin, a subdivision in City of Austin, Travis County, Texas, as recorded in Book 1, Page 42, of the Plat Records of Travis County, Texas

Use of Real Estate as of the Effective Dates of Value

As of the 'as is' effective date of value, the subject was a vacant tract of land. As of the 'as complete' effective date of value, the subject is to be developed with a mixed-use condominium development including 53 residential units and three (3) street level commercial/retail units.

Use of Real Estate as Reflected in this Appraisal

Same as above.

Ownership of the Property

According to Travis County deed records, title to the subject property is vested in Chestnut Neighborhood Revitalization Corporation.

History of the Property

Ownership of the subject property has not changed within the past three years; the property has been under the same ownership since March 2012. We have considered and analyzed the known history of the subject in the development of our opinions and conclusions.

Analysis of Listings/Offers/Contracts

The subject property is not offered for sale on the open market.

Type and Definition of Value

The appraisal problem is to develop an opinion of the market value of the subject property. "Market Value," as used in this appraisal, is defined as "the most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus." Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- *Buyer and seller are typically motivated.*
- *Both parties are well informed or well advised, each acting in what they consider their own best interests;*
- *A reasonable time is allowed for exposure in the open market;*
- *Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and*
- *The price represents the normal consideration for the property sold unaffected by special or creative financing or sale concessions granted by anyone associated with the sale."*¹

The value conclusions apply to the value of the subject property under the market conditions presumed on the effective date of value. Please refer to the Glossary in the Addenda section for additional definitions of terms used in this report.

Valuation Scenarios, Property Rights Appraised, and Effective Dates of Value

Per the scope of our assignment, we developed opinions of value for the subject property under the following scenarios of value:

Valuation Scenario	Effective Date of Value
As Is Market Value of the Fee Simple Interest	October 6, 2021
Prospective As Complete/Stabilized Market Value of the Fee Simple Interest	August 1, 2023

We completed an appraisal inspection of the subject property on October 6, 2021.

Date of Report

The date of this report is November 17, 2021.

List of Items Requested but Not Provided

- None

¹ Source: Code of Federal Regulations, Title 12, Banks and Banking, Part 722.2-Definitions

Assumptions and Conditions of the Appraisal

This appraisal assignment and the opinions reported herein are subject to the General Assumptions and Limiting Conditions contained in the report and the following extraordinary assumptions and/or hypothetical conditions, the use of which might have affected the assignment results.

Extraordinary Assumptions

- The `as complete` appraisal analysis assumes that the building improvements are constructed and completed in accordance with the building specifications provided to the appraisers. Building plans/specifications and detailed cost estimates were provided to the appraisers by the property developer, Chestnut Neighborhood Revitalization Corporation. Architectural plans were prepared by KRDB Architects. The appraisers have relied upon the information prepared by these professionals.
- It is assumed that construction of the improvements will commence in the near term such that the appraisers' anticipated prospective date of completion and stabilization is reasonable. Based on discussions with the development, construction is expected to commence in February 2022 and will take approximately 16-18 months. Therefore, the appraisers estimate the 'as complete' date of value to be August 1, 2023; the 'as complete' value is based upon condominium sell-out assumptions discussed in a proceeding section of this report.
- This appraisal assumes that the appraised property will be subject to a condominium declaration. As of the date of value and report preparation, the appraisers were not provided with a condominium declaration for the subject property. The appraisers have estimated HOA fees for the residential and commercial units based on market data. The use of the above extraordinary assumption might have affected assignment results.

Hypothetical Conditions

- None

Scope of Work

The elements addressed in the Scope of Work are (1) the extent to which the subject property is identified, (2) the extent to which the subject property is inspected, (3) the type and extent of data researched, (4) the type and extent of analysis applied, (5) the type of appraisal report prepared, and (6) the inclusion or exclusion of items of non-realty in the development of the value opinion. These items are discussed as below.

Extent to Which the Property Was Identified

The three components of the property identification are summarized as follows:

- Legal Characteristics - The subject was legally identified via Travis County deed records, Travis Central Appraisal District, City of Austin zoning ordinance.
- Economic Characteristics - Economic characteristics of the subject property were identified via information provided by the client and/or developer, information retained in the appraisers' workfiles, as well as a comparison to properties with similar locational and physical characteristics.
- Physical Characteristics - The subject was physically identified via an appraisal inspection that consisted of exterior observations of vacant land as well as review of property plans and specifications.

Extent to Which the Property Was Inspected

We inspected the subject on October 6, 2021.

Type and Extent of Data Researched

We researched and analyzed: (1) market area data, (2) property-specific market data, (3) zoning and land-use data, and (4) current data on comparable listings and transactions. We also interviewed people familiar with the subject market/property type. The appraisers have completed a number of appraisal assignments related to residential developments and condominium developments throughout the South and Central Texas market area; furthermore, the appraisers are familiar with the Austin commercial real estate market. Therefore, the appraisers possess the appropriate knowledge and experience to competently complete this assignment. The appraisers visited with local real estate brokers, property managers/developers, appraisers, and other area real estate market participants. These interviews assisted the appraisers in understanding real estate trends in the subject property general market area along with confirmation of comparable property transactions.

Type and Extent of Analysis Applied (Valuation Methodology)

We observed surrounding land use trends, the condition of any improvements, demand for the subject property, and relevant legal limitations in concluding a highest and best use. We then valued the subject based on that highest and best use conclusion.

Appraisers develop an opinion of property value with specific appraisal procedures that reflect three distinct methods of data analysis: the Cost Approach, Sales Comparison Approach, and Income Capitalization Approach. One or more of these approaches are used in all estimations of value.

- Cost Approach - In the Cost Approach, the value indication reflects the sum of current depreciated replacement or reproduction cost, land value, and an appropriate entrepreneurial incentive or profit.
- Sales Comparison Approach - In the Sales Comparison Approach, value is indicated by recent sales and/or listings of comparable properties in the market, with the appraiser analyzing the impact of material differences in both economic and physical elements between the subject and the comparables.
- Income Capitalization Approach - In the Income Capitalization Approach, value is indicated by the capitalization of anticipated future income. There are two types of capitalization: direct capitalization and yield capitalization, more commonly known as discounted cash flow (DCF) analysis.

All of these approaches to value were considered. We assessed the availability of data and applicability of each approach to value within the context of the characteristics of the subject property and the needs and requirements of the client. Based on this assessment the Cost, Sales Comparison and Income Capitalization Approaches were developed.

The Sales Comparison Approach, in its true form, is not utilized. To appropriately apply the Sales Comparison Approach, comparable transactions, where a number of condominium units were purchased in bulk at a discount must be confirmed and analyzed. Transactions of this type for condominium developments are limited (if any). Since the appraisers' research revealed no comparable developments which sold to a single purchaser, the Sales Comparison Approach is judged inapplicable and has not been included as part of the appraisal assignment. However, the Sales Comparison Approach is utilized as part of the Income Capitalization Approach in estimating the retail pricing of the individual condominium units.

The Income Capitalization Approach (sell out analysis) has been utilized in the valuation of the 53 residential condominium units and the three commercial condominium units. The sell-out analysis considers certain holding costs, sales expenses, developer's profit, and time value of money given typical investor internal (required) rates of return (yield). Under the sell-out analysis, absorption is projected for the individual units at market "retail pricing". As part of the Income Approach, the Sales Comparison Approach has been utilized in a modified format to estimate the appropriate retail pricing for the condominium units. From revenue generated through unit sales, applicable holding costs are deducted, and the resulting net proceeds were discounted back to present value.

The Income Capitalization Approach (direct capitalization) is also utilized in the analysis of the proposed development as if operated as a multifamily (rental) property.

Further discussion of the extent of our analysis and the methodology of each approach is provided later in the respective valuation sections.

Appraisal Conformity and Report Type

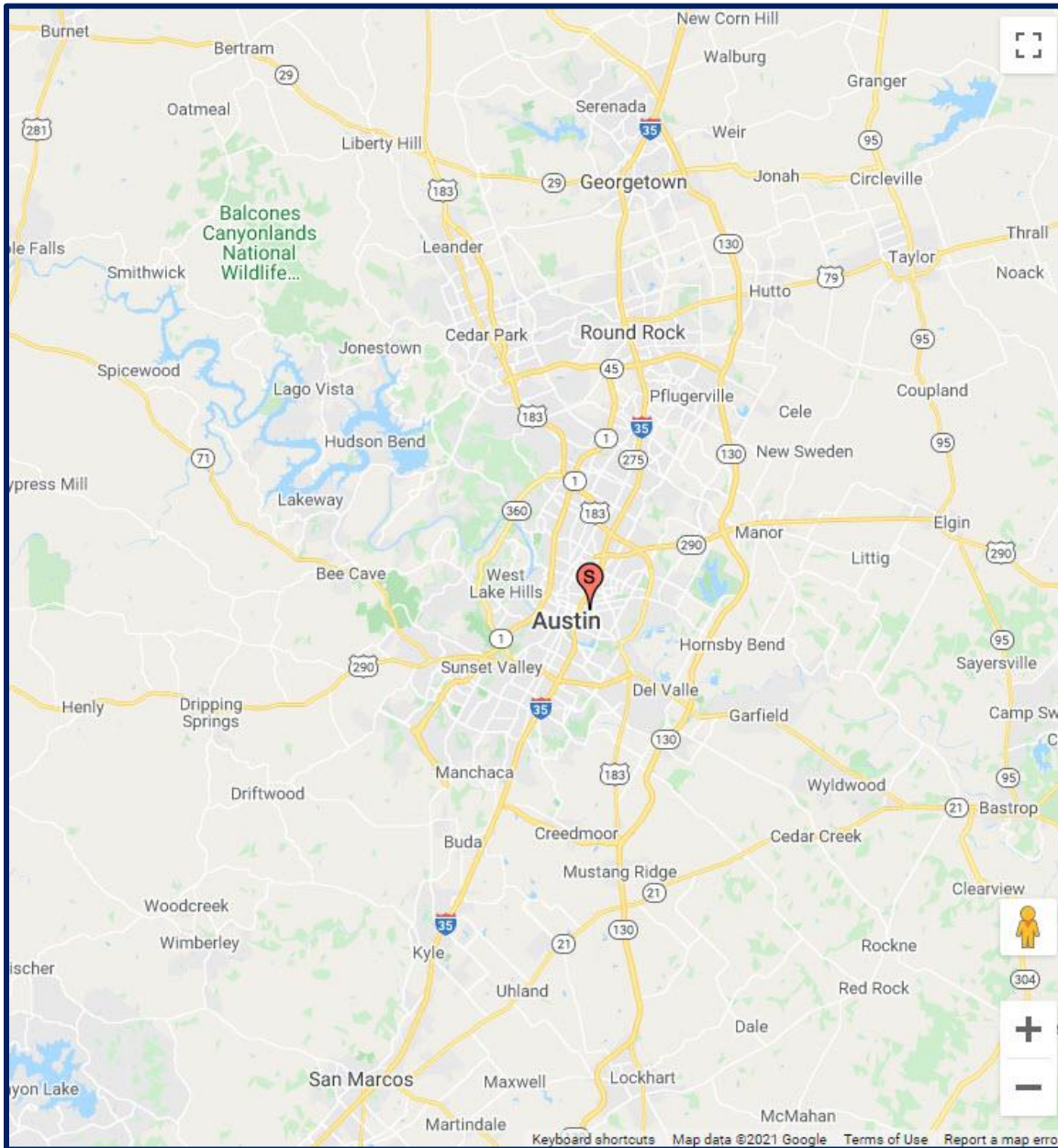
We developed our analyses, opinions, and conclusions and prepared this report in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation; the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute; the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA); and the requirements of our client as we understand them. This is an Appraisal Report as defined by the Uniform Standards of Professional Appraisal Practice under Standards Rule 2-2a.

Personal Property/FF&E

All items of non-realty are excluded from this analysis. The opinion of market value developed herein is reflective of real estate only.

Regional and Market Area Analysis

REGIONAL MAP



Overview

The subject is located in Austin, in Travis County. It is part of the Austin-San Marcos MSA. The Austin Metropolitan Statistical Area (MSA) has been one of the fastest growing areas in the country. As of 2018, it was the 9th fastest-growing metro area in the country. The Austin MSA is made up of Travis, Williamson, Hays, Bastrop and Caldwell Counties. The Austin MSA contains the cities of Austin, Cedar Park, Bee Cave, Dripping Springs, Pflugerville, Leander, Round Rock, Georgetown, San Marcos, Lockhart, Bastrop, Taylor and Lakeway among others.

Austin-Round Rock-San Marcos is now the 31st largest metro area in the United States and is home to approximately 2.1 million people as of 2017. Located on either side of the Balcones Fault (no longer active), Austin sits at the dividing line between a wet and dry climate line. To the east are fertile fields and to the west are limestone hills. The Colorado River flows through the area and is home to the 6 Highland Lakes including Lake Travis and Lake Austin.

The Austin MSA is home to the state capital, multiple high-tech businesses, the University of Texas, one of the nation's largest universities and several other global companies. Between the University of Texas and five other area colleges and universities, the Austin MSA has over 130,000 college students.

Population

Population characteristics relative to the subject property are presented in the following table.

Population						
Area	2010	Estimated 2021	Annual % Change 2010 - 21	Projected 2026	Annual % Change 2021 - 26	
United States	308,745,538	333,793,107	0.7%	333,934,112	0.0%	
Texas	25,145,561	29,969,514	1.6%	32,346,738	1.5%	
Austin-Round Rock-Georgetown, TX (MSA)	1,716,289	2,356,867	2.9%	2,674,940	2.6%	
Travis County	1,024,266	1,336,453	2.4%	1,485,793	2.1%	
City of Austin	800,123	992,111	2.0%	1,090,824	1.9%	

Source: ESRI (ArcGIS)

Employment

Austin has a multiple industry-based economy which includes government, manufacturing, education, and tourism. The governmental sector comprises the largest component of the economic base. The Texas Employment Commission estimates that the federal, state, and local governments currently provide nearly 172,600 jobs in the city.

The City of Austin redeveloped the former Bergstrom Air Force Base as the Austin- Bergstrom International Airport. The airport is located at the south corner of U.S. Highways 183 and 71, in the southeastern sector of the city. The International Airport opened for air cargo in the spring of 1997 and has successfully expanded passenger service. The airport includes 25 passenger gates (with the ability to open an additional 55 gates), encompass 600,000 square feet of passenger terminal space and 400,000 square feet of warehouse space for cargo. The Austin-Bergstrom International Airport traffic is expected to grow 4.5% to 6.5% per year in the near term. British Airways recently inaugurated nonstop service from Austin to London. Increases in passenger travel are attributable to the tremendous population and employment growth in Austin over the last decade.

During the 1990s, the manufacturing sector of the economy emerged as one of Austin's fastest growing employment segments. The manufacturing sector is primarily composed of high technology jobs. In fact, the Austin Chamber of Commerce reports that over 65% of the manufacturing jobs are related to high tech activities. Austin has the most highly educated work force in the country, which has attributed to the high concentration of high-tech companies locating to the Austin area. Within the past decade, Austin has attracted 925 advanced technology companies, employing some 110,000 people. That includes more than 500 companies involved in software development, the second largest concentration of such companies in the nation.

Compiled with the growing number of tech-related companies since the mid-2000's, Austin's latest developments have ultimately pushed the area to be dubbed the 'Silicon Hills'. Major tech companies have made their way to the Austin area in recent years, attracting the likes of Oracle and SpaceX. Tesla is nearing the completion of its Gigafactory in northeast Austin, aiming to begin its first production in late 2021. The factory is expected to specialize in the production of Tesla's Cybertruck and Semi models. Otherwise, already existing tech companies experiencing steady growth in the city include Dell Computer Corporation, Freescale Semiconductor, 3M, Flextronics, Applied Materials, Apple Computers, Advanced Micro Devices, Oracle, National Instruments, and IBM Corporation. All of these companies occupy large facilities throughout the city and represent four of the ten largest employers in the city. Austin has the second largest concentration of software development in the United States. Many of these software companies are start-up companies and are therefore, very difficult to track demographically.

Dell Computers is Central Texas' largest private employer with 17,000 employees. Freescale Semiconductor (formerly Motorola) completed development of a "campus style" complex in southwest Austin in 1994 and opened a new plant to package and test microcomputer chips near their existing plant at U.S. Highway 183. In April 2008, Dell Inc. announced the closing of the Topfer Manufacturing center by January 1, 2009, cutting about 900 of its 17,500 Austin-area positions in the process. Samsung Electronics has remained a presence with the Austin semi-conductor plant. The Samsung semi-conductor plant will allow the company to produce the most advanced gigabyte memory chip. The semiconductor industry in Austin dates back to 1974 with Motorola's first fabrication facility.

The high-tech manufacturing companies have been lured to Austin because of the highly-educated work force, fairly low cost of real estate, as compared to other major cities, the presence of a world-class research university and the favorable business climate. These are many of the reasons Forbes Magazine ranked Austin in first place for the *Fastest-Growing Cities List in 2014 (for the 4th year in a row)*.

The University of Texas at Austin, located just north of the Central Business District, has one of the largest student populations in the country, with a current enrollment in excess of 51,000. The curriculum includes undergraduate and graduate schools, as well as the University of Texas Law School. Additional college campuses throughout the city, including Austin Community College and St. Edward's University, result in total college enrollment in the city of approximately 138,000.

Employment by Industry - Travis County

Industry	2021 Estimate	Percent of Employment
Agriculture/Forestry/Fishing/Hunting	1,783	0.25%
Mining/Quarrying/Oil & Gas Extraction	2,603	0.36%
Construction	58,914	8.10%
Manufacturing	53,341	7.34%
Wholesale Trade	14,399	1.98%
Retail Trade	68,262	9.39%
Transportation/Warehousing	23,714	3.26%
Utilities	5,393	0.74%
Information	18,451	2.54%
Finance/Insurance	36,533	5.02%
Real Estate/Rental/Leasing	22,491	3.09%
Professional/Scientific/Tech Services	109,772	15.10%
Management of Companies/Enterprises	678	0.09%
Admin/Support/Waste Management Services	26,579	3.66%
Educational Services	73,699	10.14%
Health Care/Social Assistance	73,819	10.15%
Arts/entertainment/Recreation	11,133	1.53%
Accommodation/Food Services	45,890	6.31%
Other Services (excl Public Administration)	34,418	4.73%
Public Administration	45,248	6.22%
Total	727,120	100.0%

Source: ESRI (ArcGIS)

Unemployment

The following table exhibits current and past unemployment rates as obtained from the Bureau of Labor Statistics. Overall, the Region boasts one of the lowest unemployment rates for metropolitan statistical areas in the country at 3.5 percent.

Unemployment Rates

Area	YE 2016	YE 2017	YE 2018	YE 2019	YE 2020	2021 ¹
United States	4.9%	4.4%	3.9%	3.7%	8.1%	5.3%
Texas	4.6%	4.3%	3.9%	3.5%	7.6%	5.3%
Austin-Round Rock, TX (MSA)	3.3%	3.2%	3.0%	2.7%	6.2%	3.8%
Travis County, TX	3.2%	3.1%	2.9%	2.6%	6.3%	3.7%
City of Austin	3.1%	3.0%	2.8%	2.5%	6.2%	3.5%

Source: www.bls.gov

data not seasonally adjusted; ¹August - most recent for US, others lag by 1-2 mos.)

Median Household Income

Total median household income for the region is presented in the following table. Overall, the subject's MSA and county compare favorably to the state and the country.

Median Household Income

Area	Estimated 2021	Projected 2026	Annual % Change 2021 - 26
United States	\$62,203	\$67,325	1.6%
Texas	\$63,524	\$70,662	2.2%
Austin-Round Rock-Georgetown, TX (MSA)	\$81,998	\$90,658	2.0%
Travis County	\$83,370	\$94,152	2.5%
City of Austin	\$77,296	\$85,688	2.1%

Source: ESRI (ArcGIS)

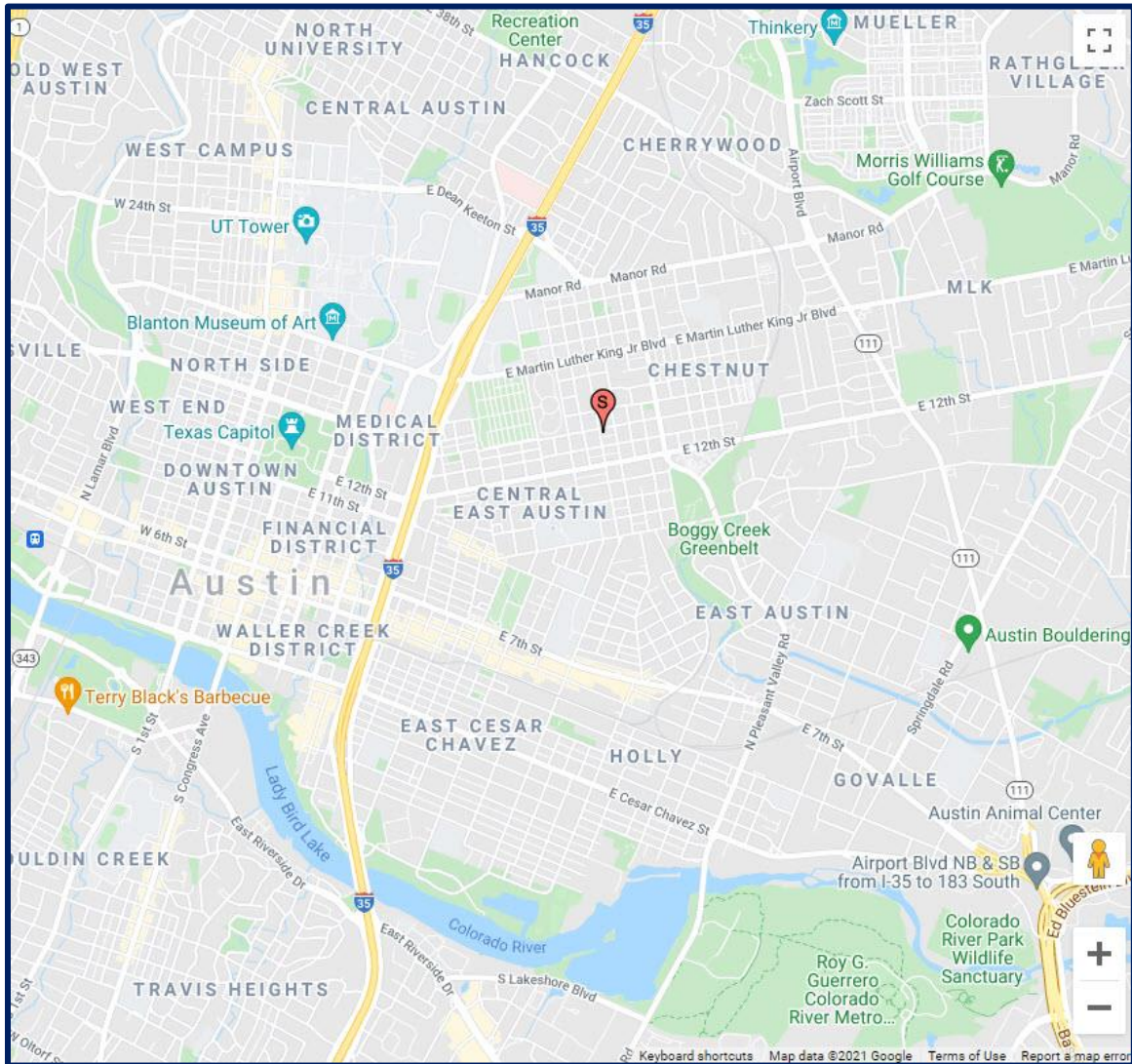
Conclusions

The local economy is regarded as a strong and growing, with a diverse and expanding economic base. With the state, city and university base of employment, coupled with the established high tech and service sectors, the area's attractiveness to mortgage and equity investors is anticipated to continue to increase. The general attitude of the market is economic conditions in the area should continue to be very strong into the foreseeable future. Conversations with the local chamber of commerce indicate a steady pipeline of businesses interested in coming to the Austin area. Population has continued expanding, even throughout the COVID-19 Pandemic. This is further evidenced by a housing market which has experienced significant appreciation over the past year.

The full impact of COVID-19 is still being felt in all markets and the ultimate impact is still being realized, as the confirmed number of cases have fallen substantially, with a new uptick in cases related to the new Delta variant. Based on latest data, combined with the distribution of vaccines approved by the FDA, active cases in the Austin area are expected to return to a downward trend. Supply and demand should edge closer to an equilibrium and the economy should maintain forward momentum. In terms of the effect on real estate, tastes and preferences have certainly changed and adapted over the past year, some trends which may have been permanently affected.

City and Neighborhood Analysis

NEIGHBORHOOD MAP



Overview

The subject is located in the eastern sector of Austin in Travis County. The property is in the Chestnut neighborhood which is a smaller, residential neighborhood with a mix of homes and apartments. Although most of the homes are older and modest in size, some new, larger houses are being built. The neighborhood is close enough to downtown and the University of Texas that residents can bike to either location. Over the past five to ten years, various properties in the immediate market area have been redeveloped in alignment with other East Austin redevelopment and revitalization.

Neighborhood Location and Boundaries

The subject neighborhood encompasses the eastern portion of central Austin, adjacent to the CBD. The area is both historic and urban in nature. The neighborhood encompasses the area's cultural and economic center for tourism, dining, entertainment, and hospitality. IH-35 traverses the neighborhood essentially defining the area between the primary Austin CBD and what is referred to by locals as the 'East Side'. Over the past ten to fifteen years, the Austin area has experienced significant growth in population, following an influx of employers and major businesses moving to the area. The neighborhood is bounded by Manor Road to the north, U.S. Highway 183 to the east, Lady Bird Lake to the south, and IH-35 to the west.

The city has promoted this growth and Austin has ultimately become what some refer to as 'Silicon Hills'. Major tech companies such as 3M, Apple, Dell Computers, Google, Facebook amongst other major global corporations have made a significant footprint, if not calling Austin home. With the ever-increasing tourism in the area, as well as population growth, the subject CBD area ultimately spilled over across the IH-35 corridor creating a new culture of its own on the east side of downtown. With hundreds of apartment units, ground level retail, numerous restaurants and bars, the east side has become its very own entertainment district. As a result, property values have increased tremendously over the past decade and along with the rest of Austin, home prices are some of the highest in the nation on a per square foot basis.

Of significant note and in addition to the multiple other mixed-use developments is the newly completed Plaza Saltillo Development, a massive 10-acre mixed use development located along 6 contiguous blocks between E 4th and 5th Streets. The development, which was recently completed, with some finalizing retail, apartment units and offices is anchored by a Whole Foods grocery store and exhibits an array of restaurants and shops. The development is within walking distance to the already-established multiple unique restaurants, shops and bars in the neighborhood.

Transportation Access

Within the immediate area of the subject property, transportation access helps define the character of its development. Major travel and commuter routes within the area of the subject property include E. 12th Street, E. MLK Jr. Boulevard and N. Pleasant Valley Road, IH-35, Airport Boulevard. Access to the area is considered good.

Neighborhood Land Use

The subject neighborhood is located in an area with primarily older residential and retail land uses. An approximate breakdown of the development in the area is as follows:

LAND USES	
Developed	100%
<i>Residential</i>	70%
<i>Retail</i>	10%
<i>Office</i>	15%
<i>Industrial</i>	5%
Vacant	0%
Total	100%

Land Use Trends

The neighborhood is experiencing a change in land use from older residential and commercial development to renovated/revitalized residential and new residential and/or commercial developments. Nearby uses include single-family residential and condominium developments including the Chicon Joyce and Chicon Gibbs condominium buildings.

Demographics

The following table depicts the area demographics in Austin within a one-, three-, and five-mile radius from the subject.

Neighborhood Demographics

Radius (Miles)	1 Mile	3 Mile	5 Mile
Population Summary			
2010 Population	13,776	139,491	294,194
2021 Population Estimate	18,823	180,204	366,141
2026 Population Projection	21,946	205,260	410,410
Annual % Change (2021 - 2026)	3.1%	2.6%	2.3%
Housing Unit Summary			
2010 Housing Units	5,980	65,890	137,446
% Owner Occupied	36.6%	29.1%	32.0%
% Renter Occupied	52.7%	59.2%	57.3%
2021 Housing Units	8,394	86,694	173,630
% Owner Occupied	35.5%	30.5%	33.4%
% Renter Occupied	56.1%	59.6%	57.0%
2026 Housing Units	9,846	99,367	194,528
% Owner Occupied	33.3%	28.9%	32.2%
% Renter Occupied	59.4%	62.1%	58.9%
Annual % Change (2021 - 2026)	3.3%	2.8%	2.3%
Income Summary			
2021 Median Household Income Estimate	\$78,502	\$67,247	\$66,980
2026 Median Household Income Projection	\$89,517	\$78,441	\$76,829
Annual % Change	2.7%	3.1%	2.8%
2021 Per Capita Income Estimate	\$39,169	\$44,976	\$44,482
2026 Per Capita Income Projection	\$44,701	\$50,497	\$49,227
Annual % Change	2.7%	2.3%	2.1%

Source: ESRI (ArcGIS)

Within a three-mile radius, the reported population is 180,204 with a projected growth rate of approximately 2.6% annually. There are 86,694 housing units within that three-mile radius. The growth rate is expected to be 2.8% annually. Most of the housing is tenant-occupied. Our research indicates that property values in the area are increasing.

Within a three-mile radius, the median household income is \$67,247. Annual household income growth is projected at 3.1% per year. The average income figures suggest that the inhabitants are within the middle income brackets.

Nuisances & External Obsolescence

Neighborhood properties have adequate levels of maintenance. No adverse or unfavorable factors were observed.

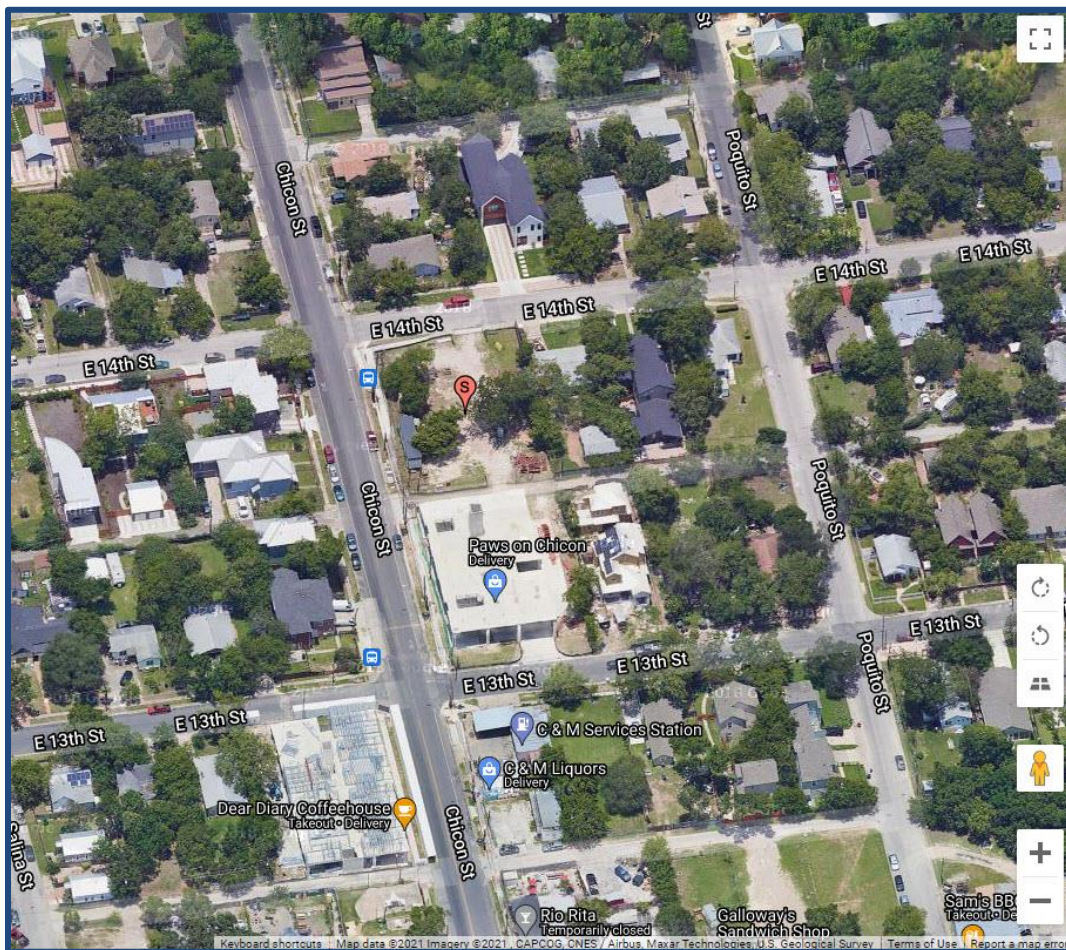
Neighborhood Life Cycle

Most neighborhoods are classified as being in four stages: growth, stability, decline, and renewal. Overall, the subject neighborhood is in the growth stage of its life cycle.

Immediate Area Uses

The below aerial photo exhibits the uses located in the subject's immediate vicinity.

IMMEDIATE AREA USES



Source: Google Maps

Uses along Chicon Street in the vicinity of the subject are primarily residential in nature. As shown above, the density of uses in the area is relatively high with few vacant parcels available. A drive of the neighborhood revealed that occupancies in the area are relatively high. The area was developed many years ago but has maintained a reasonable level of demand.

Analysis and Conclusions

The neighborhood is characterized by older single-family homes which have either been rehabilitated for commercial use, owner-occupancy as a primary residence or rental, or for offices. Few homes have been completely demolished in order to maintain the character of the neighborhood, not to mention many of the home sites are too small for development into a single commercial use.

In addition to the previously mentioned Plaza Saltillo development, multiple additional developments have been completed, are in progress or are planned. Property values have been on the rise, surpassing many other areas of Austin on an annual percentage and growth is expected to continue. The subject's immediate neighborhood area has maintained its single and multifamily zoning in place along many of the streets extending eastbound from the IH-35 corridor. Historically an already-established residential area, the majority of all homes were constructed in the early to mid-1900s. While many of the bungalow and craftsmen-style homes have been renovated for continued use, many have not been well-maintained and have been acquired for demolition and redevelopment with new single-family homes. As the neighborhood continues its growth and redevelopment, property values can be expected to continue increasing.

Site Description

The subject site is located at the southeast corner of E. 14th Street and Chicon Street, in the eastern portion of Austin. The characteristics of the site are summarized as follows:

Site Characteristics

Gross Land Area:	0.358 Acres or 15,602 SF
Usable Land Area:	0.35817 Acres or 15,602 SF
Usable Land %:	100.0%
Shape:	Rectangular
Topography:	Generally Level
Drainage:	Appears adequate
Grade:	At street grade
Utilities:	All public utilities
Off-Site Improvements:	Typical right-of-way and utility infrastructure, paved alleyway, etc.
Interior or Corner:	Corner
Signalized Intersection:	No
Excess or Surplus Land:	None

Street Frontage / Access

Frontage Road	Primary	Secondary
Street Name:	Chicon Street	E. 14th Street
Street Type:	2-lane asphalt paved street	Asphalt paved residential street
Frontage (Linear Ft.):	145.11	107.60
Number of Curb Cuts:	0	1

Additional Access

Alley Access: Yes

Flood Zone Data

Flood Map Panel/Number:	48453C0465K
Flood Map Date:	01-22-2020
Portion in Flood Hazard Area:	0.00%
Flood Zone:	Zone X; The appraised site is not located in the 100-year flood plain

Other Site Conditions

Environmental Issues:	No environmental issues were noted at the time of inspection or disclosed by involved parties that would impact value.
Easements/Encroachments:	None known that would adversely affect development of the site

Adjacent Land Uses

North:	Single-family residential
South:	Chicon Joyce condominium development
East:	Single-family residential
West:	Single-family residential

Site Ratings

Access:	Good
Visibility:	Good

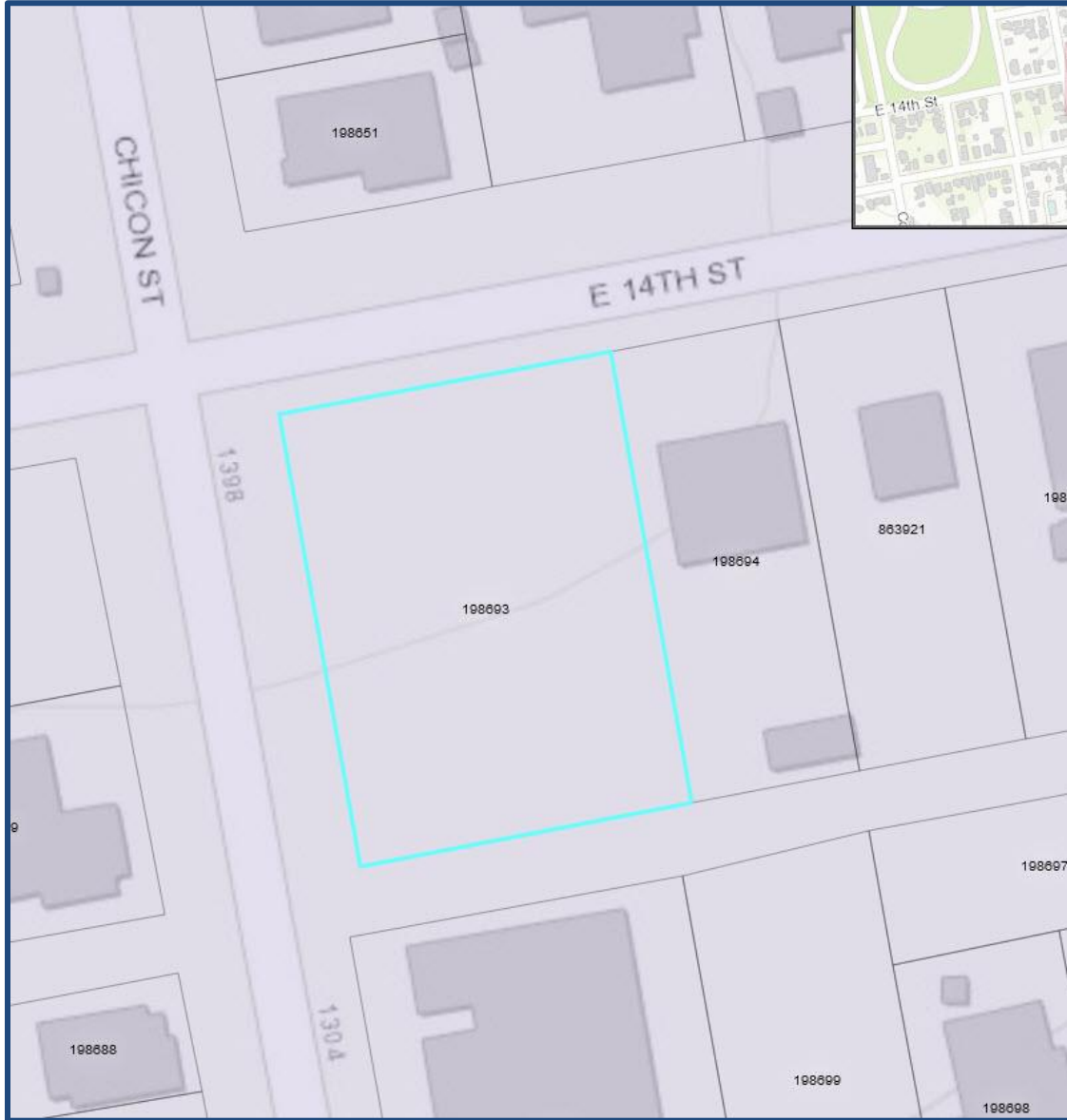
Zoning Designation

Zoning Jurisdiction:	City of Austin
Zoning Classification:	GR-MU-V-CO-NP, Community Commercial, Mixed Use Combining District, Conditional Overlay
Permitted Uses:	Various mixed-use developments
Zoning Comments:	Community commercial (GR) district is the designation for an office or other commercial use that serves neighborhood and community needs and that generally is accessible from major traffic ways.

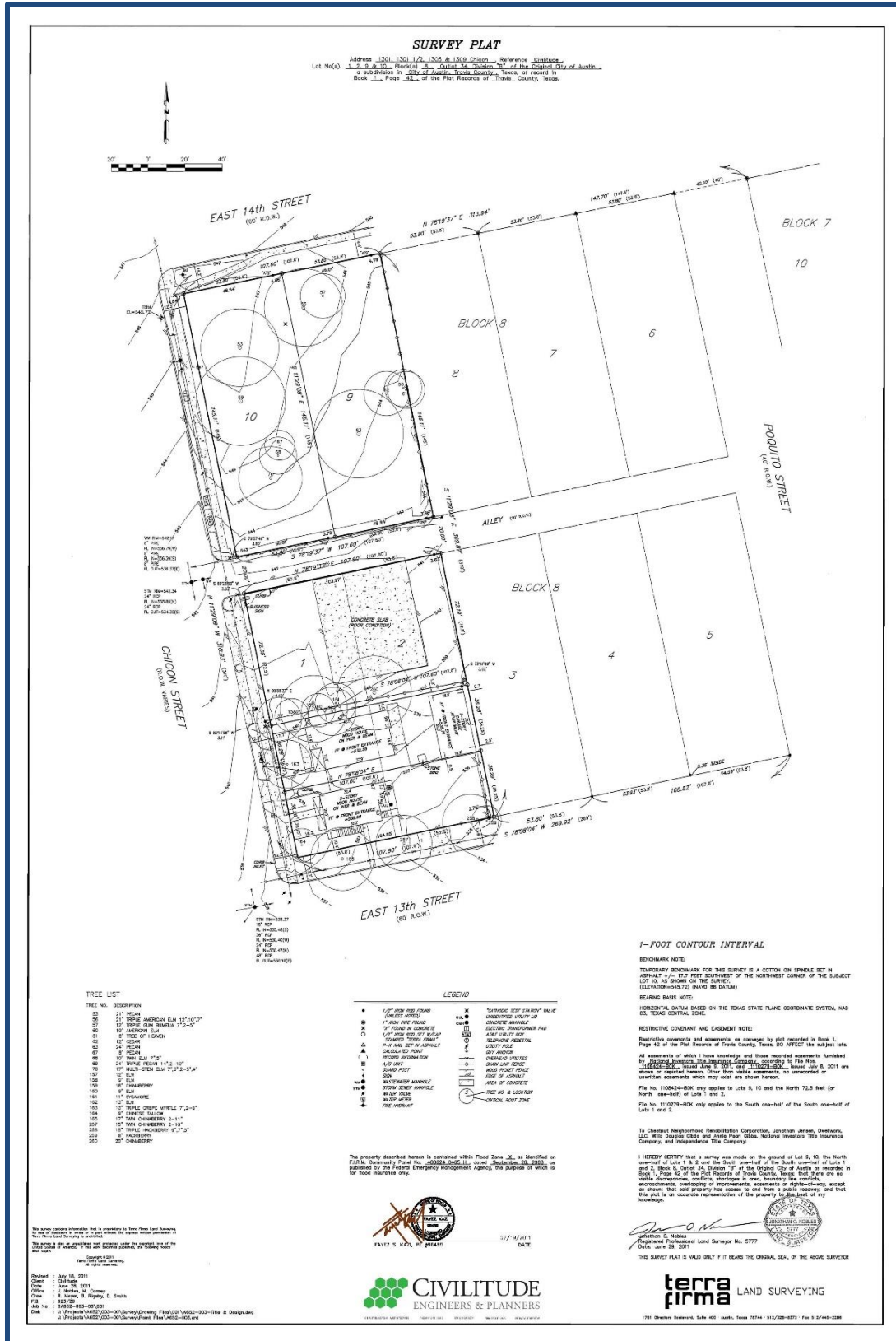
Analysis/Comments on Site

The appraised property is an approximate 15,602 square foot, or 0.358 acre, site located at the southeast corner of Chicon Street and E. 14th Street. The site is rectangular in shape with generally level topography and is not located within the 100-year flood plain. Visibility and access are considered good. Public utilities are available to the site. Based on the characteristics above, the site is suitable for a variety of legal uses. On the following pages are various exhibits pertaining to the subject site.

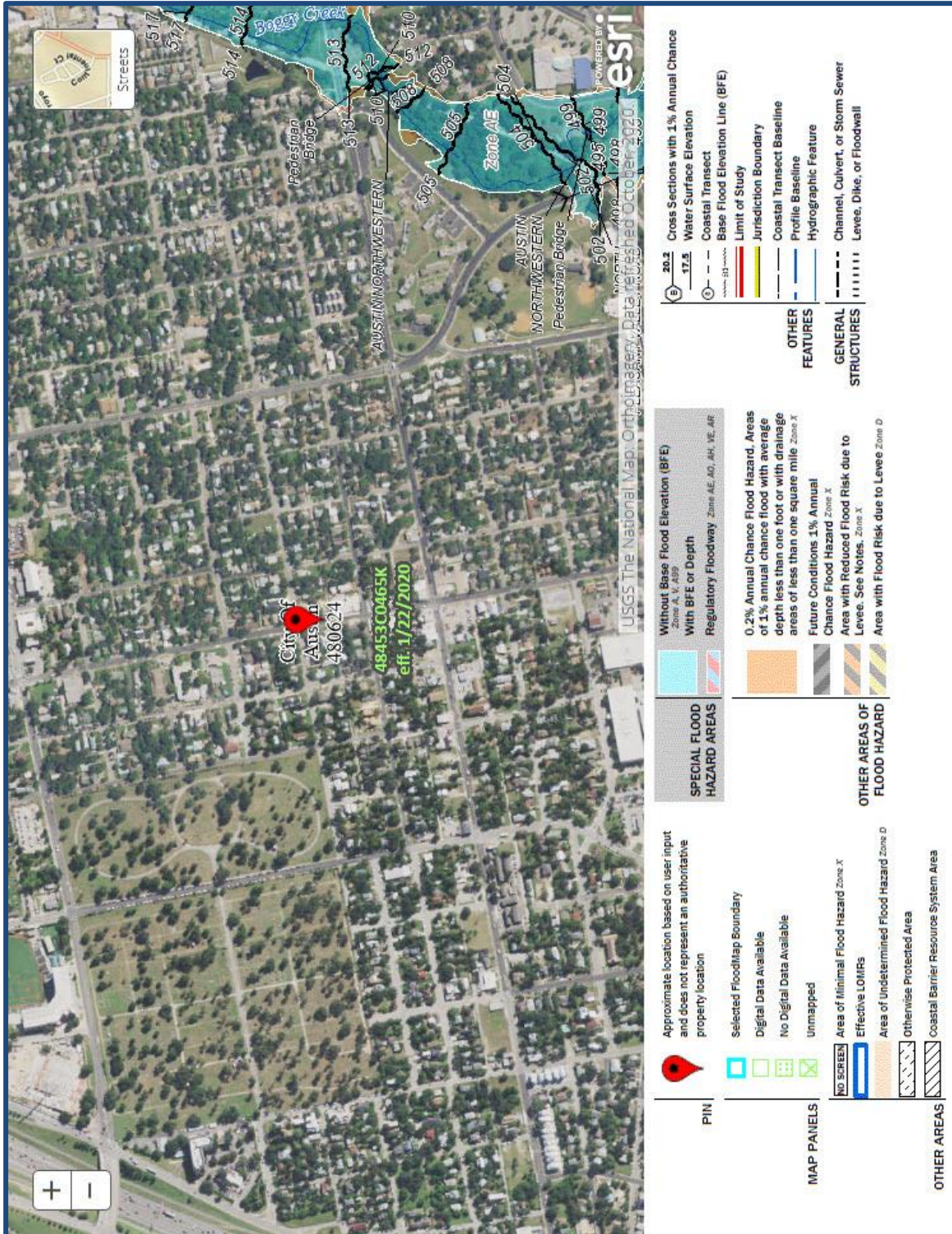
TAX/PLAT MAP



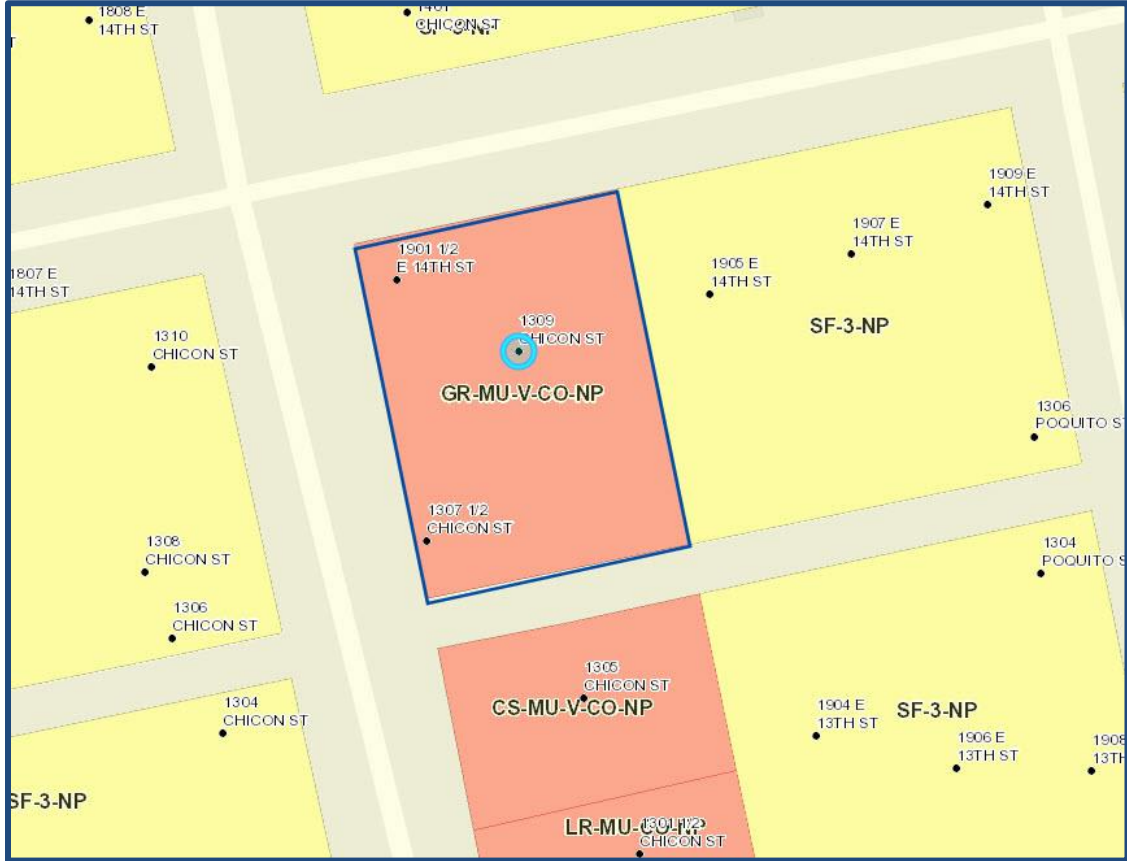
SITE SURVEY



FLOOD MAP



ZONING MAP



Proposed Improvements Description

The property is the proposed Chicon Phase II Condominiums. The condominium development will include 53 one- and two-bedroom condominium units and three (3) street level commercial/retail condominium units.

Improvement Characteristics

Property Type:	Mixed-Use Residential
Property Subtype:	Condominium, PUD Project
Investment Class:	Class A
Number of Buildings:	1
Number of Stories:	5
Construction Class:	C - Steel Frame per Marshall Valuation Service
Construction Quality:	Good
Gross Building Area (GBA):	54,704 SF (based on Building Plans) including approximately 2,466 SF of commercial space
Net Building Area (Sellable):	31,649 SF including 2,209 SF commercial space

Unit Mix

Unit Type	Number of Bedrooms	Number of Baths	Total Units	Average Unit Size	Total SF
Commercial Unit 101			1	788 sf	788 sf
Commercial Unit 102			1	699 sf	699 sf
Commercial Unit 103			1	722 sf	722 sf
One Bed/Studio	1	1	3	450 sf	1,350 sf
AFF One Bed/Studio	1	1	23	450 sf	10,350 sf
One Bed	1	1	4	604 sf	2,416 sf
AFF One Bed	1	1	15	604 sf	9,060 sf
Two Bed	2	1	6	783 sf	4,698 sf
AFF Two Bed	2	1	2	783 sf	1,566 sf
Totals			56	565 sf	31,649 sf

Property Features

Clubhouse On-Site:	No
Fitness/Exercise Facility:	Yes
Swimming Pools:	No
Gated Parking/Access:	Yes
Storage Units:	Yes
Other Property Amenities:	Bike storage, landscaped courtyard with seating areas

Unit Features

Kitchen Appliances/Finish:	Upper/lower wood cabinetry, stone countertops, tile backsplash, pendant lighting, etc.
Fireplace in Units:	No
Washer/Dryer Connection:	Yes
Washer/Dryer Included:	Yes
Restroom Finish:	Typical residential restroom finishes
Patio/Balcony:	Yes; some

Ratios & Parking

Land-to-Building Ratio:	0.29 to 1 (Usable Land/GBA)
Floor Area Ratio (FAR):	3.51 (based on GBA)
Parking Spaces:	5
Parking Ratio:	0.09 spaces/unit
Parking Comments:	The property will have 5 tuck under parking spaces; three (3) ADA spaces and two (2) electric vehicle spaces

Age / Life

Year Built:	2022 - 2023
Condition:	Excellent
Actual Age:	0 years
Effective Age:	0 years
Typical Building Life:	55 years
Remaining Economic Life:	55 years

Structural Characteristics

Foundation:	Concrete slab
Building Frame:	Steel
Exterior Walls:	Fiber cement, metal screening, concrete board, etc
Roof Type / Material:	Flat / Built-Up

Interior

Floors:	Vinyl wood flooring in residential units, polished concrete flooring in commercial units
Walls:	Gypsum wallboard
Ceilings:	Gypsum board in residential units, exposed rafters in commercial units
Lighting:	Typical residential and commercial lighting (Incandescent and fluorescent)

Mechanical Systems

Electrical:	Assumed adequate for intended use
Plumbing:	Assumed adequate for intended use
Heating:	Forced warm air
Air Conditioning:	Central air conditioning
Fire Protection/Sprinklers:	Wet system
Elevators:	1

Site Improvements

Site Improvements:	In the `as complete` analysis, site improvements will include concrete paving, landscaping, fencing, etc.
Landscaping:	Good

Legal, Conforming Status

Legally Permitted Use:	Yes
Conforms to Parking:	Yes
Conformity Conclusion:	We are not professional planners. Based on our analysis of the property and of the applicable codes, the current/proposed use appears to conform to current requirements.

Deferred Maintenance

The subject property is proposed with no deferred maintenance anticipated upon completion of construction.

Analysis/Comments on Improvements

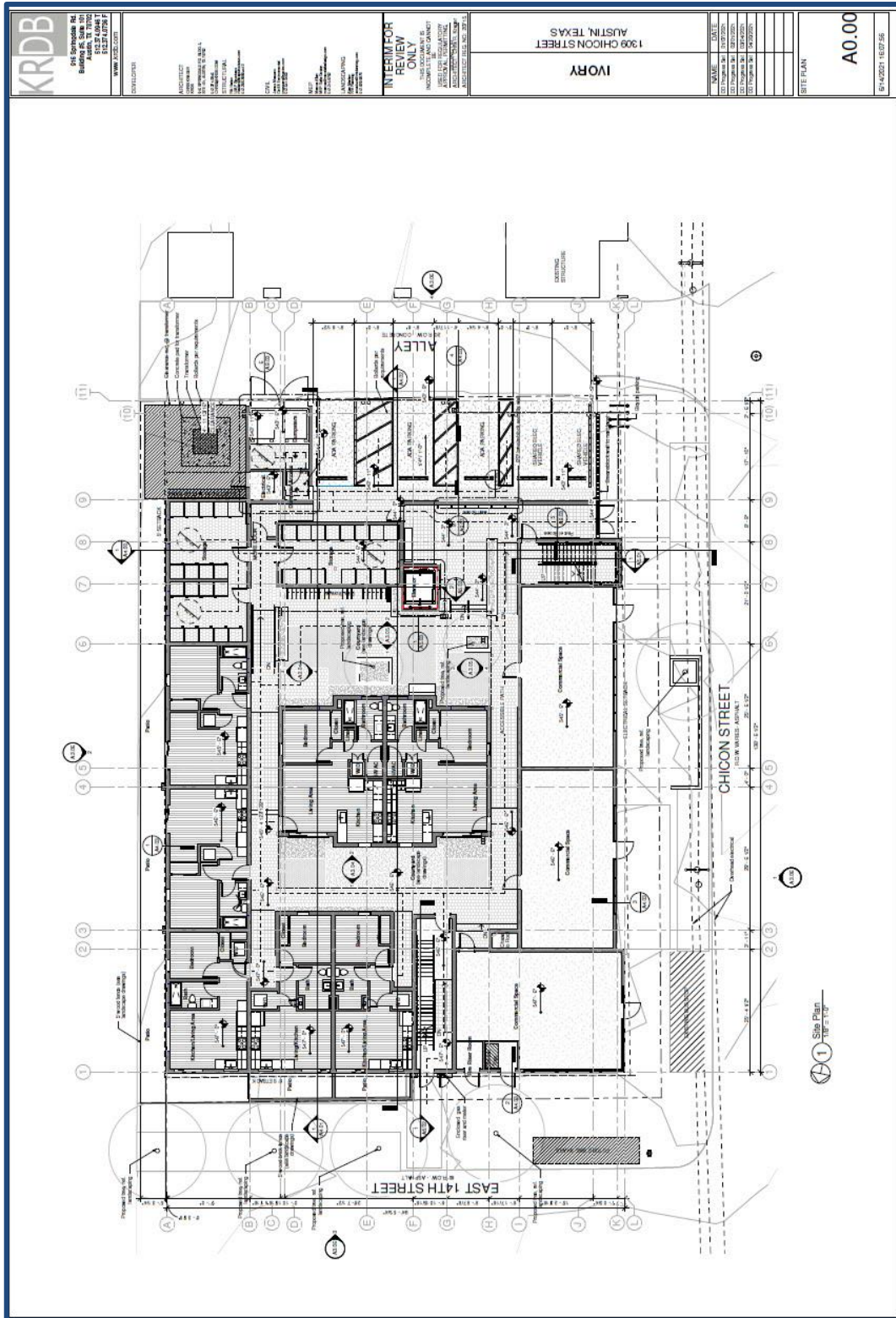
The proposed Chicon Phase II is a 5-story, 53 unit condominium project with three (3) first floor commercial/retail space. The building is to be of steel frame construction on a concrete slab foundation with fiber cement, concrete board, and metal screening exteriors, and a flat built-up roofing system. The property will include 53 studio, one-, and two-bedroom units which will range in size from an average of 450 to 783 square feet. The residential units will include vinyl wood floors, wood cabinetry, stone countertops, tile backsplash, typical residential lighting, etc. The appliance packages will include a refrigerator, oven/range, built-in microwave, and washer/dryer units. The first floor of the building will include three commercial/retail spaces measuring approximately 699 to 788 square feet, totaling 2,209 square feet of net rentable area.

Site and common area improvements include 5 tuck-under parking spaces, community courtyards with benches, planters, tables, turf, and living walls, bike storage, mail kiosk, and ground level garage tenant and owner parking (each unit is assigned two parking spaces), a second level common courtyard with grills and seating, bike storage, small storage units, mail kiosk, etc.

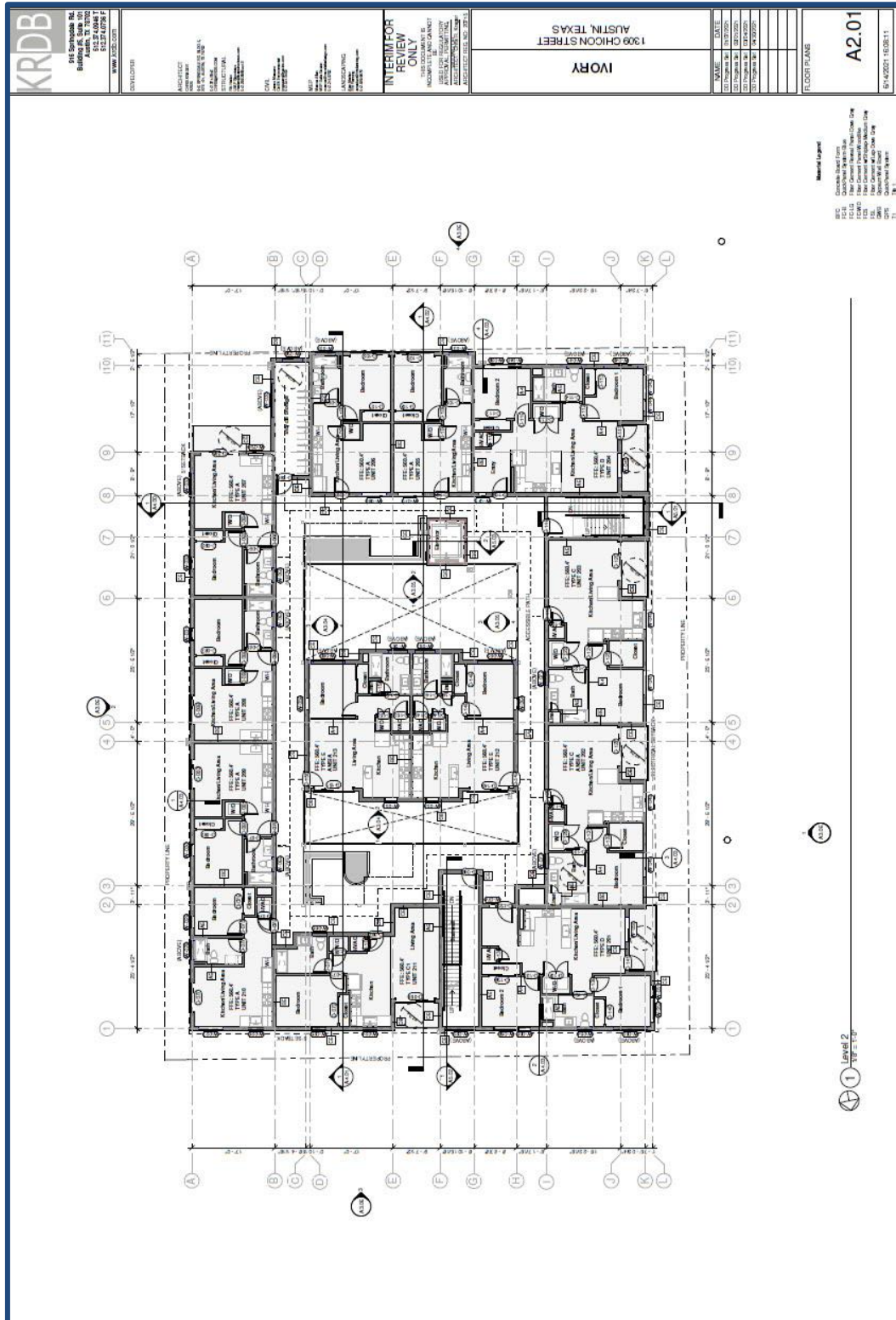
As noted, the appraised condominium units will include 40 affordable units which will be offered at 80% of the area median family income. Based on the developer's proforma, the maximum sale price for an efficiency/one bedroom unit is \$211,400 based on 80% MFI and \$249,400 for a two-bedroom unit.

Based on information provided to the appraisers and an analysis of competing condominium projects in the market area, the proposed improvements are conforming to neighborhood trends. The functional utility of the property is good based upon a comparison of similar properties in the market area.

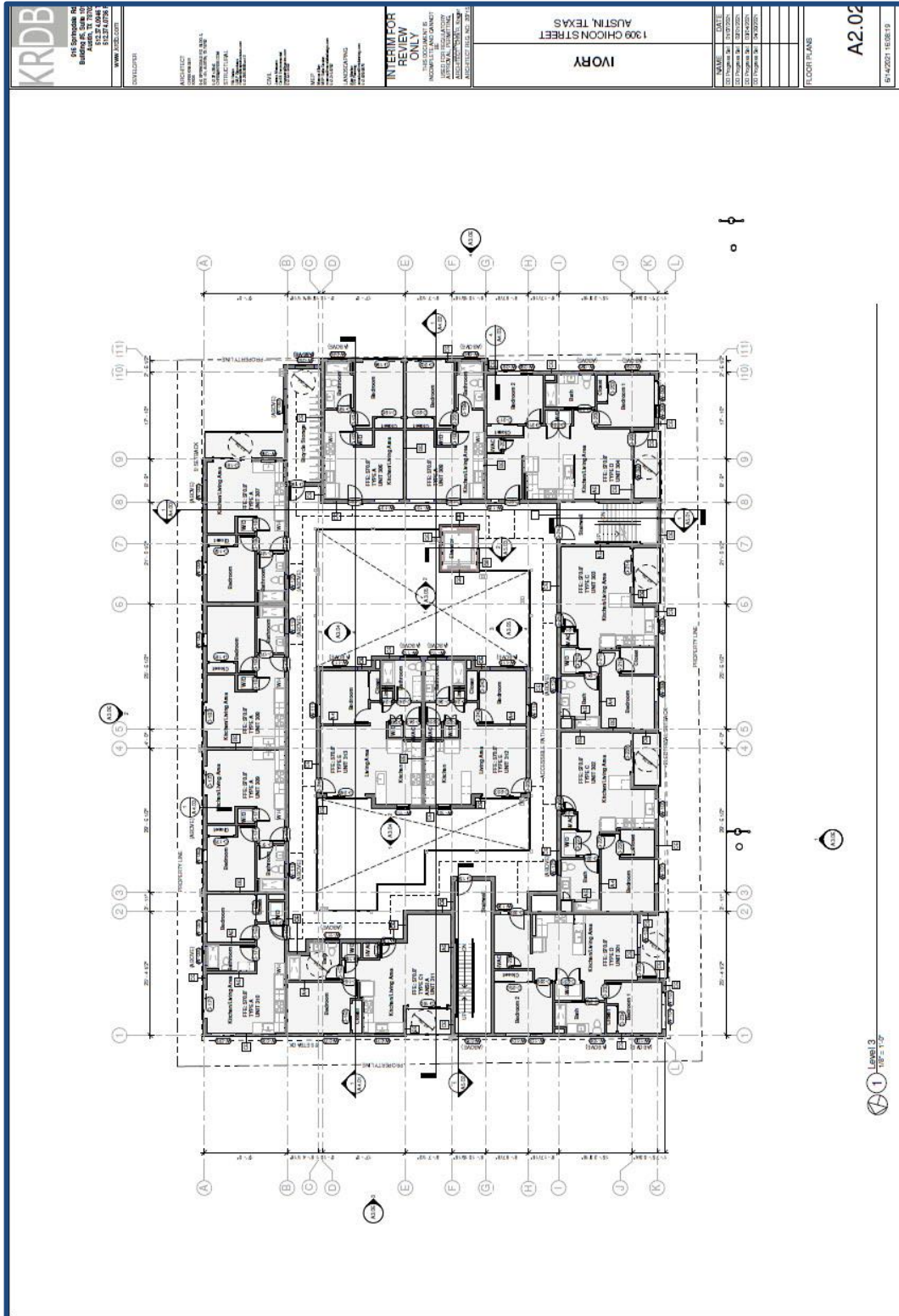
BUILDING SITE PLAN / 1ST FLOOR PLAN



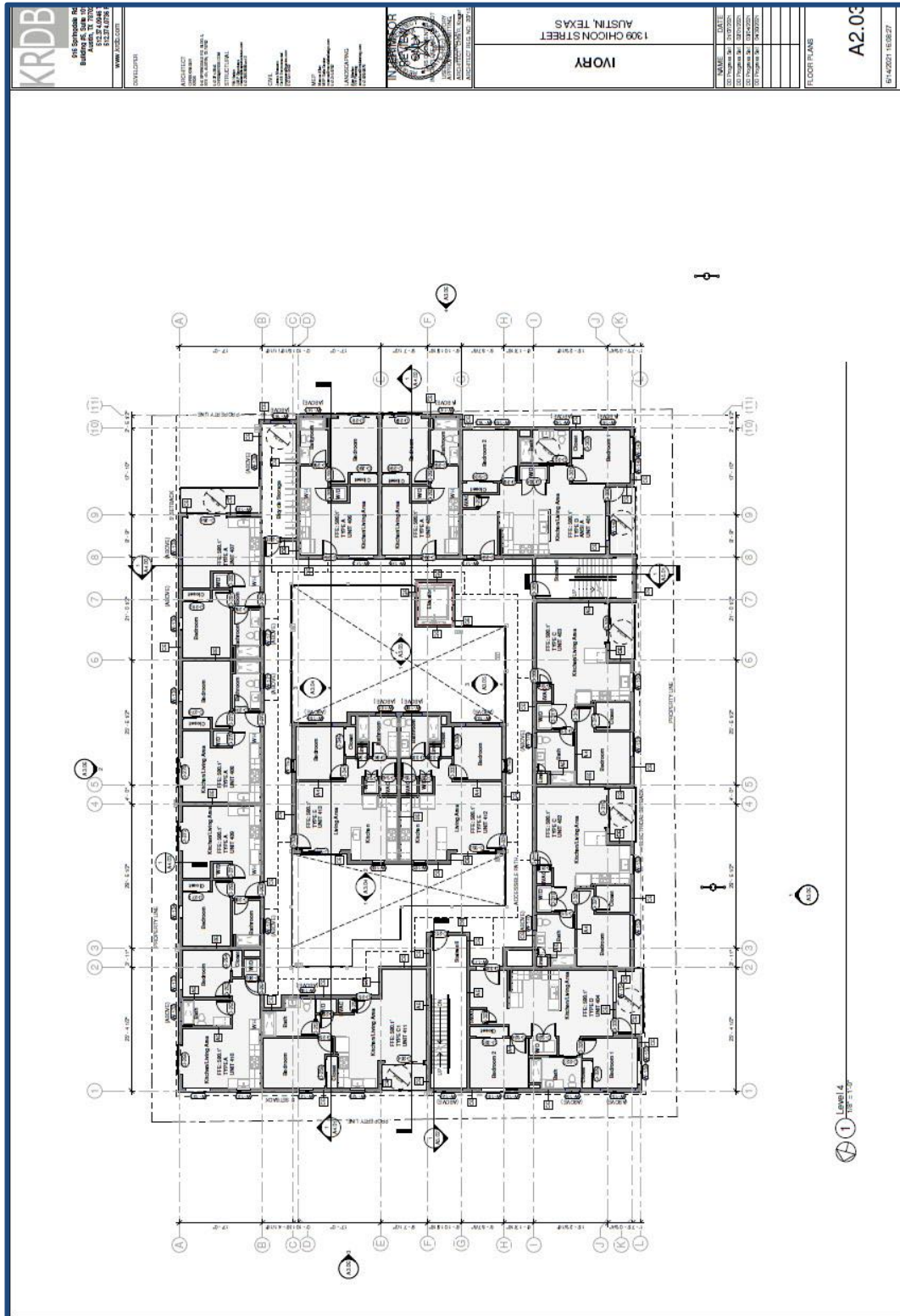
2ND FLOOR PLAN



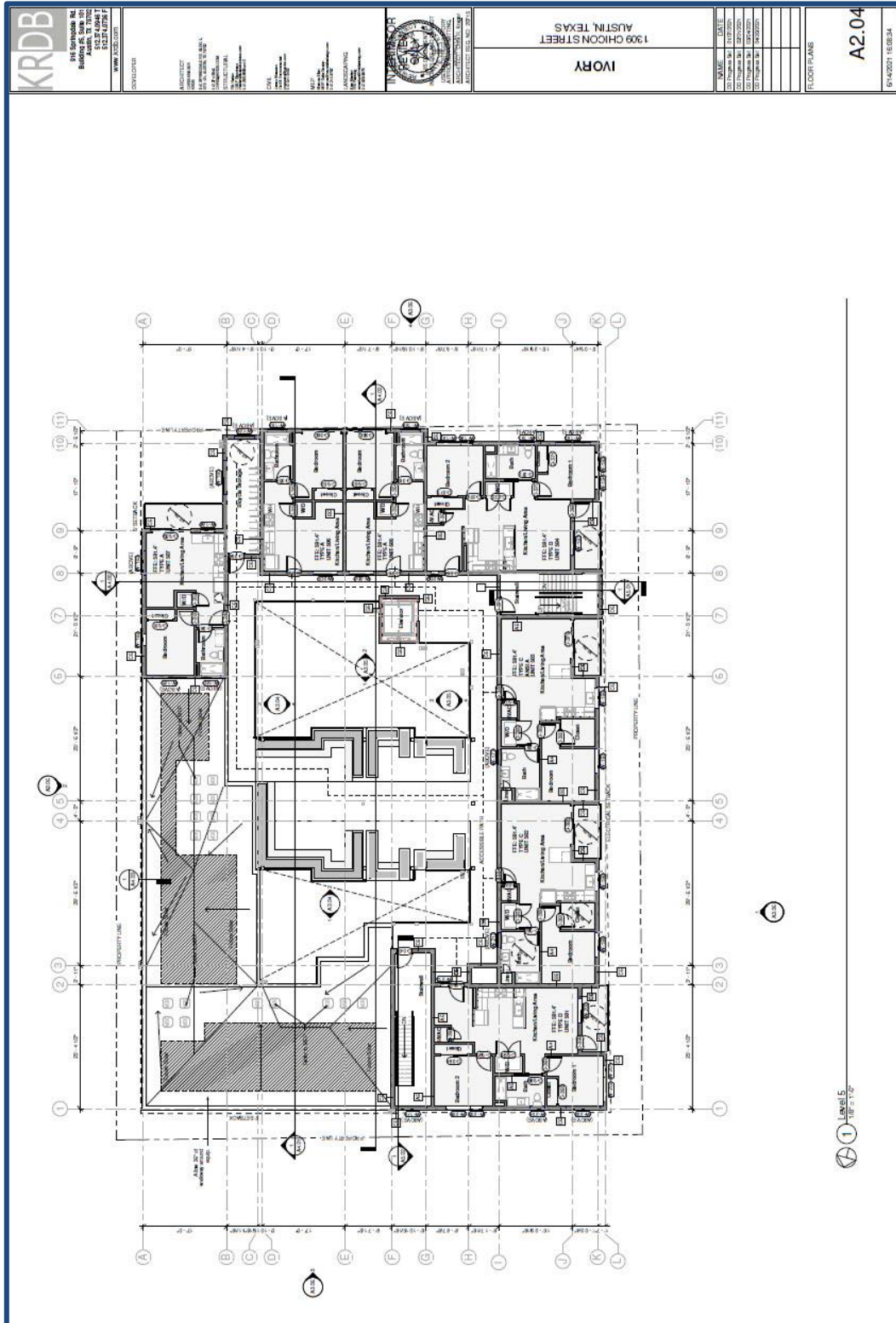
3RD FLOOR PLAN



4TH FLOOR PLAN



5TH FLOOR PLAN



FLOOR PLANS

<p>KRDB</p> <p>605 Sycamore Rd Building 66, Suite 601 Austin, TX 78748 512.371.0961 www.krdb.com</p> <p>DATE: 02/14/2021 DRAWN BY: [Redacted] CHECKED BY: [Redacted] SCALE: AS SHOWN PROJECT: 1309 CHICON STREET UNIT: A2.06</p>	<p>INTENT FOR REVIEW ONLY</p> <p>THIS DOCUMENT IS NOT TO BE USED FOR ANY OTHER PROJECT OR PURPOSE WITHOUT THE WRITTEN APPROVAL OF THE ARCHITECT. ANY REVISIONS TO THIS DOCUMENT SHALL BE MADE BY THE ARCHITECT.</p>	<p>IVORY</p> <p>1309 CHICON STREET AUSTIN, TEXAS</p>	<p>UNIT PLANS</p> <p>A2.06</p> <p>BY: 140201: 1403:43</p>
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1
Unit A, ONE Corner



2
Unit A, ONE Corner

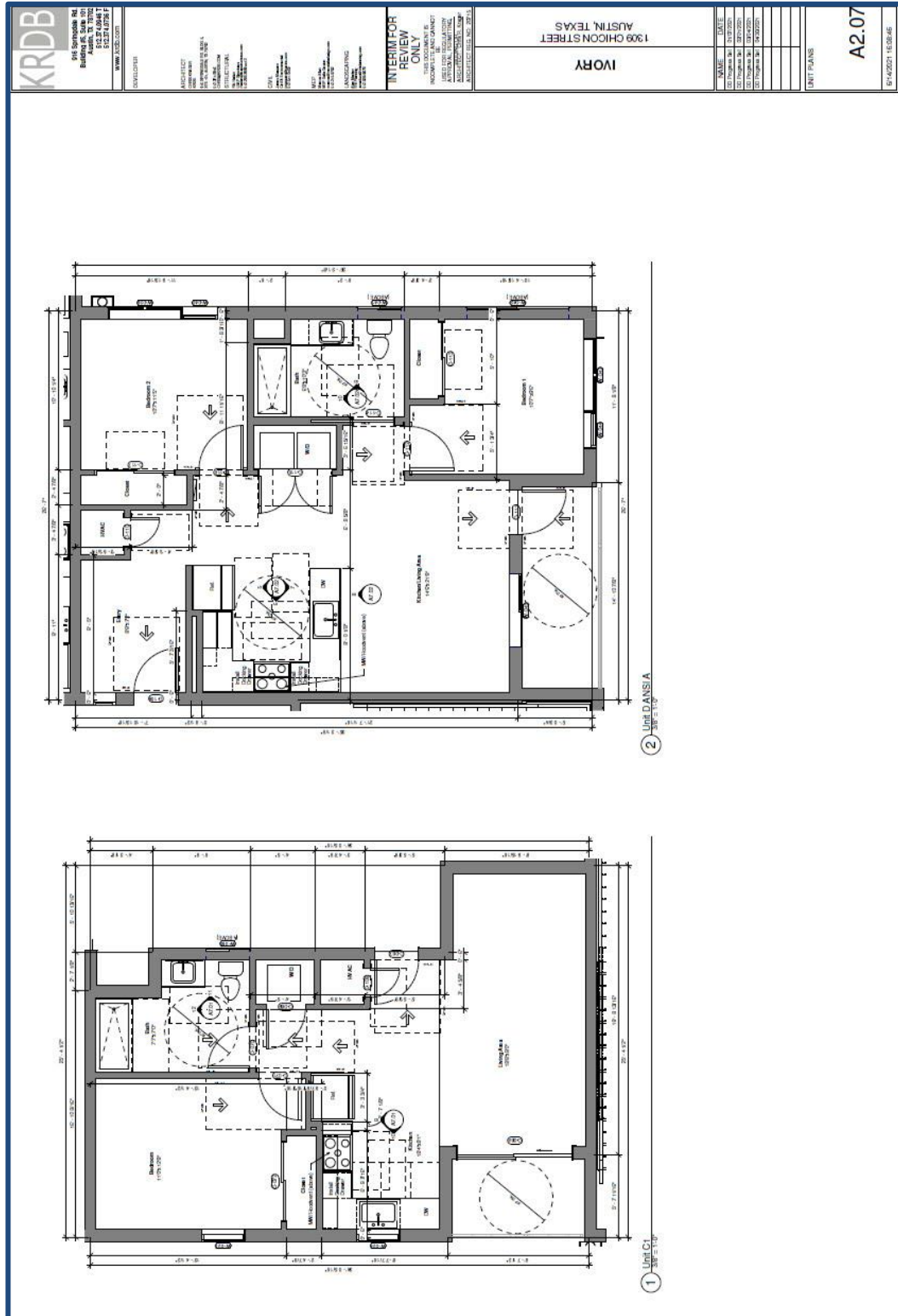


3
Unit A w/ Balcony

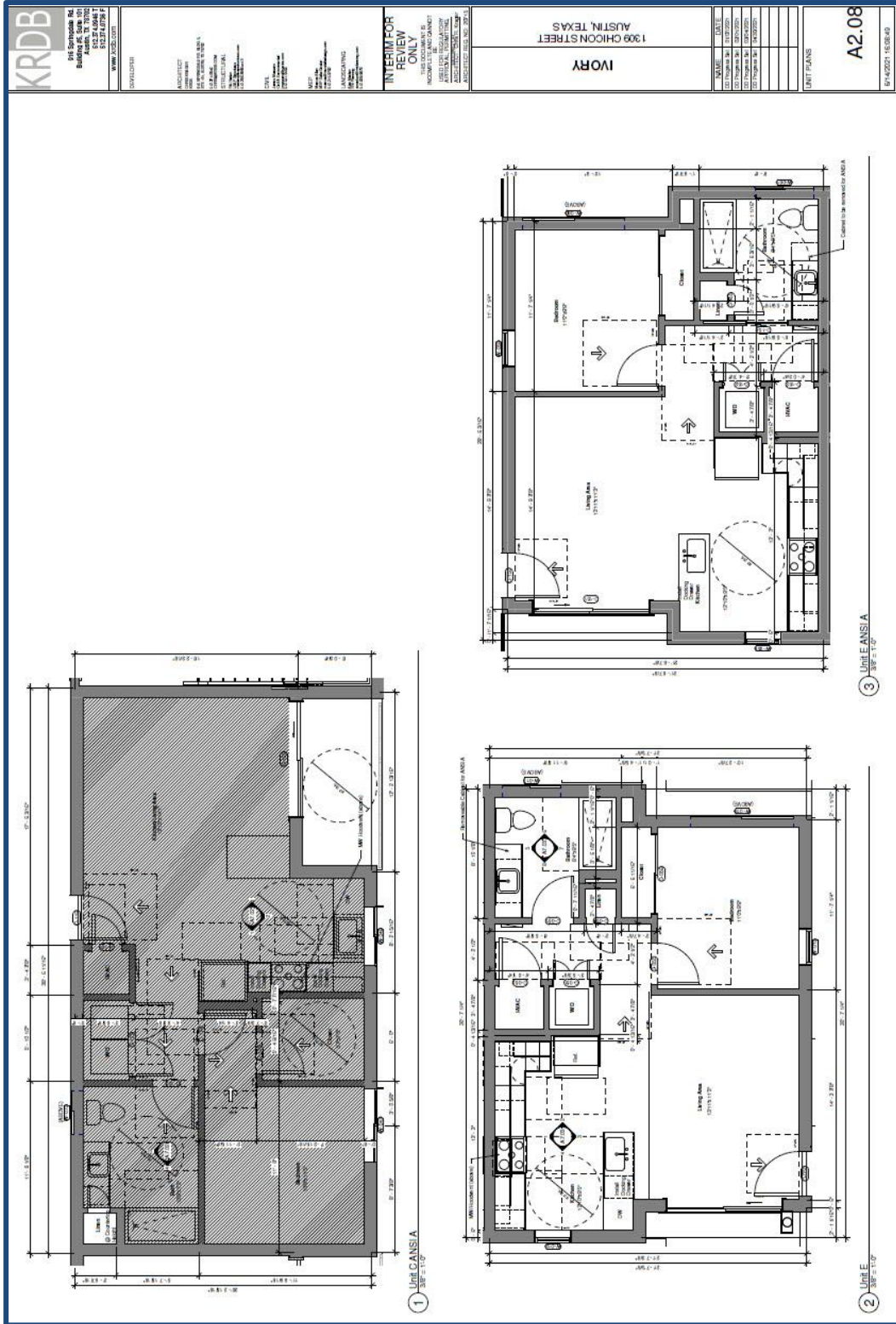


4
Unit B, ONE A

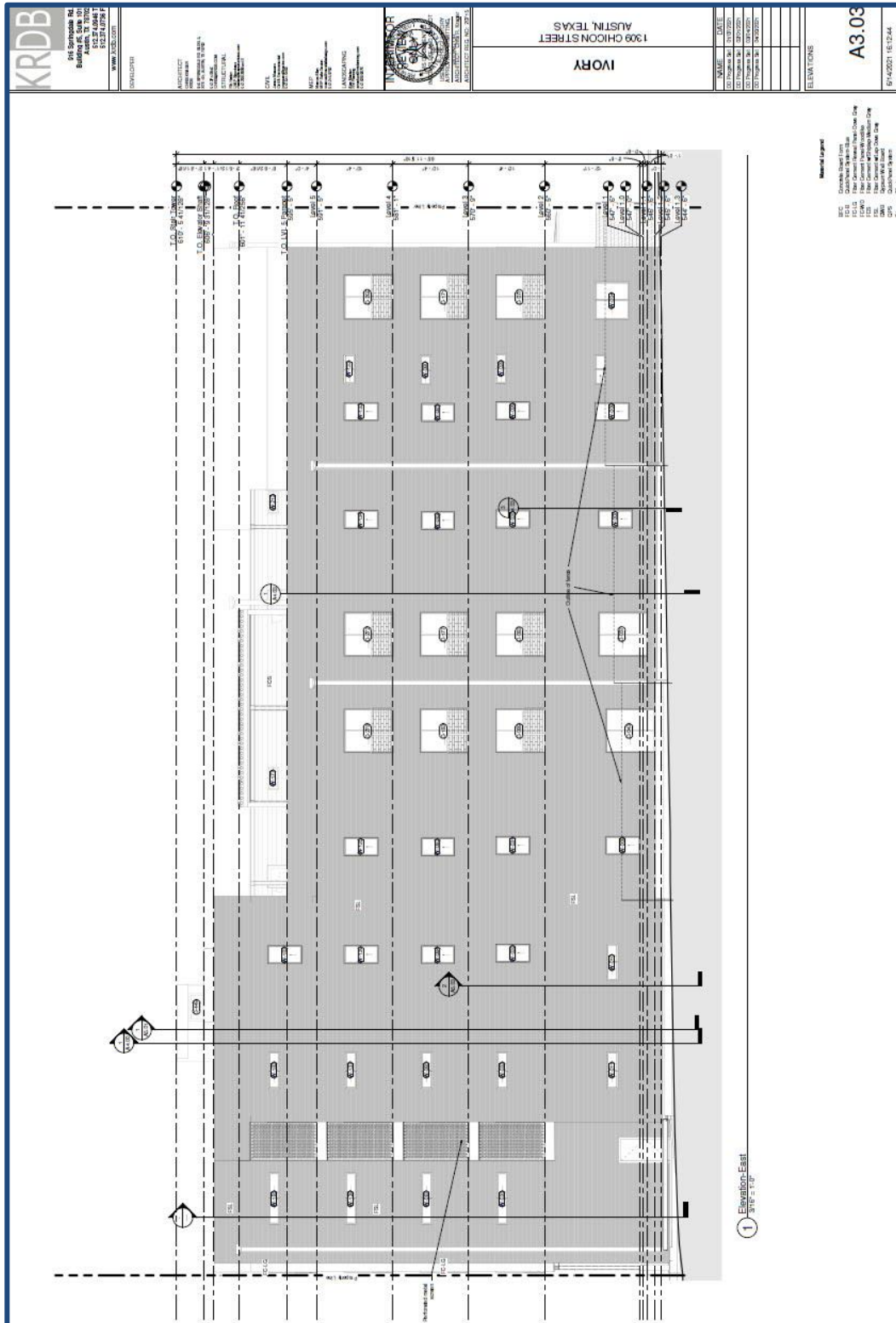
FLOOR PLANS



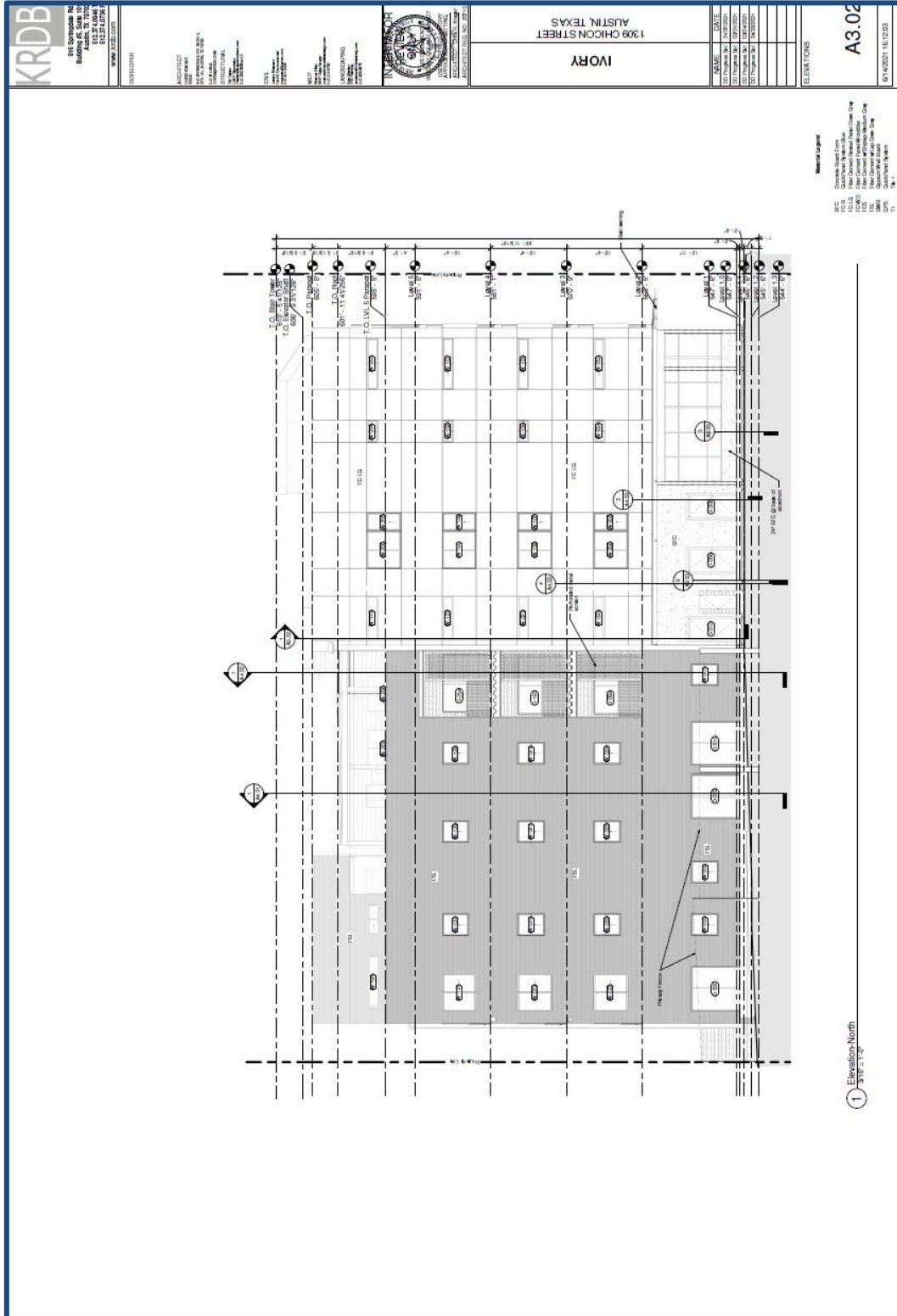
FLOOR PLANS



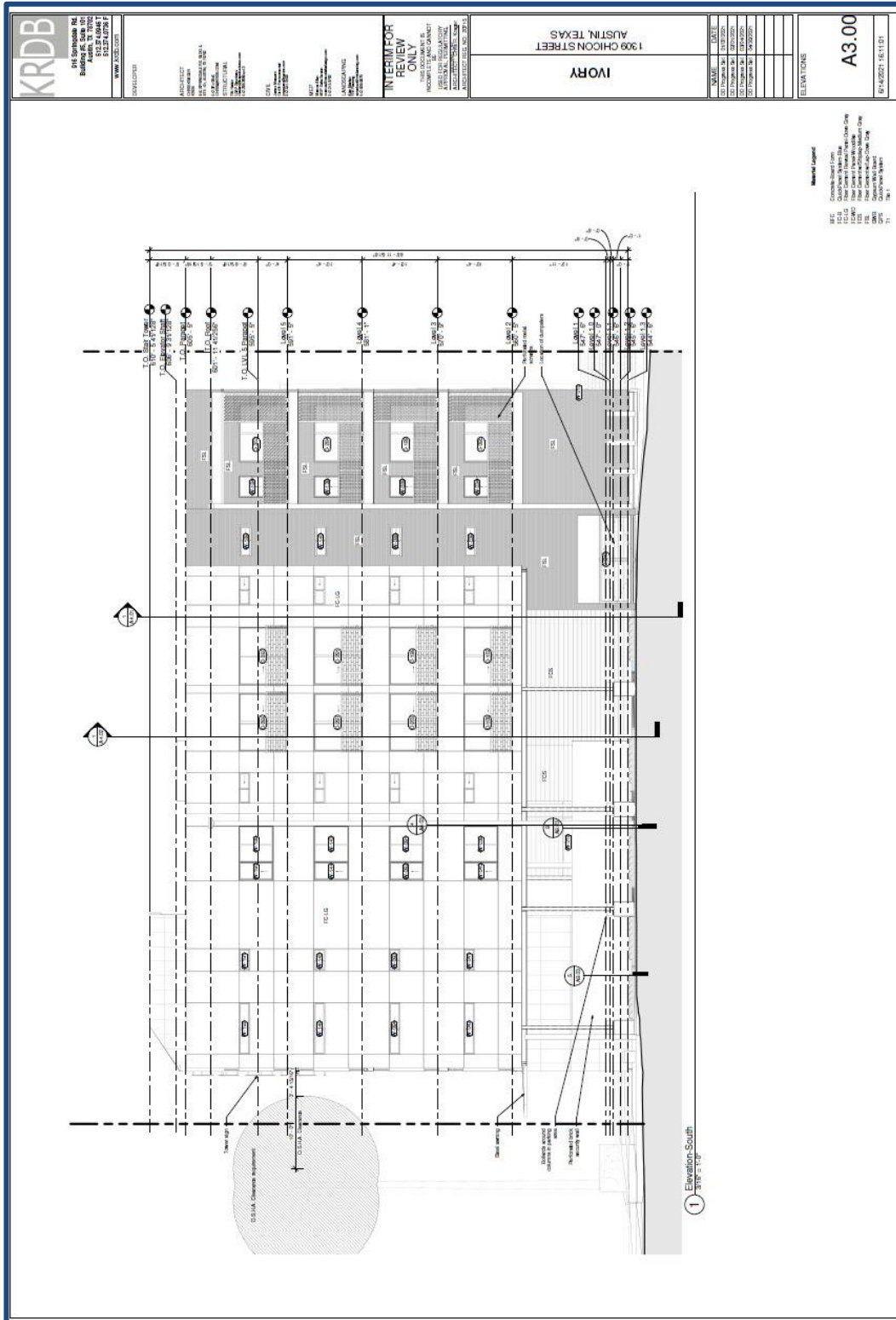
EAST BUILDING ELEVATION



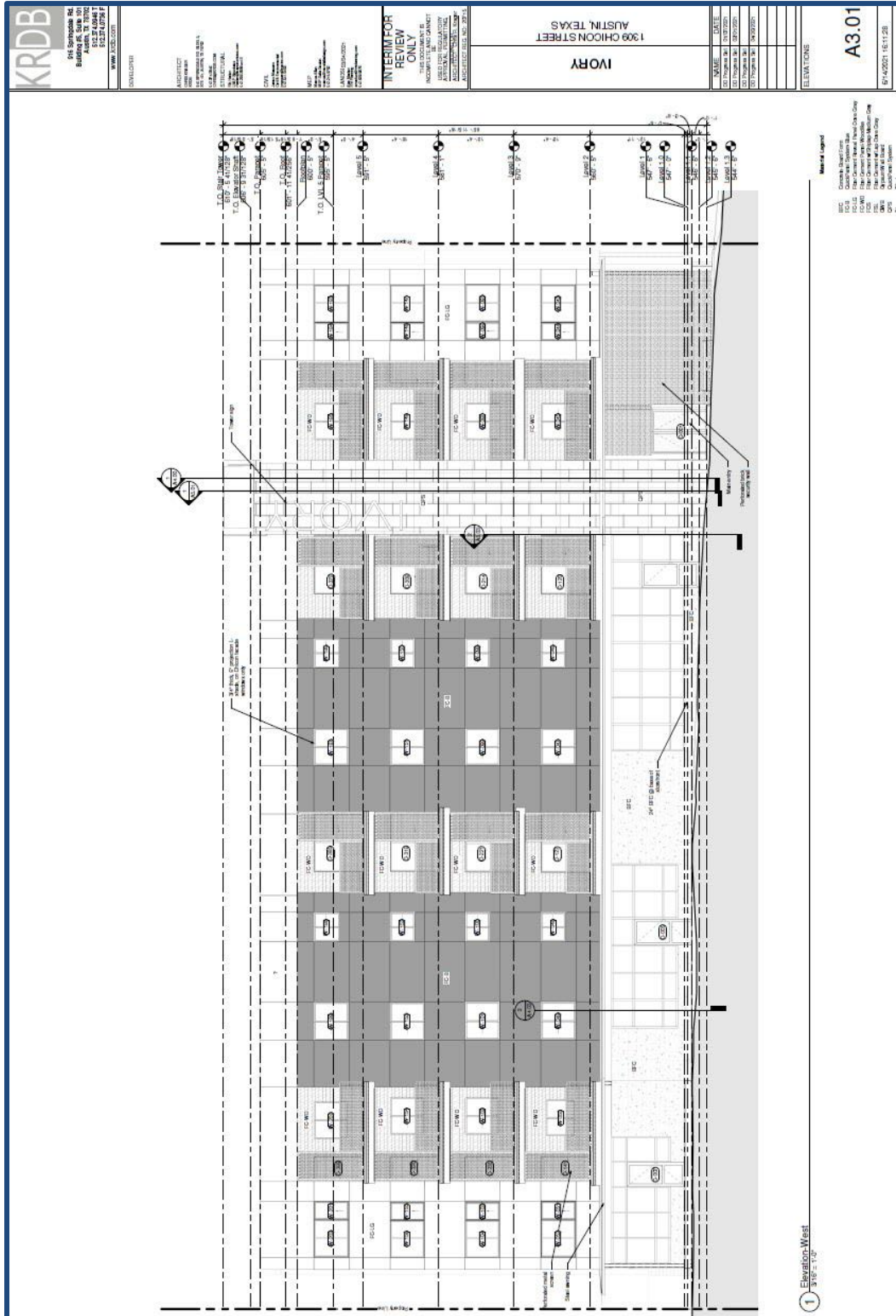
NORTH BUILDING ELEVATION



SOUTH BUILDING ELEVATION



WEST BUILDING ELEVATION



Subject Photographs



View across the subject property facing south



View along E. 14th Street facing east; the appraised property is to the left



View along Chicon Street facing north from the subject



View along Chicon Street facing south; the subject is to the left

Assessment and Tax Data

Assessed Values and Property Taxes

The subject's assessed values, applicable tax rates and total taxes, including direct assessments, are shown in the following table:

Ad Valorem Tax Schedule

Tax Parcel Number: 198693

Travis County Year	Actual 2021
Appraised Value	
Land:	\$780,100
Improvements:	\$0
Total:	\$780,100
Per Unit:	\$15,296
% Change:	N/A
Assessment Ratio	100.00%
Assessed Value	
Land:	\$780,100
Improvements:	\$0
Total:	\$780,100
% Change:	N/A
Tax Rate	\$2.226670
% Change:	N/A
Millage Rate	per \$100
Actual	
Tax Expense	2021
Total:	\$17,370
Per Unit:	\$341

Assessment Comparables

Currently, the subject property is vacant land. Upon completion of the improvements, the assessed value will increase. The appraised condominium units will be of new construction and, as of the date of this report, have not been individually assessed by the Travis Central Appraisal District. The appraisers have studied the assessments for several comparable properties as compared to their sales price in order to estimate an appropriate assessment for ad valorem taxes for the subject condominium units.

Residential Tax Comparables

Property Name	Address	Sale Price	Total Assessment	Assessment/ Sale Price (%)
Fourth& Condos	1800 E. 4th Street #319	\$285,000	\$261,067	91.60%
Fourth& Condos	1800 E. 4th Street #208	\$310,000	\$248,900	80.29%
Fourth& Condos	1800 E. 4th Street #302	\$305,000	\$261,067	85.60%
Gibbs Condos	1212 Chicon Street #205	\$380,000	\$377,755	99.41%
Magnolia Condos	1701 E. Martin Luther King Jr. Blvd #210	\$349,000	\$253,766	72.71%
Santa Rosa Condos	2709 E. 5th Street #2104	\$315,000	\$229,106	72.73%
Fourth& Condos	1800 E. 4th Street #302	\$337,700	\$331,520	98.17%
AVERAGE				85.79%

Based on the above chart, it is the appraisers' opinion that the appropriate assessed value of the subject property residential condominium units is approximately 85.0% of the total average retail pricing per unit. As will be discussed in a proceeding section of this report, the average retail pricing for the appraised units is estimated to be approximately \$225,340 per unit. The resulting indicated assessed value after applying the factor of 85.0% is \$191,539 per unit. The 2021 tax rate applicable to the subject property is \$2.226665 per \$100 of assessed value; therefore, the total indicated annual tax liability is \$4,265 per unit, which will be utilized in the sell-out analysis.

Commercial Tax Comparables

Property Name	Address	Size	Total Assessment	Assessment/ SF
Chicon Joyce	1212 Chicon Street #101	591	\$276,940	\$468.60
Chicon Joyce	1212 Chicon Street #102	578	\$248,600	\$430.10
Chicon Joyce	1212 Chicon Street #103	947	\$433,836	\$458.12
Chicon Joyce	1212 Chicon Street #104	1,330	\$590,714	\$444.15
Chicon Gibbs	1301 Chicon Street #101	543	\$255,694	\$470.89
Chicon Gibbs	1301 Chicon Street #102	605	\$282,777	\$467.40
Chicon Gibbs	1301 Chicon Street #103	1,028	\$466,125	\$453.43
Chicon Gibbs	1301 Chicon Street #104	529	\$231,731	\$438.05
AVERAGE				\$453.84

Based on the above chart, it is the appraisers' opinion that the appropriate assessed value of the subject property commercial condominium units is approximately \$450 per square foot of building area. The average size of the retail spaces is 736 square feet resulting in a projected tax assessment of \$331,350 per unit. The 2021 tax rate applicable to the subject property is \$2.226665 per \$100 of assessed value; therefore, the total indicated annual tax liability is \$7,378 per commercial unit, which will be utilized in the sell-out analysis.

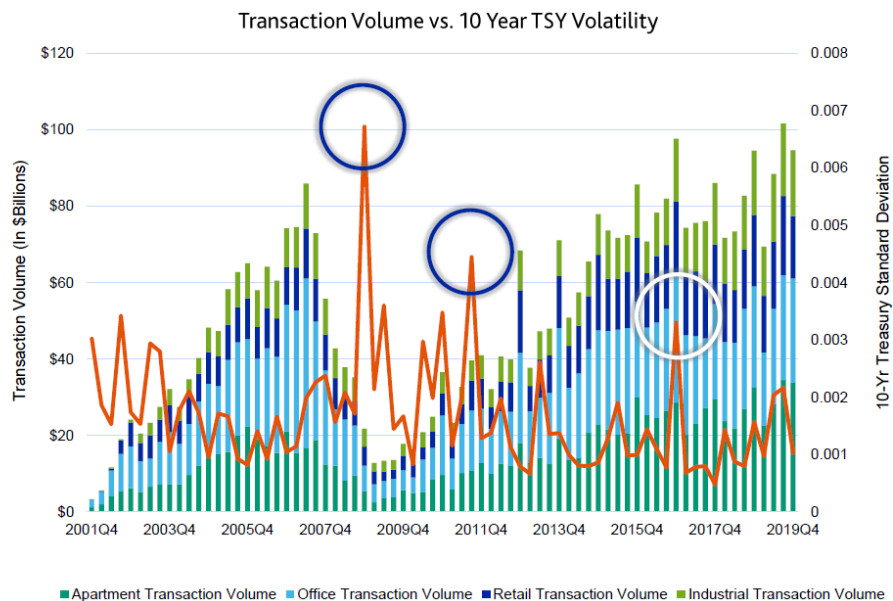
Market Analysis

Financial markets are seeing dramatic impacts due to the novel coronavirus pandemic, and while the pandemic continues to be fought, no metric will be reliable to predict with certainty what value impacts will be. However, using trusted analytics resources we can better understand the ways in which past economic shocks have progressed which will help us better assess true risk associated with a particular CRE asset.

This economic crisis is unique from others in that there have been shocks to both the supply and demand side. This worry is exacerbated by record corporate debt in place. According to the Federal Reserve, American non-financial corporate debt has risen to 49% of GDP. In 2009 it was 43%. Two-thirds of non-financial corporate bonds in the US are rated "BBB" or lower.

The United States has posted a 4.8% decrease in GDP for the first quarter of 2020. China's Q1 GDP contracted 6.8% year over year, then rebounded for a 3.2% growth in Q2, year over year. An annualized drop of 32.9% was reported at the end of July, with a quarter contraction of 9.5% from April through June. Real GDP is expected to decline 12% from peak to trough between Q419 and Q220, and contract by 6.6% in all of 2020. Unemployment as of late July was 11% nationwide and expected to remain in double digits through the early Fall, according to Moody's Analytics.

CRE markets have been reporting drops in transaction volumes due to travel restriction, quarantines and "stay at home" orders. Movements in the stock market and interest rates as well as stimulus packages and legislation have caused many deals in progress to be put on hold while participants reconstruct return expectations and yield estimates. Moody's recorded a 47% decrease in transaction activity by dollar volume in the first quarter. The end date of this period of volatility is impossible to foresee, but a historical picture of the relationship between volatility (as measured by deviations in the 10-Yr Treasury prices) and the transaction volume of commercial real estate from the end of 2001 to the end of 2019 may provide some insight.



Source: Moody's Analytics REIS

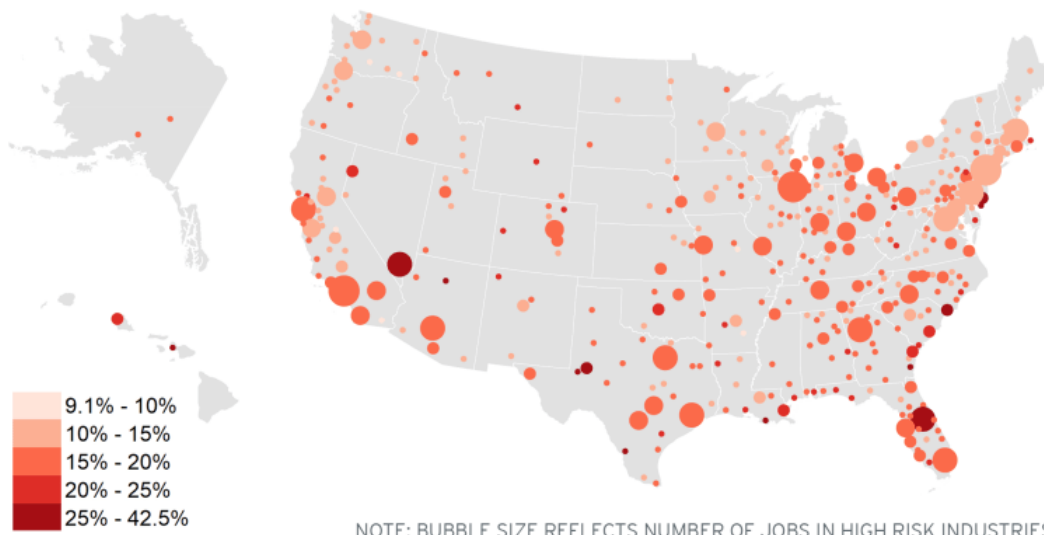
The preceding graph shows that transactional volume may drop anywhere from 20 to 40% during periods of extreme volatility.

The National Council of Real Estate Investment Fiduciaries (NCREIF) tracks the values and returns for institutionally owned commercial real estate. NCREIF compared the recession in the early 1990's to the financial crisis that began in 2007-08. They found a 27% decline in values across 40,000 individual office, industrial, retail, multi-family and hotel properties for the 2007-08 period. While this was slightly higher than the 25% value drop during the recession of the early 1990's, the recovery was much quicker. The NCREIF study attributes the faster recovery in values to better data for valuation being available and a desire by investment managers to get the properties in their funds marked to market quickly. The addition of more frequent outside appraisals likely also helped. In the current crisis, we have even more data available (now nearly in real time), as well as stronger analytic models and the benefit of a financial stimulus playbook from which to act more quickly to respond to systemic shocks. The strong federal response has been well received and has kept many markets solvent. The second half of 2020 may see increased volatility again as legislators argue over additional stimulus options, eviction moratoria ends and the additional unemployment benefit from the federal government of \$600 per week is no longer being sent to affected households.

Impacts to values have not been consistent across sectors, asset classes and markets. Study and analysis on micro levels is critical. Moreover, the analysis of markets and properties prior to the downturn is important as is the market's vulnerability to recession. The Brookings Institution used Moody's Analytics to identify "most at risk" industry groups, from which it compiled a list of five particularly vulnerable sectors: mining/oil and gas, transportation, employment services, travel arrangements, and leisure/hospitality. The following map illustrates areas most affected by employment in these sectors.

MAP 1

Sunbelt tourist destinations and energy metros stand to be most affected
Share of metro employment in high risk industries, 2019

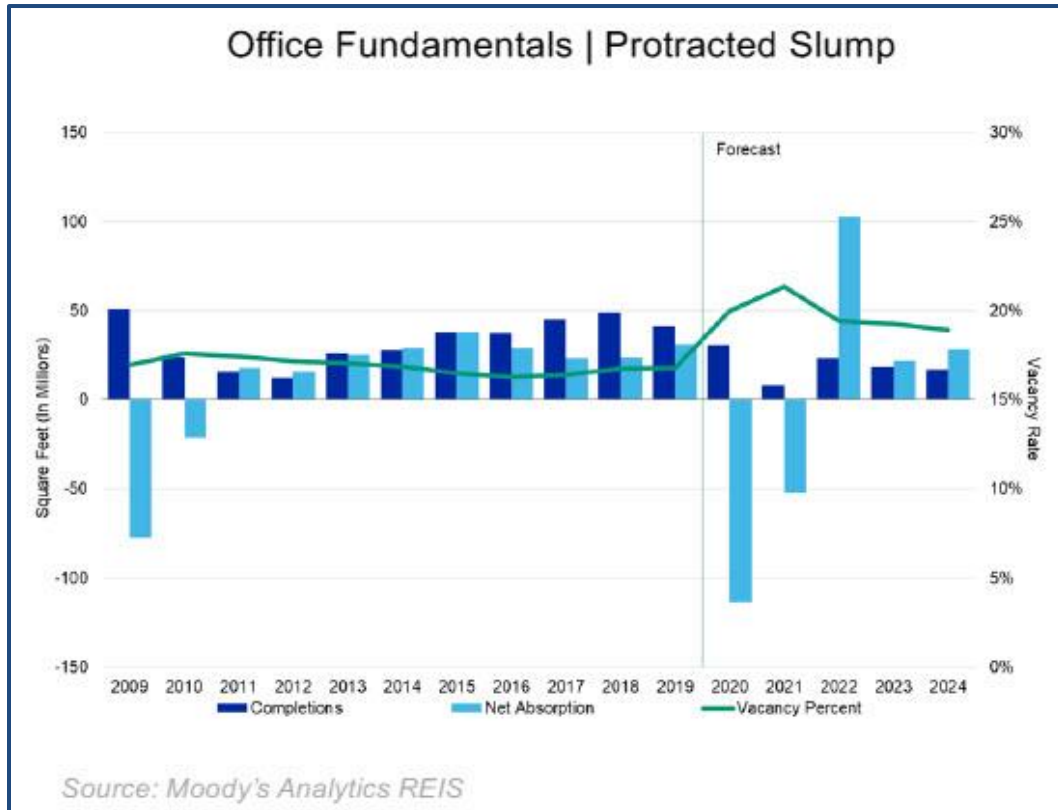


Source: Zandi, "COVID-19: A Fiscal Stimulus Plan," (Moody's Analytics, 2020) and Brookings analysis of Emsi data

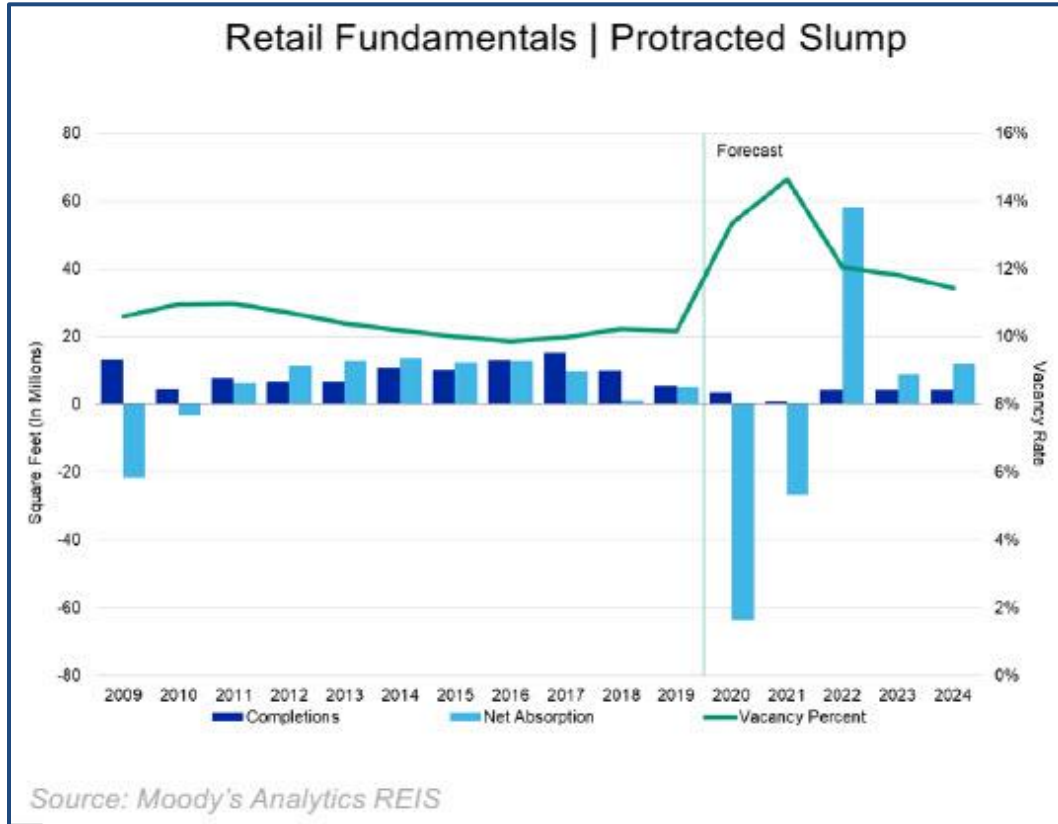
B Metropolitan Policy Program
at BROOKINGS

Property types will also be asymmetrically affected. In the multi-family sector, markets that are oversupplied, or which have a history of rising vacancy or low to flat rent growth are indications of areas that may be harder hit by the new crisis. Markets with volatility in rent growth are still vulnerable, even if vacancy was stable in the past 12 months.

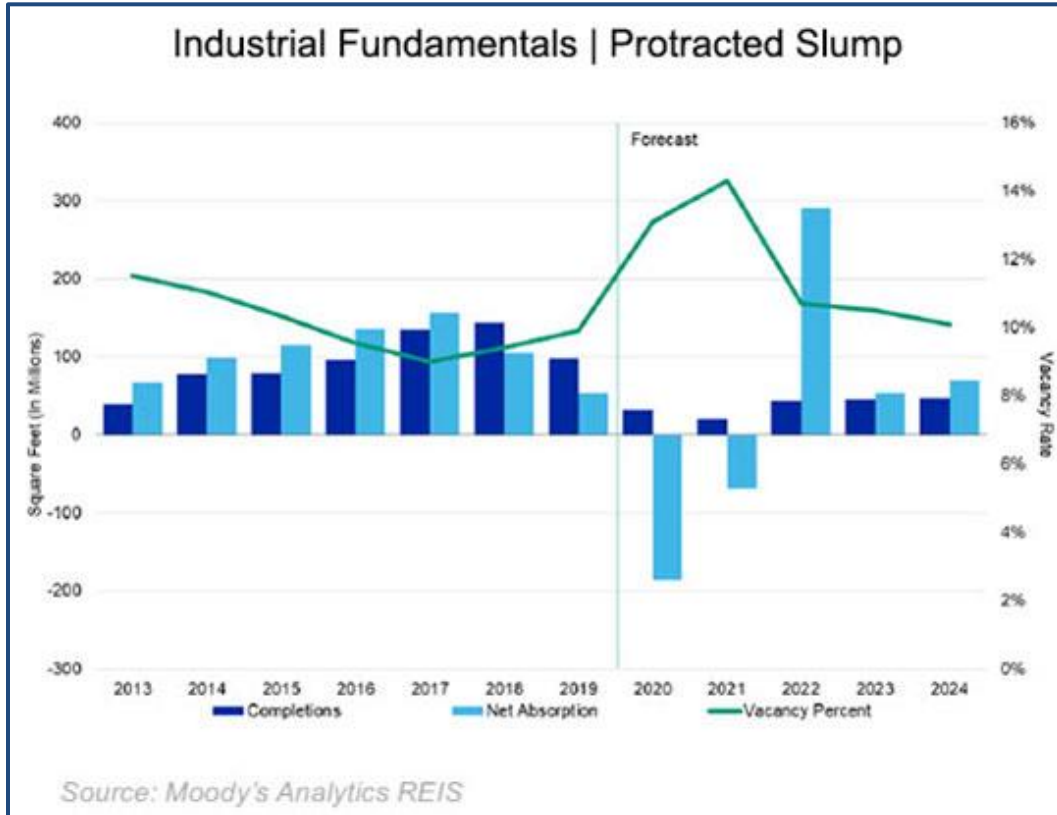
For office and retail properties, Moody's predicts a protracted slump.



Moody's expects office vacancy to peak at 21% in 2021 and remain close to 20% through 2024. This is an historic high, but long-term leases in place will help the sector overall weather some of the short-term shock. Systemic change to office space use remains a variable. Remote working is likely to reduce overall footprints, and workers used to saving commuting times may press for smaller suburban office locations over large unified spaces in city centers.

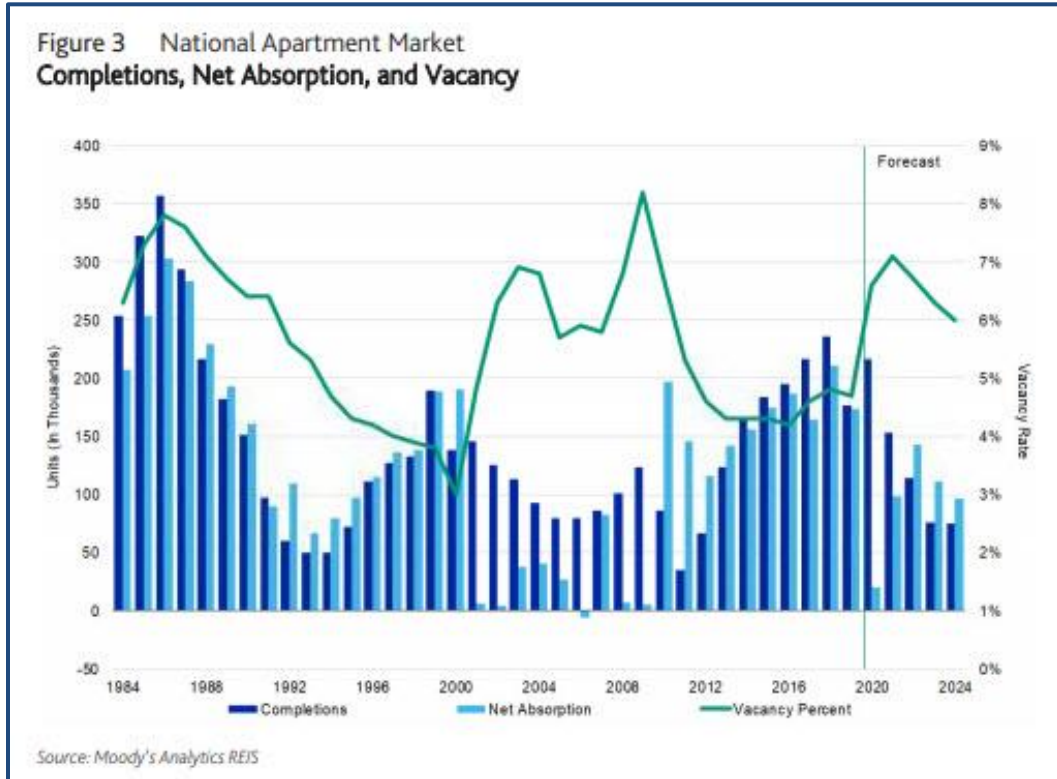


Retail, according to the models, will top out in 2021 at just under 15% vacancy and gradually improve to 11.5% by 2024. Net absorption drops precipitously in 2020 and 2021 in both sectors and begins to recover after that. It's important to note that rents and vacancies in both office and retail are expected to track with GDP performance, so the model is sensitive to future changes in that metric. Retail must also be considered in its specific iteration. Grocery stores and pharmacies have not seen impacts to their business, nor is one expected. Tenants concentrated in malls, however, are experiencing high bankruptcies. This sector especially necessitates more granular identification when looking for trends. Location also plays a role in performance as surges in infection have and may still cause additional shutdowns to retailers such as bars, restaurants, theaters, and gyms creating a longer recovery arc for the sector.



Industrial follows the same pattern. Absorption drops in the next 24 months, through 2021, vacancy peaks at just over 14%, and improves to 10% by 2024. This trends higher than in 2019, but is less severe than impacts to retail and office.

Multi-family has yet to see a significant impact to vacancies and rents. It is unclear to what extent this will continue through the year. As we enter into the period where the CARES Act's eviction moratorium has ended (as of July 24) and 12 states have no protections in place for renters outside of the federal programs, we may see vacancies begin to rise. As of July 20, the National Multifamily Housing Council (NMHC) reported that 91.3% of apartment households paid full or partial rent. The end of federal unemployment benefits may impact this number in Q3. Vacancies are expected to peak at 7% in 2021, and asking and effective rents to drop 4 to 5% between 2020 and 2021. For comparison, this is a less dramatic impact than what was seen in 2008 and 2009.



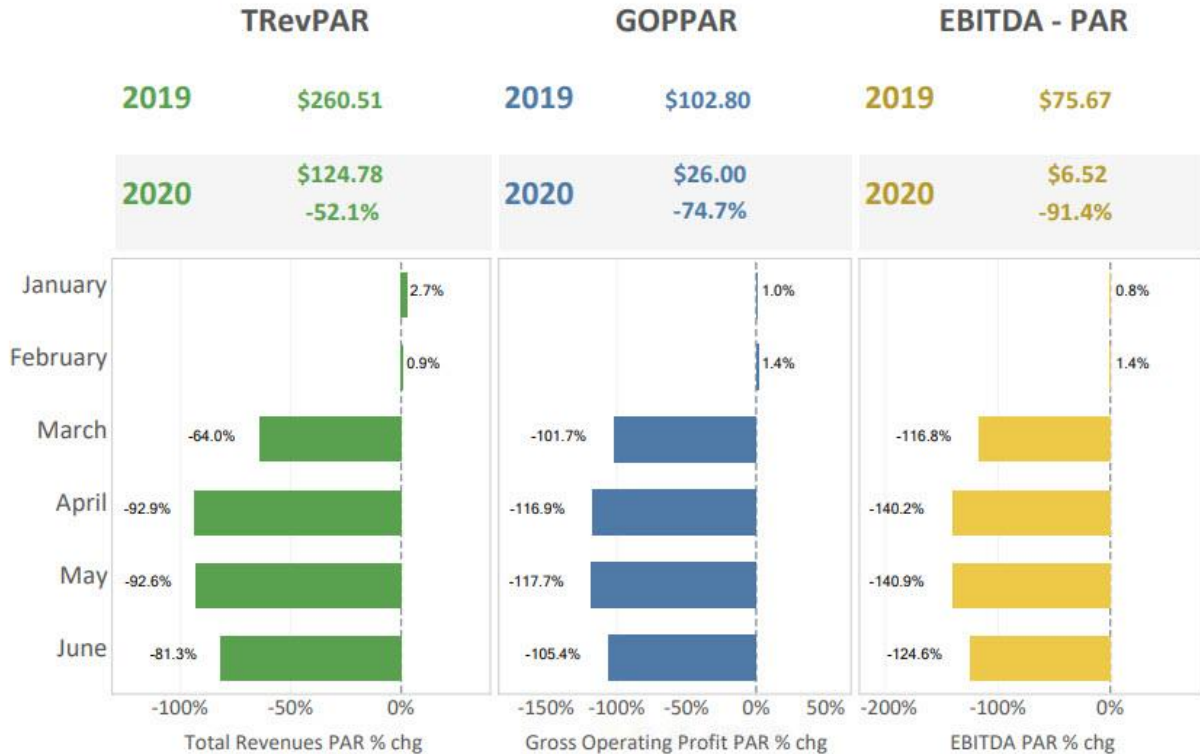
Secondary property types are also being impacted by the pandemic. Occupancy for self-storage properties dropped in the first quarter by 40 basis points and rents fell by 3.9% year over year for 10 by 10-foot non-climate-controlled units. Student housing is in flux as schools are making final decisions about whether to offer in person instruction for the fall and possibly spring semesters. Moody's is predicting a 220-basis point increase for rent-by-the-bed properties and 100 basis point vacancy increases for rent-by-the-unit. Rents will drop 4 to 6% over the fall.

Senior housing has seen a dramatic impact. This is not surprising given the disproportional impact of the virus on elderly populations. Vacancies in the sector rose to 10.1% in the first quarter of 2020. Rates for Q2 are not available at this time but are expected to continue to rise. The property type will have substantial challenges both creating safe environments for residents and staff and then convincing residents and their families of that safety.

Affordable housing, on the other hand, does not appear to have been impacted by the downturn. Vacancies in the sector are only at 2.4% and asking rents increased by 0.6% in Q1. As families continue to feel the employment strain the demand is unlikely to slacken, however, investors are watching closely as there is talk of issuing rent waivers in certain locales and/or extending eviction moratoria.

U.S. Profitability Improves (Somewhat) in June

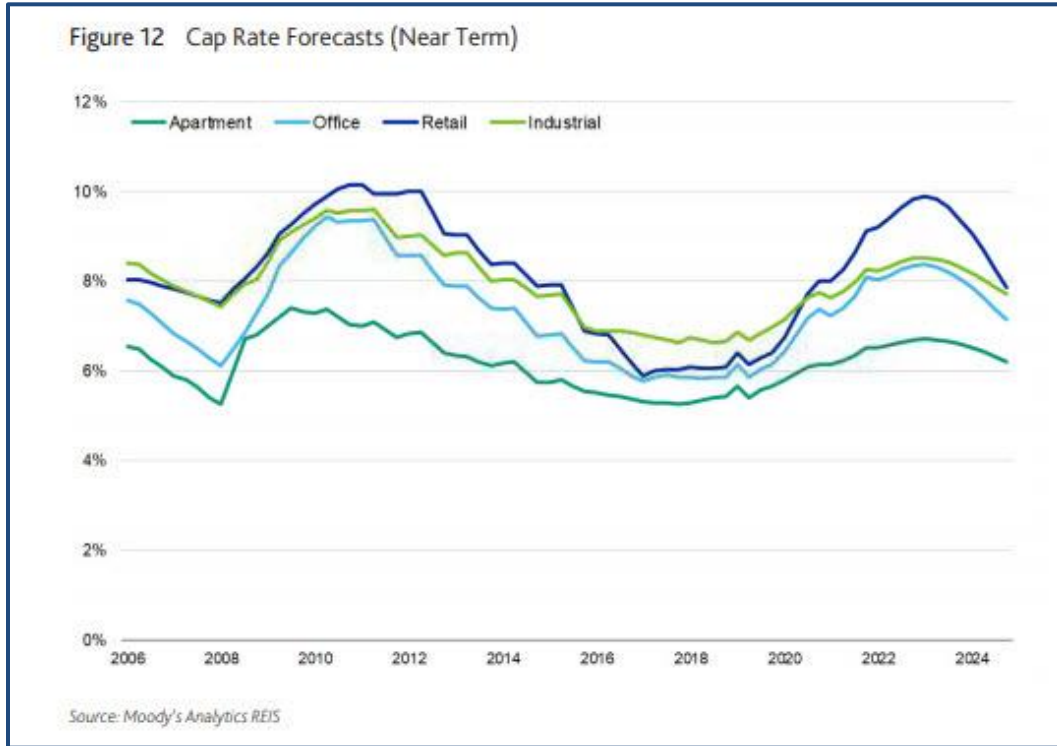
U.S. Monthly P&L KPIs – 2020 YTD vs 2019 YTD



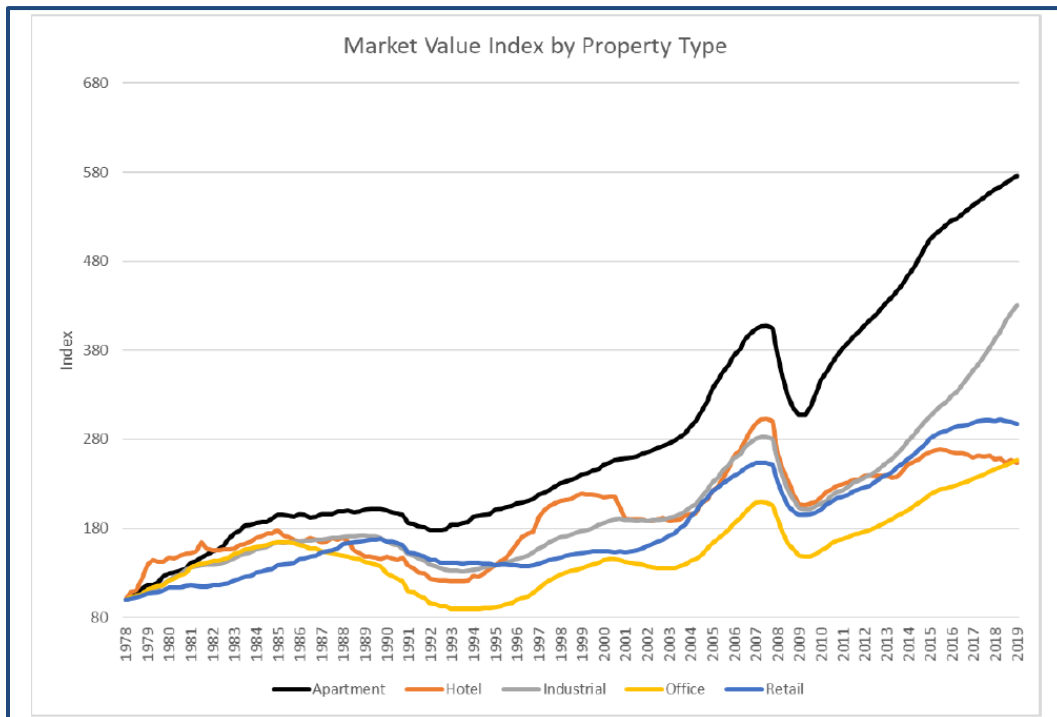
Source: STR. 2020 © CoStar Realty Information, Inc.

Hospitality is second only to retail in its severe impact from the pandemic. A July 24, 2020 release from STR reports a GOPPAR (gross operating profit per available room) down 105.4% year-over-year in June. This was a slight improvement over April and May, down -116.9% and -110.1%, respectively. Occupancy is predictably down 42.5% as well, to 42.5% across all room types. ADR for June is at \$92.15, down -31.5%.

Across all asset classes, investors are also watching the interest rate landscape closely. Rates are expected to remain low for the foreseeable future. Conversely, cap rates are expected to rise over the next couple of years before trending back down in 2023 and 2024. Retail rates are the highest, expected to peak near 10% in 2023, and multifamily is steadier, staying below 7% for the duration of the period forecasted.



To complement the Moody's predictive modeling, NCREIF published a breakdown of impact on market value by property sector, tracking from 1978 to the end of Q4 2019.



As the graph illustrates, multi-family saw one of the largest value drops in 2007-09, but was also the first to recover, and that recovery was the largest and fastest.

Industrial followed the curve, even surging in recent years.

Hotels never returned to their pre-recession peak, even as the economy as a whole was growing.

Office and retail both recovered around seven years after the low point. Office however, had the second most dramatic drop in value and was last to recover (after hotels). This is likely to repeat in the recovery from this crisis as firms may discover that their employees and clients can be served by work-from-home models, allowing them to consolidate square footage.

Highest and Best Use

The Highest and Best Use of a property is the use that is legally permissible, physically possible, and financially feasible which results in the highest value. An opinion of the highest and best use results from consideration of the criteria noted above under the market conditions or likely conditions as of the effective date of value. Determination of highest and best use results from the judgment and analytical skills of the appraiser. It represents an opinion, not a fact. In appraisal practice, the concept of highest and best use represents the premise upon which value is based.

Analysis of Highest and Best Use As Though Vacant

The primary determinants of the highest and best use of the property As Though Vacant are the issues of (1) Legal permissibility, (2) Physical possibility, (3) Financial feasibility, and (4) Maximum productivity.

Legally Permissible

The subject site is zoned GR-MU-V-CO-NP, Community Commercial, Mixed Use Combining District, Conditional Overlay which controls the general nature of permissible uses but is appropriate for the location and physical elements of the subject property, providing for a consistency of use with the general neighborhood. The location of the subject property is appropriate for the uses allowed, as noted previously, and a change in zoning is unlikely. There are no known easements, encroachments, covenants, or other use restrictions that would unduly limit or impede development.

Physically Possible

The physical attributes allow for a number of potential uses. Elements such as size, shape, availability of utilities, known hazards (flood, environmental, etc.), and other potential influences are described in the Site Description and have been considered. There are no items of a physical nature which would adversely impact development with the legal permitted uses.

Financially Feasible

The probable use of the site for mixed-use development conforms to the pattern of land use in the market area. A review of published yield, rental and occupancy rates suggest that there is an undersupply and demand is sufficient to support construction costs and ensure timely absorption of additional inventory in this market. Therefore, near-term speculative development of the subject site is financially feasible.

Maximally Productive

Among the financially feasible uses, the use that results in the highest value (the maximally productive use) is the highest and best use. Considering these factors, the maximally productive use as though vacant is for residential and/or mixed-use development as warranted by demand use.

Conclusion of Highest and Best Use As Though Vacant

The conclusion of the highest and best use As Though Vacant is for residential and/or mixed-use development as warranted by demand.

Analysis of Highest and Best Use As Improved (Proposed)

In determining the highest and best use of the property As Improved, we consider three possibilities for the property: 1) continuation of the existing use with or without modification to improvements, 2) a change in use, or 3) demolition and redevelopment of the land.

The proposed condominium development will include 53 residential units and three (3) commercial condominium units. The property will include 53 studio-, one-, and two-bedroom units which will range in size from an approximately average of 450 to 783 square feet. The first floor of the building will include three commercial/retail spaces measuring approximately 699 to 788 square feet, totaling 2,209 square feet of building area. Site and common area improvements include 5 tuck-under parking spaces, community courtyards with benches, planters, tables, turf, and living walls, bike storage, mail kiosk, etc. The improvements will contribute substantial value above the value of the underlying land.

As noted, the appraised condominium units will include 40 affordable units which will be offered at 80% of the area median family income. Based on the developer's proforma, the maximum sale price for an efficiency/one bedroom unit is \$211,400 based on 80% MFI and \$249,400 for a two-bedroom unit.

Based on the sell-out analysis performed herein, the average unit pricing of the subject residential condominium units is estimated to be \$225,340 per unit, considering the affordability limits outlined above. Based on market research the sales activity of comparable condominium projects, the appraisers' have projected a velocity of sales for the subject of 12 units per quarter; therefore, the appraised condominium projected is projected to sell-out within 18 months. The estimated retail value of the commercial units is approximately \$342,395 per unit with a projected sell-out of one unit per quarter or 9-months.

Overall, the value of the subject property proposed condominium project by the sell-out analysis, as estimated herein, is \$11,320,000, rounded. This is compared to the herein estimate of 'as complete' value by the Cost Approach of \$10,930,000. Based on the proposed project's required affordability metrics, the project shows nominal/marginal feasibility. When analyzed as a multi-family property and considering the project's required affordability as a rental property of affordable rents at 50% MFI, the project does not show feasibility.

As noted, the analyzed use is a mixed-use condominium development. We believe the proposed property to be a legal use per the zoning regulations. The improvements will be consistent with surrounding uses and we have rated its functional utility as good.

Conclusion of Highest and Best Use As Improved

The highest and best use of the subject property, As Improved/Proposed, is mixed-use condominium development use.

Most Probable Buyer

As of the 'as complete' date of value, the most probable buyer of the subject property is an owner-occupant.

Land Valuation

Methodology

Site Value is most often estimated using the Sales Comparison Approach. This approach develops an indication of market value by analyzing closed sales, listings, or pending sales of properties similar to the subject, focusing on the difference between the subject and the comparables using all appropriate elements of comparison. This approach is based on the principles of supply and demand, balance, externalities, and substitution, or the premise that a buyer would pay no more for a specific property than the cost of obtaining a property with the same quality, utility, and perceived benefits of ownership.

The process of developing the sales comparison approach consists of the following analyses: (1) researching and verifying transactional data, (2) selecting relevant units of comparison, (3) analyzing and adjusting the comparable sales for differences in various elements of comparison, and (4) reconciling the adjusted sales into a value indication for the subject site.

Unit of Comparison

The unit of comparison depends on land use economics and how buyers and sellers use the property. The unit of comparison in this analysis is per gross square foot.

Elements of Comparison

Elements of comparison are the characteristics or attributes of properties and transactions that cause the prices of real estate to vary. The primary elements of comparison considered in sales comparison analysis are as follows: (1) property rights conveyed, (2) financing terms, (3) conditions of sale, (4) expenditures made immediately after purchase, (5) market conditions, (6) location and (7) physical characteristics.

Comparable Sales Data

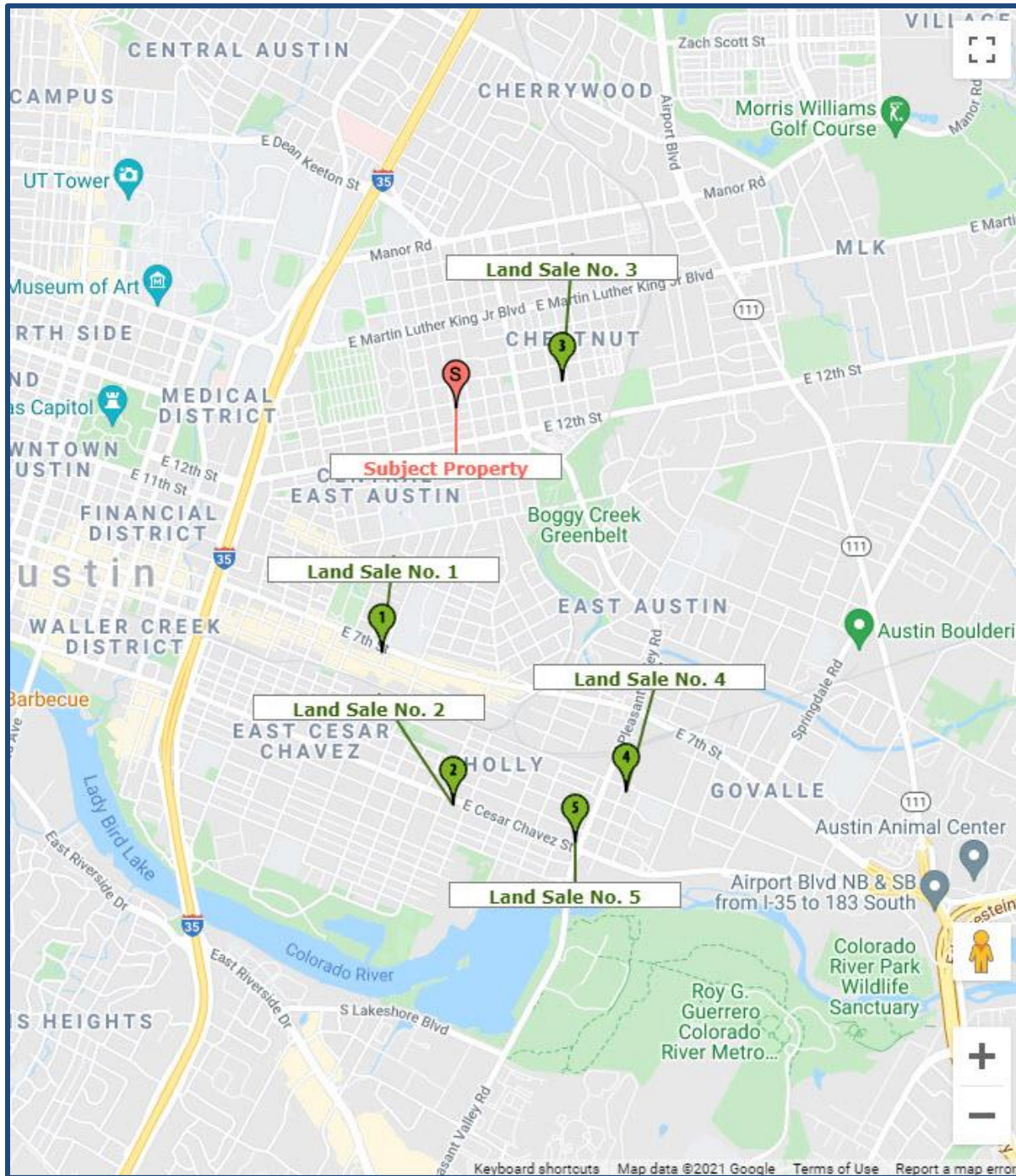
To obtain and verify comparable sales of vacant land properties, we conducted a search of public records, field surveys, interviews with knowledgeable real estate professionals in the area, and a review of our internal database.

We included five sales in our analysis, as these sales were judged to be the most comparable to develop an indication of market value for the subject property. The following is a table summarizing each sale comparable and a map illustrating the location of each in relation to the subject. Details of each comparable follow the location map.

Land Sales Summary

Comp. No.	Date of Sale	Gross Sq. Ft.	Location		Zoning	Proposed Use	Sales Price Actual	Per Sq. Ft.
1	June-21	8,960	623 E. 7th St.	Austin, Texas	TOD-NP	Commercial	\$1,050,000	\$117.19
2	November-20	13,628	2207 E. Cesar Chavez St.	Austin, Texas	CS-CO-MU-NP	Investment	\$1,400,000	\$102.73
3	November-20	12,090	1400 Cedar Avenue	Austin, Texas	CS-MU-V-CO-NP	Commercial	\$935,000	\$77.34
4	October-20	13,570	2901 E. 5th St.	Austin, Texas	LO-MU-CO-NP	Multifamily	\$1,110,000	\$81.80
5	July-19	16,902	2714 E. Cesar Chavez St.	Austin, Texas	CS-CO-MU-NP	Mixed-Use	\$2,000,000	\$118.33

COMPARABLE SALES MAP



LAND COMPARABLE 1

Property Identification

Address	623 E. 7th St.
City County State Zip	Austin, Travis County, Texas 78702
MSA	Austin-San Marcos
Tax ID	191969
VPA Property/Sale ID	11156861/1540597

Transaction Data

Sale Status	Closed
Sale Date	June 28, 2021
Grantor/Seller	JCLECOCKE, LLC
Grantee/Buyer	What's Up East Austin LP
Recording Number	2021-145260
Property Rights	Fee Simple
Sales Price	\$1,050,000
Financing Adj.	\$0
Sale Conditions Adj.	\$0
Post-Sale Exp. Adj.	\$5,000
Non-Realty Items Adj.	\$0
Adjusted Sales Price	\$1,055,000

Adjusted Sales Price Indicators

Price per Gross Acre	\$5,129,078
Price per Gross SF	\$117.75
Price per Usable Acre	\$5,129,078
Price per Usable SF	\$117.75
Price per Front Foot	\$15,071.43



Property Description

Proposed Use	Commercial
Gross Land Area	0.206 Acres/8,960 SF
Usable Land Area	0.20569 Acres/8,960 SF
Frontage Feet	70.00
Depth	125.00
Street Access	Good
Rail Access	No
Water/Port Access	No
Visibility	Good
Corner/Interior	Corner
Shape	Rectangular
Topography	Level
Utilities	Public available
Drainage	Appears adequate for development
Flood Hazard Zone	Zone X (unshaded)
Zoning Code	TOD-NP

Remarks

This tract is located at the southwest corner of E. 7th Street and Chalmers Avenue across from the Huston-Tillotson University campus. It was improved with an 811 SF building originally built for Church's Chicken and most recently El Chilito. The building no longer contributes value with a demolition cost of \$5.00 PSF plus entrepreneurial incentive added to the sales price to reflect the buyers total acquisition cost. The buyer plans to redevelop the site for a retail use, but the specific plans were not provided. The sales price was provided by an interested buyer that was outbid and stated it was under contract for "just over \$1 million".

LAND COMPARABLE 2

Property Identification

Property Name	East Side Food Park Site
Address	2207 E. Cesar Chavez St.
City County State Zip	Austin, Travis County, Texas 78702
MSA	Austin-San Marcos
Tax ID	188444 & 188445
VPA Property/Sale ID	11156858/1540593

Transaction Data

Sale Status	Closed
Sale Date	November 30, 2020
Grantor/Seller	Bertha C. Mendez Family Trust
Grantee/Buyer	HC+EM, LLC
Recording Number	2020231403
Property Rights	Fee Simple
Days on Market	139
Sales Price	\$1,400,000
Financing Adj.	\$0
Sale Conditions Adj.	\$0
Post-Sale Exp. Adj.	\$0
Non-Realty Items Adj.	\$0
Adjusted Sales Price	\$1,400,000

Adjusted Sales Price Indicators

Price per Gross Acre	\$4,474,845
Price per Gross SF	\$102.73
Price per Usable Acre	\$4,474,845
Price per Usable SF	\$102.73
Price per Front Foot	\$14,736.84



Property Description

Proposed Use	Investment
Gross Land Area	0.313 Acres/13,628 SF
Usable Land Area	0.31286 Acres/13,628 SF
Frontage Feet	95.00
Depth	140.00
Street Access	Average
Rail Access	No
Water/Port Access	No
Visibility	Average
Corner/Interior	Mid-Block
Shape	Rectangular
Topography	Level
Utilities	Public available
Drainage	Appears adequate for development
Flood Hazard Zone	Zone X (unshaded)
Zoning Code	CS-CO-MU-NP

Remarks

This tract is located along the south line of E. Cesar Chavez Street, between Robert T. Martinez Jr. Street and Mildred Street. It was being utilized as a food truck park at the time of sale, which the buyer intends to continue over the near term with plans to eventually develop the site with a multitenant commercial building. Zoning allows for a mixed commercial/residential use with a maximum FAR of 2:1. Specific plans, including the use (office/retail/residential/etc), had not been formulated.

LAND COMPARABLE 3

Property Identification

Property Name	Redevelopment Site
Address	1400 Cedar Avenue
City County State Zip	Austin, Travis County, Texas 78702
MSA	Austin-San Marcos
Tax ID	200368, 200367
VPA Property/Sale ID	11182754/1556369

Transaction Data

Sale Status	Closed
Sale Date	November 18, 2020
Grantor/Seller	Colby J Brinkman
Grantee/Buyer	Urban Gravity LLC
Recording Number	2020-224316
Property Rights	Fee Simple
Sales Price	\$935,000
Financing Adj.	\$0
Sale Conditions Adj.	\$0
Post-Sale Exp. Adj.	\$14,600
Non-Realty Items Adj.	\$0
Adjusted Sales Price	\$949,600

Adjusted Sales Price Indicators

Price per Gross Acre	\$3,421,366
Price per Gross SF	\$78.54
Price per Usable Acre	\$3,421,366
Price per Usable SF	\$78.54
Price per Front Foot	\$7,913.33



Property Description

Proposed Use	Commercial
Gross Land Area	0.278 Acres/12,090 SF
Usable Land Area	0.27755 Acres/12,090 SF
Frontage Feet	120.00
Street Access	Good
Rail Access	No
Water/Port Access	No
Visibility	Good
Corner/Interior	Corner
Shape	Rectangular
Topography	Level
Utilities	Public available
Drainage	Appears adequate for development
Flood Hazard Zone	Zone X (unshaded)
Zoning Code	CS-MU-V-CO-NP

Remarks

This tract is located at the northwest corner of E. 14th Street and Cedar Avenue. It was improved with an retail store and garage that total 2,432 SF. The buildings no longer contributes value with a demolition cost of \$5.00 PSF plus 20% entrepreneurial incentive added to the sales price to reflect the buyers total acquisition cost. The buyer plans to redevelop the site but the specific plans were not provided.

LAND COMPARABLE 4

Property Identification

Address	2901 E. 5th St.
City County State Zip	Austin, Travis County, Texas 78702
MSA	Austin-San Marcos
Tax ID	189857
VPA Property/Sale ID	11156859/1540594

Transaction Data

Sale Status	Closed
Sale Date	October 29, 2020
Grantor/Seller	Lourdes Godoy
Grantee/Buyer	Venky Chellappa Venkatesh & Vijaya Thothathri
Recording Number	2020210841
Property Rights	Fee Simple
Days on Market	175
Sales Price	\$1,110,000
Financing Adj.	\$0
Sale Conditions Adj.	\$0
Post-Sale Exp. Adj.	\$0
Non-Realty Items Adj.	\$0
Adjusted Sales Price	\$1,110,000

Adjusted Sales Price Indicators

Price per Gross Acre	\$3,563,174
Price per Gross SF	\$81.80
Price per Usable Acre	\$3,563,174
Price per Usable SF	\$81.80
Price per Front Foot	\$13,875.00



Property Description

Proposed Use	Multifamily
Gross Land Area	0.312 Acres/13,570 SF
Usable Land Area	0.31152 Acres/13,570 SF
Frontage Feet	80.00
Depth	140.00
Street Access	Average
Rail Access	No
Water/Port Access	No
Visibility	Average
Corner/Interior	Soft Corner
Shape	Rectangular
Topography	Level
Utilities	Public available
Drainage	Appears adequate for development
Flood Hazard Zone	Zone X (unshaded)
Zoning Code	LO-MU-CO-NP

Remarks

This tract is located along the south line of E. 5th Street directly across from the Capital Metro HQ. The buyer intends to develop the site with a multifamily use.

LAND COMPARABLE 5

Property Identification

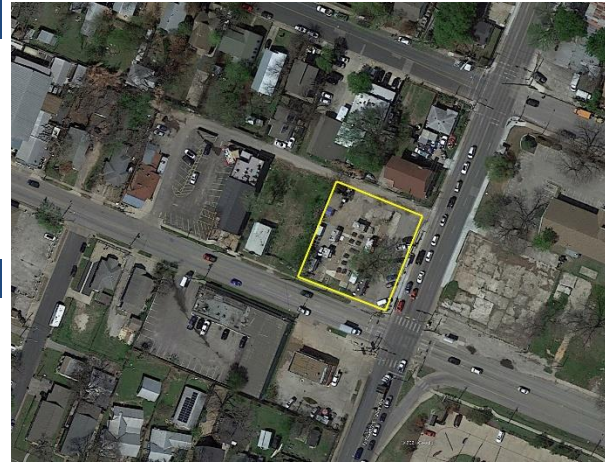
Address	2714 E. Cesar Chavez St.
City County State Zip	Austin, Travis County, Texas 78702
MSA	Austin-San Marcos
Tax ID	189677
VPA Property/Sale ID	11156846/1540581

Transaction Data

Sale Status	Closed
Sale Date	July 9, 2019
Grantor/Seller	2730 Chavez, LLC
Grantee/Buyer	JM&D Holdings, LLC
Recording Number	2019102189
Property Rights	Fee Simple
Sales Price	\$2,000,000
Post-Sale Exp. Adj.	\$0
Non-Realty Items Adj.	\$0
Adjusted Sales Price	\$2,000,000

Adjusted Sales Price Indicators

Price per Gross Acre	\$5,154,373
Price per Gross SF	\$118.33
Price per Usable Acre	\$5,154,373
Price per Usable SF	\$118.33
Price per Front Foot	\$16,000.00



Property Description

Proposed Use	Mixed-Use
Gross Land Area	0.388 Acres/16,902 SF
Usable Land Area	0.38802 Acres/16,902 SF
Frontage Feet	125.00
Depth	125.00
Street Access	Average
Rail Access	No
Water/Port Access	No
Visibility	Average
Corner/Interior	Corner
Shape	Rectangular
Topography	Level
Utilities	Public available
Drainage	Appears adequate for development
Flood Hazard Zone	Zone X (unshaded)
Zoning Code	CS-CO-MU-NP

Remarks

This tract is located at the northwest corner of E. Cesar Chavez Street and N. Pleasant Valley Road, just north of Lake Bird Lake. The tract is zoned for mixed use, allowing both commercial and residential uses with a maximum FAR of 2:1. The seller leased open space on the site to food trucks and the buyer plans to continue this program until plans for development are firmed. The buyer did not have specific plans for the site at the time of sale, viewing the purchase as an investment.

Land Sales Comparison Analysis

When necessary, adjustments were made for differences in various elements of comparison, including property rights conveyed, financing terms, conditions of sale, expenditures made immediately after purchase, market conditions, location, and other physical characteristics. If the element in comparison is considered superior to that of the subject, we applied a negative adjustment. Conversely, a positive adjustment was applied if inferior. A summary of the elements of comparison follows.

Transaction Adjustments

Transaction adjustments include (1) real property rights conveyed, (2) financing terms, (3) conditions of sale and (4) expenditures made immediately after purchase. These items, which are applied prior to the market conditions and property adjustments, are discussed as follows:

Real Property Rights Conveyed

Real property rights conveyed influence sale prices and must be considered when analyzing a sale comparable. The appraised value and sale comparables all reflect the fee simple interest with no adjustments required.

Financing Terms

The transaction price of one property may differ from that of an identical property due to different financial arrangements. Sales involving financing terms that are not at or near market terms require adjustments for cash equivalency to reflect typical market terms. A cash equivalency procedure discounts the atypical mortgage terms to provide an indication of value at cash equivalent terms. All of the sale comparables involved typical market terms by which the sellers received cash or its equivalent and the buyers paid cash or tendered typical down payments and obtained conventional financing at market terms for the balance. Therefore, no adjustments for this category were required.

Conditions of Sale

When the conditions of sale are atypical, the result may be a price that is higher or lower than that of a normal transaction. Adjustments for conditions of sale usually reflect the motivations of either a buyer or a seller who is under duress to complete the transaction. Another more typical condition of sale involves the downward adjustment required to a comparable property's for-sale listing price, which usually reflects the upper limit of value. The sale comparables do not indicate any condition of sale adjustments were warranted for atypical conditions or for-sale listings.

Expenditures Made Immediately After Purchase

A knowledgeable buyer considers expenditures required upon purchase of a property, as these costs affect the price the buyer agrees to pay. Such expenditures may include: costs to demolish and remove any portion of the improvements, costs to petition for a zoning change, and/or costs to remediate environmental contamination. The relevant figure is not the actual cost incurred, but the cost anticipated by both the buyer and seller. Unless the sales involved expenditures anticipated upon the purchase date, no adjustments to the comparable sales are required for this element of comparison. The details of each adjustment are located in the remarks of the respective sales profile.

Market Conditions Adjustment

Market conditions change over time because of inflation, deflation, fluctuations in supply and demand, or other factors. Changing market conditions may create a need for adjustment to comparable sale transactions completed during periods of dissimilar market conditions.

Discussions with market participants and a review of market data indicated overall market conditions for vacant land properties have been improving with recent transactions confirming this trend. As such, we applied an adjustment to each comparable based on a factor of 5.00% per year.

Property Adjustments

Property adjustments are usually expressed quantitatively as percentages or dollar amounts that reflect the differences in value attributable to the various characteristics of the property. In some instances, however, qualitative adjustments are used. These adjustments are based on locational and physical characteristics and are applied after transaction and market conditions adjustments.

Our reasoning for the property adjustments made to each sale comparable follows. The discussion analyzes each adjustment category deemed applicable to the subject property.

Location

Location adjustments may be required when the locational characteristics of a comparable property are different from those of the subject property. These include, but are not limited to, general neighborhood characteristics, freeway accessibility, street exposure, corner versus interior lot location, neighboring properties, view amenities, and other factors.

The subject property is located at the southeast corner of Chicon Street and E. 14th Street in east Austin with good access and good visibility. Sale No. 3 is in the immediate market area of the subject and therefore exhibits overall similar locational attributes for which no adjustments are made. The remaining comparable sales are located south of the subject immediate market area, and are more closely associated with development along E. 6th and E. 7th Streets as well as E. Cesar Chavez Street; the locational attributes of these sales is judged to be superior to that of the subject for which downward adjustments are made.

Size

The size adjustment addresses variance in the physical size of the comparables and that of the subject, as a larger parcel typically commands a lower price per unit than a smaller parcel. This inverse relationship is due, in part, to the principle of "economies of scale."

The subject property consists of 0.358 gross acres (15,602 gross square feet). The sales range in size from 8,960 to 16,902 square feet and required size adjustments. We applied an adjustment factor of approximately 10% per doubling to each sale, resulting in total adjustments ranging from -10.0% to 0.0%.

Corner Exposure

Tracts with major street influence tend to bring higher prices than otherwise comparable secondary street locations. Additionally, tracts featuring corner influence typically command higher prices in the market place, as opposed to interior locations. For retail users, the hard corner of an intersection may be marketed to a fairly large pool of small users (e.g. service stations, fast food restaurants, etc.) for sale.

The subject site has a corner location. Sale No. 2 is an interior (mid-block) lot for which an upward adjustment is made. The remaining comparable sales have corner exposure similar to the subject for which no adjustments are made.

Zoning

The highest and best use of sale comparables should be very similar to that of the subject property. When comparables with the same zoning as the subject are lacking or scarce, parcels with slightly different zoning, but a highest and use similar to that of the subject may be used as comparables. These comparables may require an adjustment for differences in utility if the market supports such adjustment.

The subject site is zoned Community Commercial, Mixed Use Combining District, Conditional Overlay. Sale No. 4 has inferior zoning as compared to the subject for which an upward adjustment is made. The remaining comparable sale properties exhibit overall similar zoning designations as the subject for which no adjustments are made.

Summary of Adjustments

Presented on the following page is a summary of the adjustments made to the sale comparables. As noted earlier, these quantitative adjustments were based on our market research, best judgment, and experience in the appraisal of similar properties.

LAND SALES ADJUSTMENT GRID

Subject		Sale # 1	Sale # 2	Sale # 3	Sale # 4	Sale # 5
Sale ID		1540597	1540593	1556369	1540594	1540581
Date of Value & Sale	October-21	June-21	November-20	November-20	October-20	July-19
Unadjusted Sales Price		\$1,050,000	\$1,400,000	\$935,000	\$1,110,000	\$2,000,000
Gross Square Feet	15,602	8,960	13,628	12,090	13,570	16,902
Unadjusted Sales Price per Gross Sq. Ft.		\$117.19	\$102.73	\$77.34	\$81.80	\$118.33
Transactional Adjustments						
Property Rights Conveyed	<i>Fee Simple</i>	<i>Fee Simple</i>	<i>Fee Simple</i>	<i>Fee Simple</i>	<i>Fee Simple</i>	<i>Fee Simple</i>
Adjusted Sales Price		\$117.19	\$102.73	\$77.34	\$81.80	\$118.33
Financing Terms	<i>Cash to Seller</i>	<i>Cash to Seller</i>	<i>Cash to Seller</i>	<i>Cash to Seller</i>	<i>Cash to Seller</i>	<i>Cash to Seller</i>
Adjusted Sales Price		\$117.19	\$102.73	\$77.34	\$81.80	\$118.33
Conditions of Sale	<i>Typical</i>	<i>Typical</i>	<i>Typical</i>	<i>Typical</i>	<i>Typical</i>	<i>Typical</i>
Adjusted Sales Price		\$117.19	\$102.73	\$77.34	\$81.80	\$118.33
Expenditures after Sale		\$5,000	\$0	\$14,600	\$0	\$0
Adjustment		0.5%	-	1.6%	-	-
Adjusted Sales Price		\$117.75	\$102.73	\$78.54	\$81.80	\$118.33
Market Conditions Adjustments						
Elapsed Time from Date of Value		0.27 years	0.85 years	0.88 years	0.94 years	2.25 years
Market Trend Through	October-21	1.4%	4.2%	4.4%	4.7%	11.2%
Analyzed Sales Price		\$119.36	\$107.09	\$82.01	\$85.63	\$131.62
Physical Adjustments						
Location	1309 Chicon Street	623 E. 7th St.	2207 E. Cesar Chavez St.	1400 Cedar Avenue	2901 E. 5th St.	2714 E. Cesar Chavez St.
Adjustment	Austin, Texas	Austin, Texas	Austin, Texas	Austin, Texas	Austin, Texas	Austin, Texas
		-10.0%	-5.0%	-	-5.0%	-5.0%
Size	15,602 sf	8,960 sf	13,628 sf	12,090 sf	13,570 sf	16,902 sf
Adjustment		-10.0%	-5.0%	-5.0%	-5.0%	-
Corner Exposure	Corner	Corner	Mid-Block	Corner	Soft Corner	Corner
Adjustment		-	5.0%	-	-	-
Frontage	Primary - 145.11 feet & Secondary - 107.6 feet	Primary - 70 feet & Secondary - 125 feet	Primary - 95 feet	Primary - 120 feet & Secondary - 100 feet	Primary - 80 feet	Primary - 125 feet & Secondary - 135 feet
Adjustment		-	-	-	-	-
Utilities	All public utilities	Public available	Public available	Public available	Public available	Public available
Adjustment		-	-	-	-	-
Topography	Generally Level	Level	Level	Level	Level	Level
Adjustment		-	-	-	-	-
Floodplain	Zone X	Zone X (unshaded)	Zone X (unshaded)	Zone X (unshaded)	Zone X (unshaded)	Zone X (unshaded)
Adjustment		-	-	-	-	-
Zoning	GR-MU-V-CO-NP	TOD-NP	CS-CO-MU-NP	CS-MU-V-CO-NP	LO-MU-CO-NP	CS-CO-MU-NP
Adjustment		-	-	-	10.0%	-
Net Physical Adjustment		-20.0%	-5.0%	-5.0%	-	-5.0%
Adjusted Sales Price per Gross Square Foot		\$95.49	\$101.74	\$77.91	\$85.63	\$125.04

Conclusion

From the market data available, we used five land sales in competitive market areas which were adjusted based on pertinent elements of comparison. The following table summarizes the unadjusted and adjusted unit prices:

Land Sale Statistics

Metric	Unadjusted	Analyzed	Adjusted
Minimum Sales Price per Gross Square Foot	\$77.34	\$82.01	\$77.91
Maximum Sales Price per Gross Square Foot	\$118.33	\$131.62	\$125.04
Median Sales Price per Gross Square Foot	\$102.73	\$107.09	\$95.49
Mean Sales Price per Gross Square Foot	\$99.48	\$105.14	\$97.16

The comparable sales indicate an adjusted range in pricing from \$77.91 to \$125.04 per square foot, averaging \$97.16 with a median of \$95.49. All the comparable sale properties are considered meaningful indicators of value. Based on the adjusted prices, a unit value for the subject property is near the middle of the adjusted range, or \$95.00 per gross square foot. This indicates an 'as is' market value of \$1,480,000.

Based on this analysis, the land value indication is summarized as follows:

Land Value Indication				
Reasonable Adjusted Comparable Range				
15,602 square feet	x	\$78.00 psf	=	\$1,216,956
15,602 square feet	x	\$125.00 psf	=	\$1,950,250
Market Value Opinion				(Rounded)
15,602 square feet	x	\$95.00 psf	=	\$1,480,000

Cost Approach

Methodology

The Cost Approach develops an indication of market value by estimating replacement or reproduction cost of the improvements, deducting all appropriate forms of depreciation, and adding land value. This approach is based on the premise that an investor or buyer of real estate would pay no more for a specific property than the cost to replace or reproduce the improvements less any accrued depreciation plus payment of entrepreneurial incentive and land value.

Direct Costs

Marshall Valuation Service, a national cost contracting service with years of evaluation experience and continued analysis of the cost of new construction, was used to estimate replacement cost of the subject improvements using the calculator method.

Direct Building Cost

The direct building cost estimate starts with a base cost with refinements applied as necessary.

Base Costs

Subject property characteristics and the selected Marshall Valuation Service base cost figures are presented in the following table:

Direct Base Building Cost

Building Identification/Name	
Gross Building Area	54,704 sf
Building Class	C - Steel Frame
Building Quality	Good
Exterior Wall	etal screening, concrete board
Number of Stories	5
Height per Story	0'
Average Floor Area (GBA)	10941'
Average Perimeter	
Year Built	2022
Effective Age	0 years
Marshall Valuation Service	
Date	Aug-20
Section	12
Page	16
Type	Good
Base Square Foot Cost	\$111.00

Building Cost Refinements

Initial base cost refinements are presented in the following table:

Direct Building Cost Refinements

Building Identification/Name	0
Base Square Foot Cost	\$111.00
Number of Stories Multiplier	x 1.000
Height per Story Multiplier	x 1.000
Floor Area/Perimeter Multiplier	x 1.000
Combined Multiplier	x 1.000
Refined Square Foot Cost	\$111.00

Final Direct Building Cost Refinements and Calculation

Final refinements and cost calculations are presented in the following table:

Final Direct Building Cost Refinements and Calculation

Building Identification/Name	0
Refined Square Foot Cost	\$111.00
Lump Sum Adjustments	
Sprinklers	+ \$1.37
Elevators	+ \$1.65
Refined Square Foot Cost	\$114.02
Current	x 1.170
Local	x 1.000
Combined Multiplier	x 1.170
Final Square foot Cost	\$133.40
Gross Building Area	x 54,704
Direct building Cost	\$7,297,514

Direct Site Improvement Cost

The direct site improvement cost estimate is presented in the following table:

Direct Cost - Site Improvements

Item	Size/Quantity	Base		Multipliers		Total Cost
		Unit Cost		Current	Local	
Site Work (paving, utilities, sitework, etc)	1 x	\$75,605	x	1.17	x 1.00 =	\$88,458
Landscape/Irrigation	1 x	\$35,000	x	1.17	x 1.00 =	\$40,950
Common Area FF&E	1 x	\$17,312	x	1.00	x 1.00 =	\$17,312
FF&E	53 x	\$3,600	x	1.00	x 1.00 =	\$190,800
Total Site Improvement Costs						\$337,520

Indirect Costs

Comparable properties indicated indirect costs of 10.0% to 15.0% of direct costs, some of which is already included in the Marshall Valuation Service figures above. However, leasing commissions and other professional fee are excluded, with an additional expense of 10.0% of direct costs added. The calculation is presented in the following table

Additional Indirect Cost

Item	Building + Site		Rate	Total Cost
	Direct Costs			
Taxes on Land During Construction				\$34,741
Professional Fees Excluded from MVS	\$7,635,033	x	10.00%	= \$763,503
Total Indirect Costs				\$798,244

Total Direct and Indirect Cost

Marshall Valuation Service

The Marshall Valuation Service direct and indirect cost calculation is presented in the following table:

Marshall Valuation Service Direct and Indirect Cost

Component	Cost Estimate
Direct Building Cost	\$7,297,514
Direct Site Improvement Cost	\$337,520
Additional Indirect Cost	\$798,244
Total Direct and Indirect Cost	\$8,433,277

Reconciled Total Direct and Indirect Cost

In addition to the Marshall Valuation Service cost figures, the developer's direct and indirect construction budget, excluding profit, was reviewed. Our analysis indicated a variance of 3.9% between the Marshall Valuation Service and developer's direct and indirect cost indications, which is reasonable. The developer's budget is current and specific to the subject property with greater emphasis placed on this figure. The comparison and reconciled total direct and indirect cost are presented in the following table:

Developer vs. MVS Direct and Indirect Cost Comparison

Cost Indicator	Direct and Indirect Cost
Marshall Valuation Service	\$8,433,277
Developer's Budget	\$8,970,471
Variance	6.0%
Appraiser's Estimate	\$8,433,277

Entrepreneurial Incentive

Entrepreneurial Incentive generally reflects investor appetite and risk tolerance for various real estate property groups. For this analysis, entrepreneurial incentive was estimated at 12.0% percent of construction cost, which is appropriate for a condominium development. The entrepreneurial incentive calculation is presented in the following table:

Entrepreneurial Incentive Calculation

Replacement Cost New Only		Entrepreneurial Incentive	
\$8,433,277	x	12.0%	= \$1,011,993

Replacement Cost New

The replacement cost new calculation is presented in the following table:

Replacement Cost New

Component	Direct and Indirect Cost
Direct and Indirect Cost	\$8,433,277
Entrepreneurial Incentive - 12.0% Applied to Replacement Cost New Only	\$1,011,993
Appraiser's Estimate	\$9,445,270

Depreciation

The next step is to estimate depreciation applicable to the subject improvements.

Physical Deterioration

Physical deterioration is a reduction in utility resulting from an impairment of physical condition and is delineated into curable and incurable components.

Curable Physical

Based on our property visit and discussions with the property owners, the subject property does not exhibit deferred maintenance.

Incurable Physical

The subject improvements are new with no incurable physical depreciation present.

Functional Obsolescence

The subject property is representative of market standards and the ideal improvement. Therefore, no functional obsolescence was considered.

External Obsolescence

The subject property is representative of market standards and the ideal improvement. Therefore, no functional obsolescence was considered.

Total Depreciation

Due to the proposed nature of the improvements, no depreciation is considered.

Market Value of Land

The final step is the addition of the market land value, estimated at \$1,480,000.

Prospective As Complete/Stabilized Fee Simple Market Value Indication

The preceding cost analysis and prospective as complete/stabilized fee simple market value indication is summarized in the following table:

Cost Approach Schedule	
<u>Replacement Cost New</u>	
Direct and Indirect Cost New	\$8,433,277
Entrepreneurial Incentive	\$1,011,993
Replacement Cost New	<u>\$9,445,270</u>
<u>Accrued Depreciation</u>	
Physical Deterioration	
Curable (deferred maintenance)	\$0
Incurable	\$0
Total Physical Deterioration	<u>\$0</u>
Obsolescence	
External	\$0
Functional	\$0
Total Obsolescence	<u>\$0</u>
Total Accrued Depreciation	<u>\$0</u>
Depreciated Cost of Improvements	<u>\$9,445,270</u>
Estimated Market Value of Land	<u>\$1,480,000</u>
Prospective As Complete/Stabilized Fee Simple Market Value Indication	<u>\$10,930,000</u>

Based on this analysis, the cost approach indication is summarized as follows:

Cost Approach Value Indication	
Prospective As Complete/Stabilized Fee Simple Market Value Indication	<u>\$10,930,000</u>

Income Capitalization Approach – Sell-Out

Methodology (Sell-out Analysis)

The sell-out analysis considers certain holding costs, sales expenses, developer's profit, and time value of money given typical investor internal (required) rates of return (yield). Under the sell-out analysis, absorption is projected for the individual units at market (retail) pricing. As part of the Income Capitalization Approach, the Sales Comparison Approach has been utilized in a modified format to estimate the appropriate retail pricing for the subject 53 residential condominium units as well as the three (3) commercial condominium units. From revenue generated through unit sales, applicable holding costs were deducted, and the resulting net proceeds were discounted back to present value.

Estimated Average Retail Price – Residential Units

To estimate the average retail price of the 53 residential condominium units, an analysis of comparable condominium sales was completed. The comparable condominium sales confirmed include units within comparable condominiums located in the eastern quadrant of the City of Austin. The appraisers have completed individual sales comparison analyses for the various appraised residential condominium unit types. The studio/one-bedroom units will have an average unit size of approximately 450 square feet and will include one bedroom and one bathroom. The one-bedroom units will have an average unit size of approximately 604 square feet and will include one bedroom and one bathroom. The two-bedroom units will have an average unit size of approximately 783 square feet and will include two bedrooms and one bathroom.

Studio/One-Bedroom Unit Pricing

The comparable sales utilized for the studio/one-bedroom unit floorplans range in date of transaction from March 2021 to September 2021, and range in total unadjusted pricing from \$220,000 to \$310,000 per unit. The pricing on per square foot of living area ranges from \$409.68 to \$605.47. The comparable sales utilized in the estimation of the average retail price are outlined as follows:

- **Sale No. 1** – September 2021 sale of Unit 319 of the Fourth& condominium development located at 1800 E. 4th Street; the property was developed circa 2018. The condominium unit sold for \$285,000 or \$548.08 per square foot. The property was on the market for 54 days. The condominium has 520 square feet of living area and is configured with one bedroom and one bathroom; the unit comes with one reserved garage parking space. Condominium development common elements include a pool, clubhouse, storage units, dog washing station, etc. HOA fees for the unit are reported to be \$3,636 per year.
- **Sale No. 2** – August 2021 sale of Unit 208 of the Fourth& condominium development located at 1800 E. 4th Street; the property was developed circa 2018. The condominium unit sold for \$310,000 or \$605.47 per square foot. The property was on the market for 17 days. The condominium has 512 square feet of living area and is configured with one bedroom and one bathroom; the unit comes with one reserved garage parking space. Condominium development common elements include a pool, clubhouse, storage units, dog washing station, etc. HOA fees for the unit are reported to be \$3,168 per year.

- **Sale No. 3** – June 2021 sale of Unit 302 of the Fourth& condominium development located at 1800 E. 4th Street; the property was developed circa 2018. The condominium unit sold for \$305,000 or \$586.54 per square foot. The property was on the market for 42 days. The condominium has 520 square feet of living area and is configured with one bedroom and one bathroom; the unit comes with one reserved garage parking space. Condominium development common elements include a pool, clubhouse, storage units, dog washing station, etc. HOA fees for the unit are reported to be \$3,216 per year.
- **Sale No. 4** – March 2021 sale of Unit 110 of the HOM condominium development located at 3101 Govalle Avenue; the property was developed in 2020. The condominium unit sold for \$220,000 or \$409.68 per square foot. The property was on the market for 42 days. The condominium has 537 square feet of living area and is configured with one bedroom and one bathroom; the unit comes with one reserved parking space. Condominium development common elements include a pool, courtyard, community space, etc. HOA fees for the unit are reported to be \$1,608 per year.

Adjustments to the above noted sales include market conditions (date of sale), location, age/condition, size, parking availability, and condominium project amenities. All the comparable sales are adjusted upward for market conditions through the date of completion by a factor of 5% per year. Comparable Nos. 1 through 3 exhibit overall superior locational attributes compared to the subject for which downward adjustments are applied; Sale No. 4 exhibits overall similar locational attributes as the subject for which no adjustments are made. Sale Nos. 1 through 3 were constructed in 2018 and judged to be in good condition as of the respective dates of sale; upward adjustments are made to the comparable sales for age/condition when compared to the subject. Sale No. 4 was a new condominium development as of the date of sale for which no adjustment is warranted. Appropriate size adjustments are made to the comparable sales based on one half of the average price per square foot of the comparable sales, or approximately \$269 per square foot. The appraised condominium units will not include designated parking spaces; all the comparable sales included a designated parking space for which downward adjustments are made. All the comparable sales are judged to have superior amenities (pool, community/clubhouse space) than the subject proposed development for which downward adjustments are made.

The adjustment grid is included on the following page.

COMPARABLE IMPROVED SALES SUMMARY & ADJUSTMENT GRID – STUDIO/ONE-BEDROOM UNITS

Small One Bed/Efficiency Units									
Comparable No.	Subject	1		2		3		4	
Location	1309 Chicon Street, Austin, Travis County, Texas	1800 E. 4th Street #319, Austin, Travis County, Texas		1800 E. 4th Street #208, Austin, Travis County, Texas		1800 E. 4th Street #302, Austin, Travis County, Texas		3101 Govalle Avenue #110, Austin, Travis County, Texas	
Property Name	Chicon Phase II (Ivory)	Fourth& Condos		Fourth& Condos		Fourth& Condos		HOM Condominiums	
Total Price			\$285,000		\$310,000		\$305,000		\$220,000
Price/Gross Living Area		\$548.08		\$605.47		\$586.54		\$409.68	
Data Source(s)	Plans/Developer	MLS # 7080237; 54 DOM		MLS # 1148740; 17 DOM		MLS # 8238096; 42 DOM		MLS # 7345143; 42 DOM	
Verification Source(s)	Developer	Exterior Inspection		Interior/Exterior Inspection		Interior/Exterior Inspection		Interior/Exterior Inspection	
Value Adjustments	Description	Description	Adjustment	Description	Adjustment	Description	Adjustment	Description	Adjustment
Sale/Financing Concessions		Conventional		Conventional		Conventional		Conventional	
Date of Sale	As Complete 8/1/2023	09/22/21	\$26,470	08/12/21	\$30,533	06/03/21	\$32,965	03/22/21	\$25,978
Location	Subject	Superior	-\$14,250	Superior	-\$15,500	Superior	-\$15,250	Similar	
HOA/Ownership Fee	Est. \$1,353/year	\$3,636/year		\$3,168/year		\$3,216/year		\$1,608/year	
Fee Simple	Fee Simple	Fee Simple		Fee Simple		Fee Simple		Fee Simple	
Design (Style)	Condo	Condo/Mid-Rise		Condo/Mid-Rise		Condo/Mid-Rise		Condo/Mid-Rise	
Quality of Construction	Good	Similar		Similar		Similar		Similar	
Actual Age/Condition	Circa 2022-2023 - New/Excellent	Circa 2018 - Good	\$14,250	Circa 2018 - Good	\$15,500	Circa 2018 - Good	\$15,250	Circa 2020 - Excellent (New)	
Room Count	1 bed / 1 bath	1 bed / 1 bath		1 bed / 1 bath		1 bed / 1 bath		1 bed / 1 bath	
Size (Gross Living Area, SF)	450	520	-\$18,810	512	-\$16,661	520	-\$18,810	537	-\$23,379
Functional Utility	Good	Similar		Similar		Similar		Similar	
Heating/Cooling	Central	Central		Central		Central		Central	
Garage/Carport	None	1 Garage Space	-\$28,500	1 Garage Space	-\$31,000	1 Garage Space	-\$30,500	1 assigned	-\$11,000
Amenities	Central courtyard, bike storage, storage units available, etc.; some balconies	Pool, clubhouse, storage units, dog washing station	-\$28,500	Pool, clubhouse, storage units, dog washing station	-\$31,000	Pool, clubhouse, storage units, dog washing station	-\$30,500	Pool, courtyard, community space, etc.	-\$11,000
Total Adjustments (Net)			-\$49,341		-\$48,128		-\$46,845		-\$19,401
Adjusted Sales Price			\$235,659		\$261,872		\$258,155		\$200,599

Minimum Indication \$200,599
 Maximum Indication \$261,872
 Average Indication \$239,071
 Median Indication \$246,907

Indicated Value: **\$240,000**

Concluded Average Retail Price – Studio/One-Bedroom Residential Units

After adjustments, the comparable sales indicate a range in pricing for the 450 square foot studio/one-bedroom units from \$200,599 to \$261,872 per unit with an average indicated value of \$239,071 per unit and a median indication of \$246,907 per unit. The appraisers conclude the market retail price for the studio/one-bedroom units to be \$240,000 per unit, or approximately \$533.33 per square foot.

The developer’s estimated market pricing for this unit type is \$225,500 or \$500 per square foot, with an estimated affordable pricing \$157,850 per unit or \$350 per square foot. It is noted that the maximum sale price for efficiency and one-bedroom units based on the development incentive program is \$211,400 per unit. The developer’s estimates indicate a differential between market and affordable pricing of approximately 30%. Based on the above, the appraisers’ have estimated the affordable pricing of the subject 450 square foot studio/one-bedroom unit to be \$168,000, which is approximately 30% less than the appraisers’ market estimate of \$240,000, aligned with the developer’s estimated differential and within the limits outlined by the development incentive program. The chart below outlines the studio/one-bedroom retail pricing concluded herein.

Studio/One-Bedroom Retail Pricing

Unit Type	# of Units	Retail Pricing	Total Retail Pricing
Market	3	\$240,000	\$720,000
Affordable	23	\$168,000	\$3,864,000
Total	26		\$4,584,000
Average			\$176,308

One-Bedroom Unit Pricing

The comparable sales utilized for the subject 604 square foot one-bedroom unit floor plan range in date of transaction from December 2020 to July 2021 and range in total pricing from \$315,000 to \$380,000 per unit. The pricing per square foot of living area ranges from \$493.73 to \$574.02. The comparable sales utilized in the estimation of the average retail price are outlined as follows:

- **Sale No. 1** – July 2021 sale of Unit 205 of the Chicon Gibbs condominium development located at 1212 Chicon Street; the property was developed circa 2017. The condominium unit sold for \$380,000 or \$574.02 per square foot. The property was on the market for 4 days. The condominium has 662 square feet of living area and is configured with one bedroom and one bathroom; the unit comes with one reserved garage parking space. Condominium development common elements include storage units and assigned parking, etc. HOA fees for the unit are reported to be \$2,880 per year.
- **Sale No. 2** – March 2021 sale of Unit 210 of the Magnolia condominium development located at 1701 E. Martin Luther King Jr. Boulevard; the property was developed in 2020. The condominium unit sold for \$349,000 or \$553.97 per square foot. The property was on the market for 122 days. The condominium has 630 square feet of living area and is configured with one bedroom and one bathroom; the unit comes with one reserved garage parking space. Condominium development common elements include a central courtyard. HOA fees for the unit are reported to be \$1,740 per year.

- **Sale No. 3** – January 2021 sale of Unit 2104 of the Santa Rosa condominium development located at 2709 E. 5th Street; the property was developed in 2020. The condominium unit sold for \$315,000 or \$493.73 per square foot. The property was on the market for 15 days. The condominium has 638 square feet of living area and is configured with one bedroom and one bathroom; the unit comes with one reserved garage parking space. Condominium development common elements include a central courtyard. HOA fees for the unit are reported to be \$1,956 per year.
- **Sale No. 4** – December 2020 sale of Unit 209 of the Magnolia condominium development located at 1701 E. Martin Luther King Jr. Boulevard; the property was developed in 2020. The condominium unit sold for \$325,000 or \$515.87 per square foot. The property was on the market for 58 days. The condominium has 630 square feet of living area and is configured with one bedroom and one bathroom; the unit comes with one reserved garage parking space. Condominium development common elements include a central courtyard. HOA fees for the unit are reported to be \$1,740 per year.

Adjustments to the above noted sales include market conditions (date of sale), location, age/condition, size, parking availability, and condominium project amenities. All the comparable sales are adjusted upward for market conditions through the date of completion by a factor of 5% per year. Comparable No. 3 exhibits overall superior locational attributes compared to the subject for which a downward adjustment is applied; The remaining comparable sales exhibit overall similar locational attributes for which no adjustments are made. Sale No. 1 was constructed in 2017 and was judged to be in good condition as of the date of sale; an upward adjustment is made to the comparable for age/condition when compared to the subject. The remaining comparable sales were new as of the dates of sale for which no adjustments are made. Appropriate size adjustments are made to the comparable sales based on one half of the average price per square foot of the comparable sales, or approximately \$267 per square foot. The appraised condominium units will not include designated parking spaces; all the comparable sales included a designated parking space for which downward adjustments are made.

The adjustment grid is included on the following page.

COMPARABLE IMPROVED SALES SUMMARY & ADJUSTMENT GRID – ONE-BEDROOM UNITS

One Bed Units									
Comparable No.	Subject	1		2		3		4	
Location	1309 Chicon Street, Austin, Travis County, Texas	1212 Chicon Street #205, Austin, Travis County, Texas		1701 E. Martin Luther King Jr. Blvd #210, Austin, Travis County, Texas		2709 E. 5th Street #2104, Austin, Travis County, Texas		1701 E. Martin Luther King Jr. Blvd #209, Austin, Travis County, Texas	
Property Name	Chicon Phase II (Ivory)	Gibbs Building Condominiums		Magnolia Condominiums		Santa Rosa Condominiums		Magnolia Condominiums	
Total Price			\$380,000		\$349,000		\$315,000		\$325,000
Price/Gross Living Area		\$574.02		\$553.97		\$493.73		\$515.87	
Data Source(s)	Plans/Developer	MLS # 7531811; 4 DOM		MLS # 1802561; 122 DOM		MLS # 7612733; 15 DOM		MLS # 8722309; 58 DOM	
Verification Source(s)	Developer	Interior/Exterior Inspection		Interior/Exterior Inspection		Interior/Exterior Inspection		Interior/Exterior Inspection	
Value Adjustments	Description	Description	Adjustment	Description	Adjustment	Description	Adjustment	Description	Adjustment
Sale/Financing Concessions		Conventional		Conventional		Conventional		Conventional	
Date of Value	As Complete 8/1/2023	07/07/21	\$39,301	03/24/21	\$41,115	01/11/21	\$40,216	12/29/20	\$42,072
Location	Subject	Similar		Similar		Superior	-\$15,750	Similar	
HOA/Ownership Fee	Est. \$1,830/year	\$2,880/year		\$1,740/year		\$1,956/year		\$1,740/year	
Fee Simple	Fee Simple	Fee Simple		Fee Simple		Fee Simple		Fee Simple	
Design (Style)	Condo	Condo		Condo		Condo		Condo	
Quality of Construction	Good	Similar		Similar		Similar		Similar	
Actual Age/Condition	Circa 2022-2023 - New/Excellent	Circa 2017 - Good	\$19,000	Circa 2020 - Excellent (New)		Circa 2020 - Excellent (New)		Circa 2020 - Excellent (New)	
Room Count	1 bed / 1 bath	1 bed / 1 bath		1 bed / 1 bath		1 bed / 1 bath		1 bed / 1 bath	
Size (Gross Living Area, SF)	604	662	-\$15,498	630	-\$6,947	638	-\$9,085	630	-\$6,947
Functional Utility	Good	Similar		Similar		Similar		Similar	
Heating/Cooling	Central	Central		Central		Central		Central	
Garage/Carport	None	1 garage	-\$38,000	1 garage	-\$34,900	1 garage	-\$31,500	1 garage	-\$32,500
Amenities	Central courtyard, bike storage, storage units available, etc.; some balconies	Storage units, covered parking		Central Courtyard		Central Courtyard		Central Courtyard	
Total Adjustments (Net)			\$4,804		-\$732		-\$16,118		\$2,625
Adjusted Sales Price			\$384,804		\$348,268		\$298,882		\$327,625

Minimum Indication	\$298,882	Indicated Value:	\$330,000
Maximum Indication	\$348,268		
Average Indication	\$324,925		
Median Indication	\$327,625		

Concluded Average Retail Price – One-Bedroom Residential Units

After adjustments, the comparable sales indicate a range in pricing for the 604 square foot one-bedroom units from \$298,882 to \$348,268 per unit with an average indicated value of \$324,925 per unit and a median indication of \$327,625 per unit. The appraisers conclude the market retail price for the one-bedroom units to be \$330,000 per unit, or approximately \$546.36 per square foot.

The developer’s estimated market pricing for this unit type is \$305,000 or \$500 per square foot, with an estimated affordable pricing \$198,250 per unit or \$325 per square foot. It is noted that the maximum sale price for efficiency and one-bedroom units based on the development incentive program is \$211,400 per unit. The developer’s estimates indicate a differential between market and affordable pricing of approximately 35%. Based on the above, the appraisers’ have estimated the affordable pricing of the subject 604 square foot one-bedroom unit to be \$211,400, the maximum allowable sale price based on the development incentive program, which is approximately 36% less than the appraisers’ market estimate of \$330,000. The chart below outlines the one-bedroom retail pricing concluded herein.

One-Bedroom Retail Pricing

Unit Type	# of Units	Retail Pricing	Total Retail Pricing
Market	4	\$330,000	\$1,320,000
Affordable	15	\$211,400	\$3,171,000
Total	19		\$4,491,000
Average			\$236,368

Two-Bedroom Unit Pricing

The comparable sales utilized for the subject 783 square foot two-bedroom unit floor plan range in date of transaction from August 2020 to July 2021 and range in total pricing from \$337,700 to \$450,000 per unit. The pricing per square foot of living area ranges from \$439.28 to \$574.02. The comparable sales utilized in the estimation of the average retail price are outlined as follows:

- **Sale No. 1** – July 2021 sale of Unit 205 of the Chicon Gibbs condominium development located at 1212 Chicon Street; the property was developed circa 2017. The condominium unit sold for \$380,000 or \$574.02 per square foot. The property was on the market for 4 days. The condominium has 662 square feet of living area and is configured with one bedroom and one bathroom; the unit comes with one reserved garage parking space. Condominium development common elements include storage units and assigned parking, etc. HOA fees for the unit are reported to be \$2,880 per year.
- **Sale No. 2** – May 2021 sale of Unit 349 of the Fourth& condominium development located at 1800 E. 4th Street; the property was developed circa 2018. The condominium unit sold for \$337,700 or \$477.65 per square foot. The property was on the market for 21 days. The condominium has 707 square feet of living area and is configured with one bedroom and one bathroom; the unit comes with one reserved garage parking space. Condominium development common elements include a pool, clubhouse, storage units, dog washing station, etc. HOA fees for the unit are reported to be \$4,056 per year.

- **Sale No. 3** – May 2021 sale of Unit 213 of the Axiom East condominium development located at 2220 Webberville Road; the property was developed in 2021. The condominium unit sold for \$340,000 or \$439.28 per square foot. The property was on the market for 36 days. The condominium has 774 square feet of living area and is configured with one bedroom and one bathroom; the unit comes with one reserved garage parking space. Condominium development common elements include a central courtyard. HOA fees for the unit are reported to be \$2,328 per year.
- **Sale No. 4** – August 2020 sale of Unit 300 of the Villa Verde Townhome development located at 1128 Chicon Street; the property was developed in 2020. The townhome unit sold for \$450,000 or \$500.56 per square foot. The property was on the market for 13 days. The townhome has 899 square feet of living area and is configured with two bedrooms and two bathrooms; the unit has two parking spaces. The townhome development does not have any common area amenities. HOA fees for the unit are reported to be \$1,800 per year.

Adjustments to the above noted sales include market conditions (date of sale), location, age/condition, room count, size, parking availability, and condominium project amenities. All the comparable sales are adjusted upward for market conditions through the date of completion by a factor of 5% per year. Comparable Nos. 2 and 3 exhibit overall superior locational attributes compared to the subject for which downward adjustments are applied; The remaining comparable sales exhibit overall similar locational attributes for which no adjustments are made. Sale Nos. 1 and 2 were constructed in 2017 and 2018, respectively, and were judged to be in good condition as of the dates of sale; upward adjustments are made to the comparables for age/condition when compared to the subject. Sale Nos. 3 and 4 were new as of the dates of sale for which no adjustments are made. The appraised 783 square foot unit will have two bedrooms and one bathroom. The comparable sales are a mix of one bedroom and two-bedroom units; the appraisers were unable to confirm recent sales of smaller size two-bedroom condominium units in the market area. Varying adjustments are made for room count discrepancies between the comparables and the subject appraised unit type. Appropriate size adjustments are made to the comparable sales based on one half of the average price per square foot of the comparable sales, or approximately \$249 per square foot. The appraised condominium units will not include designated parking spaces; all the comparable sales included a designated parking space for which downward adjustments are made. Sale No. 2 has superior condominium development amenities for which a downward adjustment is made; the remaining comparable sales have overall similar amenities as the subject development for which no adjustments are applied.

The adjustment grid is included on the following page.

COMPARABLE IMPROVED SALES SUMMARY & ADJUSTMENT GRID – TWO-BEDROOM UNITS

Two Bed Units									
Comparable No.	Subject	1		2		3		4	
Location	1309 Chicon Street, Austin, Travis County, Texas	1212 Chicon Street #205, Austin, Travis County, Texas		1800 E. 4th Street #349, Austin, Travis County, Texas		2220 Webberville Road #213, Austin, Travis County, Texas		1128 Chicon Street #300, Austin, Travis County, Texas	
Property Name	Chicon Phase II (Ivory)	Gibbs Building Condominiums		Fourth& Condominiums		Axiom East Condominiums		Villa Verde Townhome	
Total Price			\$380,000		\$337,700		\$340,000		\$450,000
Price/Gross Living Area			\$574.02		\$477.65		\$439.28		\$500.56
Data Source(s)	Plans/Developer	MLS # 7531811; 4 DOM		MLS # 9116546; 21 DOM		MLS # 7555151; 36 DOM		MLS # 4181682; 13 DOM	
Verification Source(s)	Developer	Interior/Exterior Inspection		Exterior Inspection		Exterior Inspection		Interior/Exterior Inspection	
Value Adjustments	Description	Description	Adjustment	Description	Adjustment	Description	Adjustment	Description	Adjustment
Sale/Financing Concessions		Conventional		Conventional		Conventional		Conventional	
Date of Sale	As Complete 8/1/2023	07/07/21	\$39,301	05/28/21	\$36,777	05/21/21	\$37,353	08/28/20	\$65,836
Location	Subject	Similar		Superior	-\$16,885	Similar	-\$17,000	Similar	
HOA/Ownership Fee	Est. \$2,268/year	\$2,880/year		\$4,056/year		\$2,328/year		\$1,800/year	
Fee Simple	Fee Simple	Fee Simple		Fee Simple		Fee Simple		Fee Simple	
Design (Style)	Condo	Condo		Condo		Condo		Townhome	
Quality of Construction	Good	Similar		Similar		Similar		Similar	
Actual Age/Condition	Circa 2022-2023 - New/Excellent	Circa 2017 - Good	\$19,000	Circa 2018 - Good	\$16,885	Circa 2021 - Excellent (New)		Circa 2020 - Excellent (New)	
Room Count	2 bed / 1 bath	1 bed / 1 bath	\$10,000	1 bed / 1 bath	\$10,000	1 bed / 1 bath	\$10,000	2 bed / 2 bath	-\$5,000
Size (Gross Living Area, SF)	783	662	\$30,121	707	\$18,919	774	\$2,240	899	-\$28,877
Functional Utility	Good	Similar		Similar		Similar		Similar	
Heating/Cooling	Central	Central		Central		Central		Central	
Garage/Carport	None	1 garage	-\$38,000	1 garage	-\$33,770	1 garage	-\$34,000	2 assigned	-\$22,500
Amenities	Central courtyard, bike storage, storage units available, etc.; some balconies	Storage units, covered parking		Pool, clubhouse, storage units, dog washing station	-\$33,770	Central Courtyard		None/Inferior	\$22,500
Total Adjustments (Net)			\$60,423		-\$1,844		-\$1,406		\$31,959
Adjusted Sales Price			\$440,423		\$335,856		\$338,594		\$481,959

Minimum Indication \$335,856
Maximum Indication \$481,959
Average Indication \$399,208
Median Indication \$389,508

Indicated Value: **\$395,000**

Concluded Average Retail Price – Two-Bedroom Residential Units

After adjustments, the comparable sales indicate a range in pricing for the 783 square foot two-bedroom units from \$335,856 to \$481,959 per unit with an average indicated value of \$399,208 per unit and a median indication of \$389,508 per unit. The appraisers conclude the market retail price for the two-bedroom units to be \$395,000 per unit, or approximately \$504.47 per square foot.

The developer’s estimated market pricing for this unit type is \$378,000 or \$500 per square foot, with an estimated affordable pricing \$241,920 per unit or \$320 per square foot. It is noted that the maximum sale price for efficiency and two-bedroom units based on the development incentive program is \$249,000 per unit. The developer’s estimates indicate a differential between market and affordable pricing of approximately 36%. Based on the above, the appraisers’ have estimated the affordable pricing of the subject 783 square foot two-bedroom unit to be \$249,000, the maximum allowable sale price based on the development incentive program, which is approximately 37% less than the appraisers’ market estimate of \$395,000. The chart below outlines the two-bedroom retail pricing concluded herein.

Two-Bedroom Retail Pricing

Unit Type	# of Units	Retail Pricing	Total Retail Pricing
Market	6	\$395,000	\$2,370,000
Affordable	2	\$249,000	\$498,000
Total	8		\$2,868,000
Average			\$358,500

Overall Concluded Average Retail Pricing – Residential Units

Based on the above analyses, it is the appraisers’ opinion that the appropriate average unit price for the proposed residential units is \$225,340 per residential unit, as outlined below.

Estimated Retail Pricing - Residential Units

Unit Type	# of Units	Retail Pricing	Total Retail Pricing
Market	13	\$339,231	\$4,410,000
Affordable	40	\$188,325	\$7,533,000
Total	53		\$11,943,000
Average			\$225,340

Estimated Average Retail Price – Commercial Units

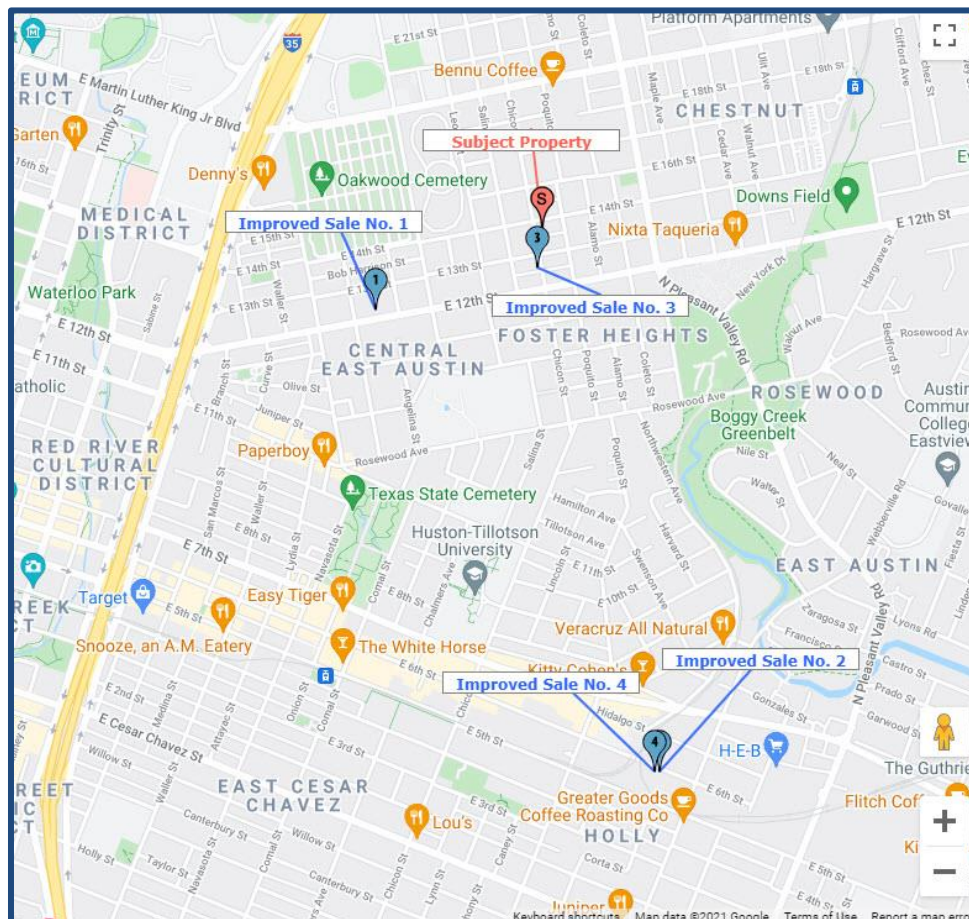
To estimate the average retail price of the three (3) commercial condominium units, an analysis of comparable commercial condominium sales was completed. The comparable condominium sales confirmed include units within comparable mixed-use condominium developments located in the eastern quadrant of the City of Austin.

We included four sales in our analysis, as these sales were judged to be the most comparable to develop an indication of market value for the subject property. The following is a table summarizing each sale comparable and a map illustrating the location of each in relation to the subject. Details of each comparable follow the location map.

Improved Sales Summary

Comp. No.	Date of Sale	Property Name	Location	Year Built	GBA	Unadjusted Sale Price	Unadjusted Price per SF
1	August-21	Angelina & 12th Commercial Condominium Unit 101	1322 E. 12th Street Austin, Texas	2020	1,872	\$850,000	\$454.06
2	May-21	Pedernales Office-Retail Condo Unit 19	2401 E. 6th Street Austin, Texas	2005	738	\$392,000	\$531.17
3	November-18	The Joyce Commercial Condo Unit	1212 Chicon Street Austin, Texas	2018	628	\$235,000	\$374.20
4	May-18	Pedernales Office-Retail Condo Unit 17	2401 E. 6th Street Austin, Texas	2005	729	\$315,000	\$432.10

COMPARABLE SALES MAP



SALE COMPARABLE 1

Property Identification

Property Name	Angelina & 12th Commercial Condominium Unit 101
Address	1322 E. 12th Street
City County State Zip	Austin, Travis County, Texas 78702
MSA	Austin-San Marcos
Tax ID	931622
VPA Property/Sale ID	11185694/1558195

Transaction Data

Sale Status	Closed
Sale Date	August 25, 2021
Grantor/Seller	1322 East 12th, Ltd.
Grantee/Buyer	Jordan Michael Holdings, LLC
Recording Number	2021192573
Property Rights	Fee Simple
Financing	Cash to Seller
Conditions of Sale	Arm's Length
Sales Price	\$850,000
Adjusted Sales Price	\$850,000

Adjusted Units of Comparison

Adj. Price PSF of GBA	\$454.06
Adj. Price PSF of NRA	\$454.06
Occupancy at Sale	0.0%



Property Description

Property Type	Mixed Use
Tenancy	Single-Tenant
Occupancy Type	Local
Investment Class	A
MVS Const. Class	C - Masonry
Construction Quality	Good
Gross Building SF	1,872
Net Rentable SF	1,872
No. of Lots	1
Year Built	2020
Building Condition	Excellent
Number of Stories	1
Sprinklers	Yes
Usable Land/LtB Ratio	0.03140 Acres / 0.73:1
Flr. Area Ratio (FAR)	1.37
Excess Land Acres	.00000
Flood Hazard Zone	Zone X
Zoning Code	CS-MU-NCCD-NP

Remarks

Angelina+12th is a mixed-use, 4-story building with ground-floor commercial space (level 1) and 24 residences (levels 2-4) with surface parking. The property has easy access to Interstate 35 and is only one mile from the University of Texas. Building completed in June 2020. Sold as shell. HOA = \$436/month

SALE COMPARABLE 2

Property Identification

Property Name	Pedernales Office-Retail Condo Unit 19
Address	2401 E. 6th Street
City County State Zip	Austin, Travis County, Texas 78702
MSA	Austin-San Marcos
Tax ID	566877
VPA Property/Sale ID	11171126/1549421

Transaction Data

Sale Status	Closed
Sale Date	May 11, 2021
Grantor/Seller	Bethany L. Meister
Grantee/Buyer	Objectif Group, LLC
Deed Book/Page	Document No. 2021105399
Property Rights	Fee Simple
Financing	Cash to Seller
Conditions of Sale	Arm's Length
Sales Price	\$392,000
Adjusted Sales Price	\$392,000

Adjusted Units of Comparison

Adj. Price PSF of GBA	\$531.17
Adj. Price PSF of NRA	\$531.17
Adj. Price per Unit	\$392,000
Occupancy at Sale	0.0%



Property Description

Property Type	Condominium Unit(s)
Tenancy	Single-Tenant
Occupancy Type	Owner Occupied
MVS Const. Class	C - Masonry
Construction Quality	Good
Gross Building SF	738
Net Rentable SF	738
No. of Units	1
Average Unit Size	738
Year Built	2005
Building Condition	Good
Number of Stories	1
Usable Land/LtB Ratio	0.02670 Acres / 1.58:1
Flr. Area Ratio (FAR)	0.63
Density (Units/Acre)	37.45
Excess Land Acres	.00000
Flood Hazard Zone	Zone X - Outside 100-year floodplain
Zoning Code	MU

Remarks

The property is an office condominium unit located at 2401 East 6th Street in Austin, Travis County, Texas. The condo includes 7387 square feet of gross building area. The improvements were constructed circa 2005 and are in overall good condition.

SALE COMPARABLE 3

Property Identification

Property Name	The Joyce Commercial Condo Unit
Address	1212 Chicon Street
City County State Zip	Austin, Travis County, Texas 78702
MSA	Austin-San Marcos
Tax ID	914850
VPA Property/Sale ID	11185659/1558181

Transaction Data

Sale Status	Closed
Sale Date	November 26, 2018
Grantor/Seller	Chestnut Neighborhood Revitalization Corporation
Grantee/Buyer	101 Joyce, LLC
Recording Number	2018183444
Property Rights	Fee Simple
Financing	Cash to Seller
Conditions of Sale	Arm's Length
Days on Market	165
Sales Price	\$235,000
Adjusted Sales Price	\$235,000

Adjusted Units of Comparison

Adj. Price PSF of GBA	\$374.20
Adj. Price PSF of NRA	\$374.20
Occupancy at Sale	0.0%



Property Description

Property Type	Condominium Unit(s)
Tenancy	Single-Tenant
Occupancy Type	Local
Investment Class	A
MVS Const. Class	C - Steel Frame
Construction Quality	Good
Gross Building SF	628
Net Rentable SF	628
No. of Lots	1
Year Built	2018
Building Condition	Excellent
Number of Stories	1
Sprinklers	Yes
Pkg/1,000 SF NRA	1.59
Usable Land/LtB Ratio	0.01680 Acres / 1.17:1
Flr. Area Ratio (FAR)	0.86
Excess Land Acres	.00000
Flood Hazard Zone	Zone X
Zoning Code	CS-MU-CO-NP

Remarks

The Chicon is a mixed-use condominium development. The sale property is a ground floor commercial unit which was delivered in shell condition with all interior build-out/MEP handled by the buyer. The unit was purchased for owner-occupancy.

SALE COMPARABLE 4

Property Identification

Property Name	Pedernales Office-Retail Condo Unit 17
Address	2401 E. 6th Street
City County State Zip	Austin, Travis County, Texas 78702
MSA	Austin-San Marcos
Tax ID	566875
VPA Property/Sale ID	1042366/308863

Transaction Data

Sale Status	Closed
Sale Date	May 9, 2018
Grantor/Seller	UVA Most
Grantee/Buyer	Jennifer Brener Seay and Deborah Joan Goldgar
Recording Number	2018071678
Property Rights	Fee Simple
Financing	Cash to Seller
Conditions of Sale	Arm's Length
Days on Market	50
Sales Price	\$315,000
Adjusted Sales Price	\$315,000

Adjusted Units of Comparison

Adj. Price PSF of GBA	\$432.10
Adj. Price PSF of NRA	\$432.10
Adj. Price per Unit	\$315,000
Occupancy at Sale	100.0%

Financial Data (Stabilized Occupancy)

Stabilized Vacancy	5.0%
Expense PSF	\$12.33
Expense per Unit	\$8,986
NOI PSF	\$26.77
NOI per Unit	\$19,514
Cap. Rate (OAR)	6.19%
Expense Ratio	31.53%
EGIM	11.053
EDR (Cash on Cash)	0.000%

Remarks

The property consists of a single condominium unit on the ground floor of the Pedernales Condominiums development, which includes several commercial/live-work ground floor units and 100 residential units on the 2nd and 3rd floors. The seller held the unit as an investment, leasing it to a Tattoo Studio through 2021 at a monthly rate of \$2,500. The tenant is also responsible for utilities. The unit features an open concept with limited finishes and no deferred maintenance present on the date of sale.



Property Description

Property Type	Condominium Unit(s)
Tenancy	Single-Tenant
Investment Class	B
Construction Quality	Good
Gross Building SF	729
Net Rentable SF	729
No. of Units	1
Average Unit Size	729
Year Built	2005
Effective Age Est.	6
Building Condition	Good
Number of Stories	3
Sprinklers	None
Pkg/1,000 SF NRA	1.37
Usable Land/LtB Ratio	0.02645 Acres / 1.58:1
Flr. Area Ratio (FAR)	0.63
Density (Units/Acre)	37.81

Adjustments to the above noted sales include market conditions (date of sale), age/condition, and interior finish out. All the comparable sales are adjusted upward for market conditions through the date of completion by a factor of 3% per year. All the comparable sales are located in the subject market area and therefore exhibit overall similar locational attributes for which no adjustments are applied. Sale Nos. 2 and 4 were constructed in 2005 and were judged to be in good condition as of the dates of sale; upward adjustments are made to the comparables for age/condition when compared to the subject. Sale Nos. 1 and 3 were new as of the dates of sale for which no adjustments are made. It is the appraisers' understanding that the subject commercial condominium units are to be sold in shell condition with the buyer performing interior finish-out. Sale Nos. 1 and 3 were sold in shell condition, similar to the subject, for which no adjustments are made. Sale Nos. 2 and 4 included interior finishes as they were re-sells of formerly occupied/owned spaces; downward adjustments are applied.

Presented on the following page is a summary of the adjustments made to the sale comparables. As noted earlier, these quantitative adjustments were based on our market research, best judgment, and experience in the appraisal of similar properties.

COMPARABLE SALES ADJUSTMENT GRID

Subject		Sale # 1	Sale # 2	Sale # 3	Sale # 4
Sale ID		1558195	1549421	1558181	308863
Date of Value & Sale	August-23	August-21	May-21	November-18	May-18
Property Name	Chicon Phase II Condominiums	Angelina & 12th Commercial Condominium Unit 101	Pedernales Office-Retail Condo Unit 19	The Joyce Commercial Condo Unit	Pedernales Office-Retail Condo Unit 17
Gross Building Area	54,704 sf	1,872	738	628	729
Land Area (acres)	0.3582	0.0314	0.0267	0.0168	0.0265
Unadjusted Sales Price		\$850,000	\$392,000	\$235,000	\$315,000
Unadjusted Sales Price PSF of GBA		\$454.06	\$531.17	\$374.20	\$432.10
Transactional Adjustments					
Property Rights Conveyed	<i>Fee Simple</i>	<i>Fee Simple</i>	<i>Fee Simple</i>	<i>Fee Simple</i>	<i>Fee Simple</i>
Adjusted Sales Price		\$454.06	\$531.17	\$374.20	\$432.10
Financing Terms	<i>Cash to Seller</i>	<i>Cash to Seller</i>	<i>Cash to Seller</i>	<i>Cash to Seller</i>	<i>Cash to Seller</i>
Adjusted Sales Price		\$454.06	\$531.17	\$374.20	\$432.10
Conditions of Sale	<i>Typical</i>	<i>Arm's Length</i>	<i>Arm's Length</i>	<i>Arm's Length</i>	<i>Arm's Length</i>
Adjusted Sales Price		\$454.06	\$531.17	\$374.20	\$432.10
Expenditures after Sale					\$0
Adjustment		-	-	-	-
Adjusted Sales Price		\$454.06	\$531.17	\$374.20	\$432.10
Market Conditions Adjustments					
Elapsed Time from Date of Value		<i>1.93 years</i>	<i>2.22 years</i>	<i>4.68 years</i>	<i>5.23 years</i>
Market Trend Through	August-23	5.8%	6.7%	14.0%	15.7%
Analyzed Sales Price		\$480.41	\$566.62	\$426.77	\$499.93
Property Adjustments					
Location	<i>1309 Chicon Street</i>	<i>1322 E. 12th Street</i>	<i>2401 E. 6th Street</i>	<i>1212 Chicon Street</i>	<i>2401 E. 6th Street</i>
	<i>Austin, Texas</i>	<i>Austin, Texas</i>	<i>Austin, Texas</i>	<i>Austin, Texas</i>	<i>Austin, Texas</i>
Adjustment		-	-	-	-
Size	<i>2,209 sf</i>	<i>1,872 sf</i>	<i>738 sf</i>	<i>628 sf</i>	<i>729 sf</i>
Adjustment		-	-	-	-
Age/Condition	Year Built	<i>2022</i>	<i>2020</i>	<i>2005</i>	<i>2018</i>
	Condition	<i>Excellent (New)</i>	<i>Excellent</i>	<i>Good</i>	<i>Excellent</i>
	Economic Life	<i>55 Years</i>	<i>0 Years</i>	<i>0 Years</i>	<i>0 Years</i>
Adjustment		-	15.0%	-	15.0%
Construction Quality	<i>Good Class C - Steel Frame</i>	<i>Good Class C - Masonry</i>	<i>Good Class C - Masonry</i>	<i>Good Class C - Steel Frame</i>	<i>Good Class C - Masonry</i>
Adjustment		-	-	-	-
Interior Finish-Out	<i>Shell</i>	<i>Shell</i>	<i>Office-retail finish</i>	<i>Shell</i>	<i>Office-retail finish</i>
Adjustment		-	-25.0%	-	-25.0%
Net Physical Adjustment		-	-10.0%	-	-10.0%
Adjusted Sales Price PSF of GBA		\$480.41	\$509.95	\$426.77	\$449.94

Concluded Average Retail Price – Commercial Units

From the market data available, we used commercial condominium unit sales in competitive market areas which were adjusted based on pertinent elements of comparison. The following table summarizes the unadjusted and adjusted sale prices:

Improved Sales Statistics

Metric	Unadjusted	Analyzed	Adjusted
Minimum Sale Price per Sq. Ft.	\$374.20	\$426.77	\$426.77
Maximum Sale Price per Sq. Ft.	\$531.17	\$566.62	\$509.95
Median Sale Price per Sq. Ft.	\$443.08	\$490.17	\$465.17
Mean Sale Price per Sq. Ft.	\$447.88	\$493.43	\$466.77

Based on the adjusted prices, a unit value for the subject property commercial condominium units is near the middle of the adjusted range, or \$465.00 per square foot, or approximately \$342,395 per unit on average. The chart below outlines the estimated retail pricing of the proposed commercial condominium units.

Estimated Retail Pricing - Commercial Units

Unit	Unit Size	Unit Pricing (PSF)	Total Unit Pricing
101	788 SF	\$465.00	\$366,420
102	699 SF	\$465.00	\$325,035
103	722 SF	\$465.00	\$335,730
Total	2,209 SF		\$1,027,185
Average	736 SF		\$342,395

Unit Absorption

Numerous sources of information were consulted regarding estimating absorption of the 53 residential condominium units and the three (3) commercial condominium units. These include primarily local real estate professionals and market participants familiar with the condominium market and data provided by the Austin Board of Realtors. General statistical data is valuable in determining the overall trends and positioning along the economic cycle.

In estimating the projected absorption of the appraised condominium units, the appraisers have analyzed sales at competing condominium developments in the general market area of the appraised property. Existing competing condominium properties on the east side of Austin, to include the Chicon Gibbs, Chicon Joyce, Foundry, Angeline & 12th, Fourth&, Santa Rosa, East 7th, Eastline, Tyndall, HOM, SOL-MLK, Axiom East, etc. indicate 193 sales over the past 33 months or approximately 17 units per quarter over the past 33 months.

Similarly, according to Austin MLS, approximately 10 commercial condominium units have transacted over the past 33 months. Based on deed records, the eight (8) commercial units at the Chicon Joyce and Chicon Gibbs condominium buildings sold between June 2018 and February 2019, or over a 7-month period.

Based on the above discussion, the appraisers estimate an absorption rate of 12 residential units per quarter indicating a projected sell-out of the subject 53 residential units of 18 months or less after completion of the improvements. The appraisers estimate the sell-out of the commercial units to be one (1) commercial unit per quarter indicating a projected sell-out of the subject commercial units of 9 months or less after completion of the improvements.

Price Escalation

In metropolitan areas of Texas, most transactions include an escalation in unit pricing. Several forms of price escalation are found. Developers, in some cases, express the price increase as interest carry, which is a legitimate cost to the developer while others simply inflate the unit price over the takedown period. In the current economy, it is difficult to ascertain an appropriate escalation rate. Based on conversations with real estate professionals and market participants familiar with the Austin condominium market, pricing in the downtown and east Austin condominium market has been increasing substantially over the past several years, partially due to out-of-state buyers and a low amount of inventory; there is currently less than 1 month of available inventory in the market. As of August 2021, the median sale price of single-family homes (including condominiums) in the City of Austin was up 27% over the prior year. For the purposes of this analysis, the appraisers estimate a 5.0% escalation per year for the residential units. The estimated price escalation for the commercial units is estimated to be 3.0% per year based on a reported decrease in vacancies in the market, an increase in absorption, and a decrease in deliveries and construction over the past 12 months for retail properties in the Austin market.

Estimated Expenses

The expenses necessary to maintain and market the condominium development are deducted from gross condominium unit sale proceeds. These expenses include property taxes, homeowner association fees, and sales expenses. All expense items are deducted from the gross sale proceeds in the period in which they are expected to be incurred. Expenses are discussed as follows:

Sales Expense:

Sales/administrative costs and closing costs are estimated to total 6.0% of the gross sale proceeds per annum for the residential and commercial units. This includes sales commissions, promotion, marketing, and administrative costs, closing costs, etc. A 6.0% commission/closing cost is judged to be reasonable to pay an outside management and brokerage firm handling all administrative expenses associated with the sell-out of the development.

Ad Valorem Taxes:

Ad valorem taxes are based upon the estimate taxes applicable to the 53 residential condominium units and the three (3) commercial units. Taxes are estimated each quarter based on the estimated taxes due on the units sold on a pro rata basis per quarter. Taxes during the sell-out period total \$134,649 for residential and commercial units.

Homeowner Association Fees:

Homeowner Association fees are based upon the estimated HOA fees provided to the appraisers by the project developer. The HOA fees for condominium developments typically include common area utilities, insurance, and landscaping/trash collection. The average HOA fee per unit per year is estimated at \$1,666 for the residential units and \$4,800 for the commercial units. The HOA fees are deducted each quarter based on estimated Homeowner Association fees due on the condominium units on a pro rata basis per quarter.

Developer's Profit:

The developer's profit is the incentive and portion of the cash flow that the developer receives for his efforts and expertise in developing and marketing the project. In researching other development projects and discussing incentive requirements with land developers, it is understood that developer's profit allowance, when expressed as a percentage of gross sales, varies considerably depending upon the size, nature, and perceived risk of the development. Typically, the developer's profit allowance decreases with an increase in the size of the project. The developer's profit is essentially the desired rate of return and is not recognized until the condominium units are sold. If the condominium units sell for the desired price over the projected time frame, return or profit accrues to the developer. If demand slows or the target price is not achieved, developer's profit is reduced.

In the sell-out analysis, the risk borne by the single purchaser is attributable to the holding period and the ability to "sell-out" all condominium units within a timely manner. It is the appraisers' opinion that the appropriate developer's profit allowance for the subject property is inherent in or essentially expressed as part of the yield rate applied to the net cash flows over the holding period. This is also referred to an internal rate of return (IRR).

Total Expenses

Total expenses range from \$260,093 in the first quarter to \$74,753 in the fifth quarter with total holding costs and sales expenses over the 18-month sell-out period being \$983,805.

Net Cash Flow

The net cash flow for the sell-out of the subject proposed condominium development totals \$12,256,004.

Yield and/or Internal Rate of Return

The appraisers have referenced the *PricewaterhouseCoopers Real Estate Investor Survey*. The survey does not track internal rates of return (IRR) for the subject property type; however, the appraisers have referenced the 2nd Quarter 2021 National Development Land market indications as well as the 3rd Quarter 2021 National Apartment Market indications to derive an appropriate internal rate of return for the subject property. The *PwC* survey indicates average overall internal rates of return (IRRs) for the national development land market as of the 2nd Quarter 2021 to be 16.70% with a range of 10.00% to 25.00%; the average is 110 basis points higher than the average from six months prior. The rates exhibited by the *PwC Real Estate Investor Survey* are for unleveraged, all cash transactions including the developer's profit.

As further support for the above IRR indications, the appraisers referenced the national apartment market for 3rd Quarter 2021. The indicated average overall internal rate of return (IRR) is 6.74% with a range of 5.0% to 10.0% for institutional grade properties and 10.0% with a range of 9.0% to 11.0% for non-institutional grade properties. The average internal rate of return is relatively unchanged from the previous quarter and one year ago. The rates are for unleveraged, all-cash transactions.

After reviewing rate indicators and considering the relatively short time frame (18 months) associated with the sell-out analysis, it is concluded that the appropriate overall yield rate would be at the lower end of the range rate indicated by the national development land market and at the upper end of the range indicated by the national apartment market, say 12.0%. Investment capital would likely be attracted to the appraised property by the prospect of an approximate 12.0% discount (or yield) rate.

Income Approach Value Indication (Sell-out Analysis)

Based on our analysis, it is the appraisers' opinion that the market value of the appraised property by the Income Approach (sell-out analysis), as if sold to a single purchaser, is **\$11,320,000**, rounded. The indicated value calculates to be **\$202,143** per condominium unit (residential and commercial units).

At the client's request, the below chart outlines the aggregate value of the condominium units based on the herein estimates of market value.

Aggregate Value based on Unit Pricing

Unit Type	# of Units	Retail Pricing	Total Retail Pricing
Market	13	\$623,077	\$8,100,000
Affordable	40	\$280,050	\$11,202,000
Commercial	3	\$342,395	\$1,027,185
Total	53		\$20,330,000
Average			\$383,585

The calculations of the discounted cash flow analysis are included on the following page.

SELL-OUT ANALYSIS

Proposed Chicon II Condominiums

RESIDENTIAL ASSUMPTIONS

Total Number of Units:	53
Quarterly Absorption:	12 Units
Est. Avg. Unit Value (Residential):	\$225,340
Annual Escalation	5.0%
Annual Taxes/Unit/Year	\$4,265
HOA Fee (Unit per year)	\$1,666
Entrepreneurial Profit:	0.00% (Considered in Discount Rate)
Sales Expense:	6.0%
Discount Rate (IRR):	12.0%

COMMERCIAL ASSUMPTIONS

Total Size:	2,209 sf
Total Number of Units:	3
Quarterly Absorption:	1 Units
Average Unit Size	736 sf
Est. Value PSF:	\$465.00 psf
Est. Value Per Unit:	\$342,395
Annual Escalation	3.0%
Annual Taxes/Unit/Year	\$7,378
HOA Fee (Unit per year)	\$4,800
Sales Expense:	6.0%
Entrepreneurial Profit:	0.00% (Considered in Discount Rate)
Discount Rate (IRR):	12.0%

SELL-OUT

Quarters	1	2	3	4	5	Total
Beginning Inventory	53.0	41.0	29.0	17.0	5.0	
Number of Units Sold	12.0	12.0	12.0	12.0	5.0	53.0
Ending Unit Inventory	41.0	29.0	17.0	5.0	0.0	
Average Unit Price	\$225,340	\$228,156	\$231,008	\$233,896	\$236,820	
Gross Sales - Residential	\$2,704,075	\$2,737,876	\$2,772,100	\$2,806,751	\$1,184,098	\$12,204,901
Less:						
Sales Expense	\$162,245	\$164,273	\$166,326	\$168,405	\$71,046	\$732,294
Taxes	\$50,113	\$37,318	\$24,523	\$11,729	\$2,666	\$126,348
<u>HOA Fee</u>	<u>\$19,580</u>	<u>\$14,581</u>	<u>\$9,582</u>	<u>\$4,583</u>	<u>\$1,042</u>	\$49,368
Total Expenses	\$231,938	\$216,172	\$200,431	\$184,716	\$74,753	\$908,010
Net Cash Flow - Residential	\$2,472,138	\$2,521,705	\$2,571,669	\$2,622,035	\$1,109,345	\$11,296,891
Beginning Inventory	3.0	2.0	1.0	0.0	0.0	
Number of Units Sold	1.0	1.0	1.0	0.0	0.0	3.0
Ending Unit Inventory	2.0	1.0	0.0	0.0	0.0	
Average Unit Price	\$342,395	\$344,963	\$347,550	\$350,157	\$352,783	
Gross Sales - Commercial	\$342,395	\$344,963	\$347,550	\$0	\$0	\$1,034,908
Less:						
Sales Expense	\$20,544	\$20,698	\$20,853	\$0	\$0	\$62,094
Taxes	\$4,611	\$2,767	\$922	\$0	\$0	\$8,300
<u>HOA Fee</u>	<u>\$3,000</u>	<u>\$1,800</u>	<u>\$600</u>	<u>\$0</u>	<u>\$0</u>	\$5,400
Total Expenses	\$28,155	\$25,265	\$22,375	\$0	\$0	\$75,795
Net Cash Flow - Commercial	\$314,240	\$319,698	\$325,175	\$0	\$0	\$959,113
Total Net Cash Flow	\$2,786,378	\$2,841,403	\$2,896,844	\$2,622,035	\$1,109,345	\$12,256,004
PV Factor	0.970874	0.942596	0.915142	0.888487	0.862609	
Present Value	\$2,705,221	\$2,678,295	\$2,651,022	\$2,329,644	\$956,931	\$11,321,113
Net Present Value (Sell-Out)	\$11,320,000 (RD), or:		\$202,143 Per Unit			

Income Capitalization Approach – Mixed-Use Multi-Family

Methodology

In addition to the sell-out analysis of the appraised property condominium units, the client has requested a valuation of the proposed property as if the units were operated as a mixed-use multi-family (rental) development. It is the appraisers' understanding that if the property were to sell to an organization that plans to lease out the units, the affordable units would need to be leased at an affordable rate of 50% MFI (median family income). In this analysis, the appraisers have utilized the Income Capitalization Approach. The Income Capitalization Approach is developed by converting a projection of future installments of income into a present value by a capitalization process. There are two types of capitalization: direct capitalization and yield capitalization, more commonly known as discounted cash flow (DCF) analysis.

Income-producing properties, by nature, are developed and purchased for investment purposes, where earning power, including an income stream and return of investment, are the most critical elements affecting value. The forecast of income and selection of appropriate rate(s) are therefore important aspects of the valuation process. The steps in developing the income approach are as follows: Market Rent Analysis, Income Analysis, Vacancy Analysis, Expense Analysis, and Rate Analysis.

Application of Methodology

In this appraisal, we employed the direct capitalization method to develop an indication of market value for the subject property.

Subject Property

The following table presents the subject's unit mix.

Unit Mix

Unit Type	Number of Bedrooms	Number of Baths	Total Units	Average Unit Size	Total SF
Commercial Unit 101			1	788 sf	788 sf
Commercial Unit 102			1	699 sf	699 sf
Commercial Unit 103			1	722 sf	722 sf
One Bed/Studio	1	1	3	450 sf	1,350 sf
AFF One Bed/Studio	1	1	23	450 sf	10,350 sf
One Bed	1	1	4	604 sf	2,416 sf
AFF One Bed	1	1	15	604 sf	9,060 sf
Two Bed	2	1	6	783 sf	4,698 sf
AFF Two Bed	2	1	2	783 sf	1,566 sf
Totals			56	565 sf	31,649 sf

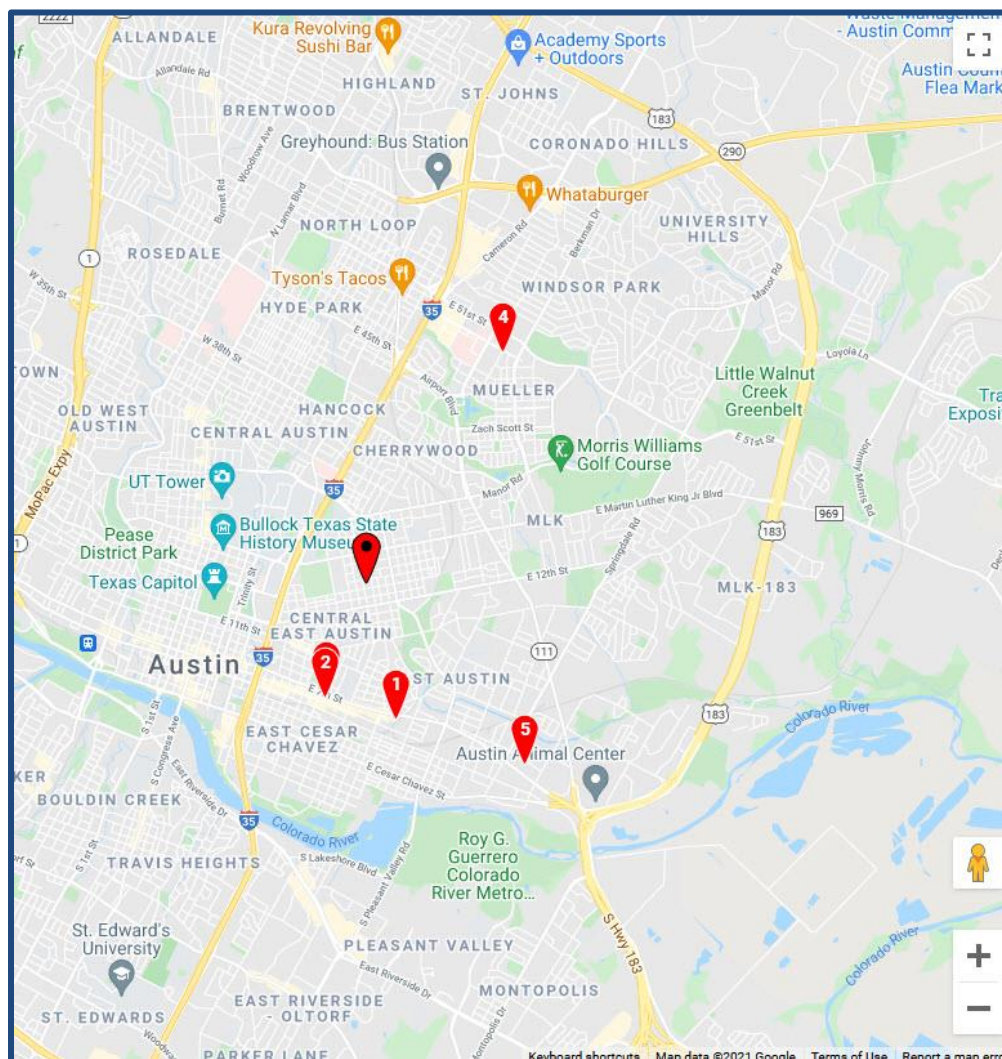
Estimate of Market Rent

To develop an opinion of market rent, we surveyed representatives of comparable and competitive properties in the local market area, focusing on apartment complexes with similar locations, size, and market appeal. We have included apartment rent comparables that were used to derive an appropriate market rent for the subject property's apartment units.

Market Rent Analysis – Multi-Family

The subject property is located in the east-central multifamily market. Rental comparables within the subject submarket were obtained from the most recent Austin Investor Interest reports, which reflect the average asking rents and occupancy rates for the selected comparables.

RENTAL COMPARABLES MAP – MULTI-FAMILY



MULTIFAMILY RENT COMPARABLE 1



Property Identification

Property Type	Mid-Rise
Property Name	E6 (Alexan E6)
Address	2400 E. 6 th Street
City, State Zip	Austin, Texas 78702
County	Travis
MSA	Austin-San Marcos

Transaction Data

Lease Status	Executed
Property Occupancy	91.0%

Property Description

Net Rentable SF	171,981	Units	208
Year Built	2018	Parking Spaces	220
Investment Class	A	Gross Acres	2.1986
Building Quality	Good - Exc.	Flr. Area Ratio (FAR)	1.80
Building Condition	Good	Land to Bldg Ratio	0.56
Stories	5		

MULTIFAMILY RENT COMPARABLE 2



Property Identification

Property Type	Mid-Rise
Property Name	The Arnold
Address	1621 E. 6 th Street
City, State Zip	Austin, Texas 78702
County	Travis
MSA	Austin-San Marcos

Transaction Data

Lease Status	Executed
Property Occupancy	95.0%

Property Description

Net Rentable SF	290,567	Units	346
Year Built	2017	Parking Spaces	300
Investment Class	A	Gross Acres	3.467
Building Quality	Good	Flr. Area Ratio (FAR)	1.92
Building Condition	Good	Land to Bldg Ratio	0.52
Stories	5		

MULTIFAMILY RENT COMPARABLE 3



Property Identification

Property Type	Mid-Rise
Property Name	Sentral East Austin
Address	1614 E. 6 th
City, State Zip	Austin, Texas 78702
County	Travis
MSA	Austin-San Marcos

Transaction Data

Lease Status	Executed
Property Occupancy	95%

Property Description

Net Rentable SF	98,252	Units	119
Year Built	2020	Parking Spaces	120
Investment Class	A	Gross Acres	0.7346
Building Quality	Good - Exc.	Flr. Area Ratio (FAR)	3.07
Building Condition	Excellent	Land to Bldg Ratio	0.33
Stories	5		

MULTIFAMILY RENT COMPARABLE 4



Property Identification

Property Type	Mid-Rise
Property Name	AML1 on Aldrich
Address	2401 Aldrich Street
City, State Zip	Austin, Texas 78723
County	Travis
MSA	Austin-San Marcos

Transaction Data

Lease Status	Executed
Property Occupancy	99.0%

Property Description

Net Rentable SF	297,440	Units	318
Year Built	2018	Parking Spaces	320
Investment Class	A	Gross Acres	4.319
Building Quality	Good - Exc.	Flr. Area Ratio (FAR)	1.58
Building Condition	Good	Land to Bldg Ratio	0.63
Stories	4		

MULTIFAMILY RENT COMPARABLE 5



Property Identification

Property Type	Mid-Rise
Property Name	Lenox 7 th
Address	4910 E. 7 th Street
City, State Zip	Austin, Texas 78702
County	Travis
MSA	Austin-San Marcos

Transaction Data

Lease Status	Executed
Property Occupancy	93.0%

Property Description

Net Rentable SF	215,606	Units	279
Year Built	2021	Parking Spaces	371
Investment Class	A	Gross Acres	4.086
Building Quality	Good - Exc.	Flr. Area Ratio (FAR)	1.21
Building Condition	Excellent	Land to Bldg Ratio	0.83
Stories	3-5		

Studio/One Bedroom Units

The subject property will include 45 studio/one bedroom units which will measure approximately 450 to 604 square feet in size (average). The chart below summarizes the comparable rental properties' efficiency and one-bedroom units.

Efficiency & One Bed Units

Property Name	Unit Type	Quantity	Avg. Rent/Month	Avg. Unit Size	Avg. \$/SF
E6 (Alexan E6)	0/1 AH 80% MFI	21	\$951	509	\$1.87
E6 (Alexan E6)	0/1 Market	10	\$1,582	509	\$3.11
E6 (Alexan E6)	1/1 Market	102	\$1,889	719	\$2.63
The Arnold	0/1 AH 80% MFI	50	\$1,007	409	\$2.46
The Arnold	0/1 Market	16	\$1,559	484	\$3.22
The Arnold	1/1 AH 80% MFI	20	\$1,007	542	\$1.86
The Arnold	1/1 Market	144	\$2,329	796	\$2.93
Candela	0/1 AH 80% MFI	9	\$1,026	434	\$2.36
Candela	0/1 Market	3	\$2,117	434	\$4.88
Candela	1/1 AH 80% MFI	11	\$1,026	558	\$1.84
Candela	1/1 Market	62	\$2,326	749	\$3.11
AML on Aldrich	1/1 AH 60% MFI	43	\$1,113	667	\$1.67
AML on Aldrich	1/1 Market	91	\$1,978	775	\$2.55
Lenox 7th	1/1 AH 80% MFI	28	\$1,292	528	\$2.45
Lenox 7th	1/1 Market	184	\$1,957	698	\$2.80
Affordable Average			\$1,060	521	\$2.04
Market Average			\$1,967	646	\$3.05

The comparable rentals outlined above indicate a range in size from 409 to 796 square feet with average quoted rental rates ranging from \$951 to \$2,329 per month with an average of \$1,544 per month and a median of \$1,559 per month. On a per square foot basis, the range is from \$1.67 to \$4.88 per square foot per month, with an average of \$2.65 and a median of \$2.55. It is noted that several of the above rental rates are based on MFIs of 60% to 80%. As noted, if the appraised property is to be leased as a multi-family development, 38 of the studio/one-bedroom units would be rented at 50% MFI. Per the City of Austin Neighborhood Housing & Austin Housing Finance Corporation, the rental rate limit for one-bedroom units is \$915 per month. When the rental rate limit is applied to the subject one-bedroom units, the resulting rate per square foot is \$2.03 for the 450 square foot units and \$1.51 for the 604 square foot units. The average affordable rate outlined above is \$2.04 per square foot per month or \$1,060 per month.

The market rates outlined above range from \$1,559 to \$2,329 per month with an average indication of \$1,967 per month. On a per square foot basis, the comparable rentals range from \$2.55 to \$4.88, with an average indication of \$3.05 per square foot per month. Based on the above discussion, the appraisers' estimate the market rental rate for the subject studio/one-bedroom units to be \$3.01 per square foot or approximately \$1,355 for the 450 square foot units and \$1,812 for the 604 square foot units.

Two-Bedroom Units

The subject property will include 8 two-bedroom units which will measure approximately 783 square feet in size. The chart below summarizes the comparable rental properties' two-bedroom units.

Two Bed Units

Property Name	Unit Type	Quantity	Avg. Rent/Month	Avg. Unit Size	Avg. \$/SF
E6 (Alexan E6)	2/2 Market	75	\$2,538	1,105	\$2.30
The Arnold	2/2 Market	116	\$3,472	1,180	\$2.94
Candela	2/1 Market	6	\$3,100	1,022	\$3.03
Candela	2/2 Market	28	\$3,213	1,227	\$2.62
AML I on Aldrich	2/2 AH 60% MFI	5	\$1,336	1,078	\$1.24
AML I on Aldrich	2/2 Market	79	\$2,929	1,242	\$2.36
Lenox 7th	2/2 Market	55	\$2,809	1,104	\$2.54
Affordable Average			\$1,336	1,078	\$1.24
Market Average			\$3,050	1,155	\$2.64

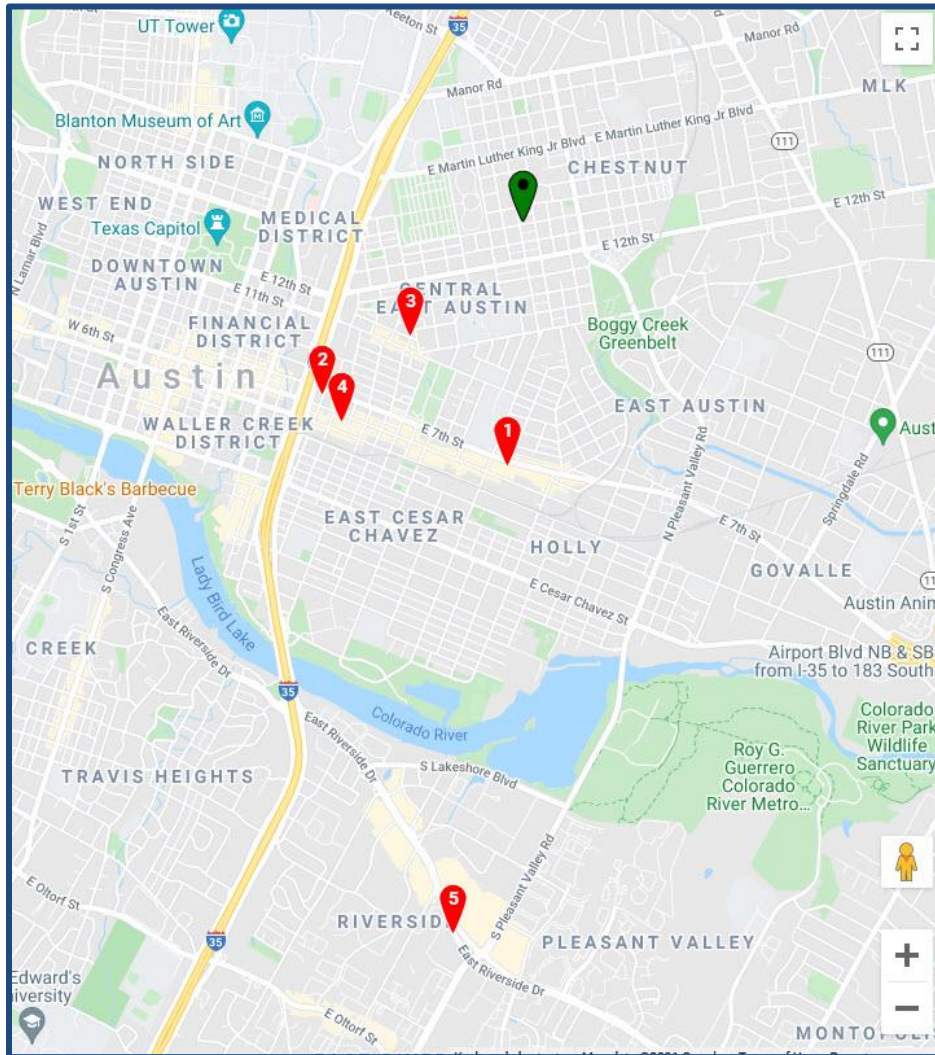
The comparable rentals outlined above indicate a range in size from 1,022 to 1,242 square feet with average quoted rental rates ranging from \$1,336 to \$3,472 per month with an average of \$2,771 per month and a median of \$2,929 per month. On a per square foot basis, the range is from \$1.24 to \$3.03 per square foot per month, with an average of \$2.43 and a median of \$2.54. It is noted that the AML I on Aldrich includes 5 units that are leased at 60% MFI or \$1,336 per month (\$1.24 per square foot per month). As noted, if the appraised property is to be leased as a multi-family development, two (2) of the two-bedroom units would be rented at 50% MFI. Per the City of Austin Neighborhood Housing & Austin Housing Finance Corporation, the rental rate limit for two-bedroom units is \$1,098 per month. When the rental rate limit is applied to the subject two-bedroom units, the resulting rate is \$1.40 per square foot.

The market rates outlined above range from \$2,538 to \$3,472 per month with an average indication of \$3,050 per month. On a per square foot basis, the comparable rentals range from \$2.30 to \$3.03, with an average indication of \$2.64 per square foot per month. Based on the above discussion, the appraisers' estimate the market rental rate for the subject two-bedroom units to be \$2.75 per square foot or approximately \$2,153 per month.



Market Rent Analysis – Commercial

The appraisers surveyed commercial rental rates in the general market area of the subject, focusing on properties with a similar mixed-use nature as the subject proposed development.

RENTAL COMPARABLES MAP – MULTI-FAMILY



COMPARABLE LEASE SUMMARY

Rental No. 1	
	Name: 2000 East Sixth
	Location: 2000 E. 6 th Street
	Size: 1,086 - 2,157 square feet (available)
	Year Built: 1948 (renovated)
	Rental Rate: \$32.00 psf, NNN
	<p>Two suites ranging from 1,086 to 2,157 square feet of creative office space available for lease at a quoted rental rate of \$32.00 per square foot per year on a triple net basis. Triple net expenses are quoted at approximately \$18.00 per square foot. 2000 East 6th is an adaptive reuse development, of an industrial warehouse, in the heart of the East 6th Street corridor. Comprised of multi-tenant creative offices, this unique property is anchored by Cuvee Coffee and adjacent to restaurants (Counter Cafe, Last Straw).</p>
Rental No. 2	
	Name: Sixth & Brushy
	Location: 900 E. 6 th Street
	Size: 1,728 square feet (available)
	Year Built: 2006
	Rental Rate: \$35.00 psf, NNN
	<p>Suite 105 measures 1,728 square feet available for lease at a quoted rental rate of \$35.00 per square foot per year on a triple net basis. Triple net expenses are quoted at approximately \$13.28 per square foot. Sixth & Brushy is an architectural presence at the gateway to the vibrant East Sixth Street corridor. Designed by The Lawrence Group, it is one of the original mixed-use developments in East Austin. The building is comprised of 16 loft-style residents, atop 6 ground-level creative office/retail spaces.</p>

Rental No. 3

Name: East Village

Location: 1200 E. 11th Street

Size: 1,040 square feet

Year Built: 2008

Rental Rate: \$30.00 psf, NNN

Suite 107 measures 1,040 square feet available for lease at a quoted rental rate of \$30.00 per square foot per year on a triple net basis. East Village, an architectural landmark designed by Bercy Chen Studio, is a mixed-use community with a location along East 11th Street corridor. East Village retail+dining neighbors include Helm Boots, Quickie Pickie, Hillside Pharmacy.

Rental No. 4

Name: Corazon

Location: 1000 E. 5th Street

Size: 1,819 square feet

Year Built: 2013

Rental Rate: \$28.00 psf, NNN

Suite 102 measures 1,819 square feet available for lease at a quoted rental rate of \$28.00 per square foot per year on a triple net basis. Triple net expenses are estimated to be \$7.50 per square foot per year. Corazon is a mixed-use development, located at the gateway to the East 6th Street corridor. The development includes 256 apartment units and 16,000 square feet of ground level retail and restaurant space.

Rental No. 5


Name: Brixton South Shore

Location: 2435 E. Riverside Drive

Size: 2,000 square feet

Year Built: 2020-2021

Rental Rate: \$32.00 psf, NNN

500-2,000 square feet available for lease at the newly developed Bixton South Shore mixed-use development. The quoted rental rate is \$32.00 per square foot per year on a triple net basis. Triple net expenses are estimated at \$8.00 per square foot per year. Brixton South Shore is a mixed-use development with 102 apartment units and 4,400 SF ground-level commercial space.

As outlined above, the comparable commercial rentals have a rental rate range of \$28.00 to \$35.00 per square foot per year on a triple net basis. Triple nets were reported to range from \$7.50 to \$18.00 per square foot per year. Considering the subject proposed location and characteristics, as compared to the rentals outlined above, it is the appraisers' opinion that an appropriate market rental rate for the subject commercial space is \$30.00 per square foot per year. Based on the herein estimates of operating expenses, the appraisers' estimate the triple net (reimbursable) expenses to be approximately \$29,200 or \$13.22 per square foot per year which is aligned with the market rentals.

Conclusion

The following table presents the subject's anticipated achievable market rents in comparison to the concluded market rents.

Market Rent Conclusions

Unit Type	Market Rent	
	Per Month	Per Square Foot
Commercial Unit 101	\$1,970	\$2.50
Commercial Unit 102	\$1,748	\$2.50
Commercial Unit 103	\$1,805	\$2.50
One Bed/Studio	\$1,355	\$3.01
AFF One Bed/Studio	\$915	\$2.03
One Bed	\$1,812	\$3.00
AFF One Bed	\$915	\$1.51
Two Bed	\$2,153	\$2.75
AFF Two Bed	\$1,098	\$1.40
Total/Average	\$1,191	\$2.11

Income Analysis

The following presents the income estimates for the subject property.

Potential Gross Rental Income

The following table presents the subject's projected/concluded market rents. The total of these indicated rents are compared on a potential rent basis.

Potential Gross Rent

Unit Type	Total Units	Average Unit Size	Market Rent per Unit	Total Market Potential Annual Rent
Commercial Unit 101	1	788 sf	\$1,970	\$23,640
Commercial Unit 102	1	699 sf	\$1,748	\$20,970
Commercial Unit 103	1	722 sf	\$1,805	\$21,660
One Bed/Studio	3	450 sf	\$1,355	\$48,780
AFF One Bed/Studio	23	450 sf	\$915	\$252,540
One Bed	4	604 sf	\$1,812	\$86,976
AFF One Bed	15	604 sf	\$915	\$164,700
Two Bed	6	783 sf	\$2,153	\$155,034
AFF Two Bed	2	783 sf	\$1,098	\$26,352
Totals	56	565 sf	\$1,191	\$800,652

Expense Reimbursement

Under triple net lease agreements, commercial tenants reimburse for their pro-rata share of taxes, insurance, common area maintenance, and management. The appraisers' have estimated the expense reimbursements for the commercial tenants to be \$29,200.

Other Income

This income category account for late fees, non-refundable administrative fees and other fees associated with the property's leasing and management operations. We estimate each unit to produce approximately \$500 per year, or \$26,500.

Vacancy & Collection Loss

The comparable rentals outlined on the previous pages indicate occupancy rates ranging from 91% to 99%, averaging 95%. Based on the subject market area vacancy rate, an estimated vacancy rate of 5% is utilized for the subject property. In addition, a 1% collection loss is applied indicating a vacancy and collection loss of 6.0% for the subject property.

Effective Gross Income (EGI)

Effective gross income consists of the income from all operations of the real property after an allowance for vacancy and collection loss has been applied. The revenue, stabilized vacancy and collection loss estimates discussed in the previously indicate a stabilized effective gross income of \$804,970.

Expense Analysis

Operating expenses represent deductions from the effective gross income that is necessary to maintain the leasing operations of the property.

Expense Comparables

Expense comparables have been compared to the subject property expenses. The following is a summary of the expense comparable data. A search for similar apartment properties with recent expense data was conducted. The following table presents the selected expense comparables.

Expense Comparables									
	Expense Comp # 1			Expense Comp # 2			Expense Comp # 3		
Period Ending	December-19			December-19			December-20		
Occupancy	92.0%			90.0%			95.0%		
Rentable Area	259,896 sf			323,223 sf			301,558 sf		
Number of Units	312 units			280 units			228 units		
	Amount	Per Unit	% of EGI	Amount	Per Unit	% of EGI	Amount	Per Unit	% of EGI
Effective Gross Income	\$5,288,344	\$16,950	100.0%	\$6,394,786	\$22,839	100.0%	\$5,738,535	\$25,169	100.0%
Operating Expenses									
General Administration	\$634,402	\$2,033	12.0%	\$295,941	\$1,057	4.6%	\$136,573	\$599	2.4%
Management	\$115,253	\$369	2.2%	\$159,247	\$569	2.5%	\$172,156	\$755	3.0%
Utilities	\$115,537	\$370	2.2%	\$256,350	\$916	4.0%	\$88,465	\$388	1.5%
Maintenance	\$121,544	\$390	2.3%	\$523,175	\$1,868	8.2%	\$152,989	\$671	2.7%
Real Estate Taxes	\$1,457,134	\$4,670	27.6%	\$1,533,567	\$5,477	24.0%	\$1,044,828	\$4,583	18.2%
Property Insurance	\$89,628	\$287	1.7%	\$73,741	\$263	1.2%	\$68,401	\$300	1.2%
Payroll	\$464,794	\$1,490	8.8%	\$610,866	\$2,182	9.6%	\$285,003	\$1,250	5.0%
Total Operating Expenses	\$2,998,292	\$9,610	56.7%	\$3,452,887	\$12,332	54.0%	\$1,948,415	\$8,546	34.0%

Subject Expense Estimates

The following expenses are estimated for the subject property.

General Administrative

The general and administrative expense for the subject is projected to be \$400 per month or approximately \$21,200 per year (2.6% of EGI).

Management Fee

Based on a review of the expense comparables and typical management expenses for multi-family properties, a management expense of 5.0% is utilized.

Utilities

Based on a review of the expense comparables, the appraisers' have estimated a utility expense of approximately \$450 per unit per year or \$23,850 annually.

Repairs & Maintenance

Based on a review of the expense comparables, the appraisers' have estimated a repairs and maintenance expense of approximately \$1,200 per unit per year or \$63,600 annually.

Real Estate Taxes

In the analysis of the subject property a multi-family rental property, the appraisers' have estimated the real estate taxes to be \$3,700 per unit per year, or \$196,100 annually which is generally aligned with the indications of the comparable expenses.

Property Insurance

In alignment with the expense comparables, a property insurance expense of \$300 per unit is projected, or \$15,900 annually.

Total Expense Estimate Comparison

The following table provides a direct comparison of the estimated total subject expense to the subject operating expenses and expense comparables without replacement reserves.

Appraiser's Stabilized Expense Estimates	Per Unit	% of EGI
General Administration	\$400	2.6%
Management	\$759	5.0%
Utilities	\$450	3.0%
Maintenance	\$1,200	7.9%
Real Estate Taxes	\$3,700	24.4%
Property Insurance	\$300	2.0%
Total Expenses	\$6,809	44.8%
Replacement Reserves	\$350	2.3%
Total Stabilized Expense Estimates	\$7,159	47.1%

The correlated operating expenses for the subject property are \$379,449 which equates to \$7,159 per unit or 47.1% of effective gross inclusive of replacement reserves. The correlated expenses are generally aligned with the expense comparables as a percentage of effective gross income.

Replacement Reserves

A replacement reserve of \$350 per unit per year is utilized and within the range of typical reserve amounts for multi-family developments.

Stabilized Net Operating Income (NOI)

Net operating income consists of the income that remains after all operating expenses are deducted from effective gross income, but before mortgage debt service and other non-periodic leasing and capital expenditures. The stabilized net operating income calculation is presented in the following table.

Stabilized Net Operating Income Schedule

Category	Per Unit	Total	% of EGI
Potential Gross Rental Income	\$13,856	\$734,382	91.2%
Potential Gross Commercial Income	\$22,090	\$66,270	8.2%
Potential Gross Non-Rental Income			
Expense Reimbursements	\$9,733	\$29,200	3.6%
Other Income	\$500	\$26,500	3.3%
Plus: Total Potential Gross Non-Rental Income	\$1,051	\$55,700	6.9%
Potential Gross Income (PGI)	\$16,158	\$856,352	106.4%
Vacancy and Collection Loss			
Less: Rental Vacancy	5.0%	\$42,818	5.3%
Less: Collection Loss	1.0%	\$8,564	1.1%
Less: Total Vacancy and Collection Loss	\$969	\$51,382	6.4%
Effective Gross Income (EGI)	\$15,188	\$804,970	100.0%
Operating Expenses			
General Administration	\$400	\$21,200	2.6%
Management	\$759	\$40,249	5.0%
Utilities	\$450	\$23,850	3.0%
Maintenance	\$1,200	\$63,600	7.9%
Real Estate Taxes	\$3,700	\$196,100	24.4%
Property Insurance	\$300	\$15,900	2.0%
Replacement Reserves	\$350	\$18,550	2.3%
Less: Total Operating Expenses	\$7,159	\$379,449	47.1%
Stabilized Net Operating Income (NOI)	\$8,029	\$425,521	52.9%

Rate Analysis

Capitalization of the net operating income and/or cash flow stream is completed through the development and use of the appropriate direct (overall), terminal, and/or yield capitalization rates, discussed as follows:

Overall Capitalization Rate (OAR)

Capitalization of the net operating income and/or cash flow stream is completed through the development and use of the appropriate direct (overall), terminal, and/or yield capitalization rates, discussed as follows:

Market

The overall capitalization rates exhibited by comparable sales are presented in the following table:

Market Overall Capitalization Rate (OAR) Comparables

Comp. No.	Date of Sale	Property Name	Location	Year Built	Occupancy at Time of Sale	Stabilized Occupancy	Stabilized OAR
1	June-20	Bexley Wolf Ranch	2300 Wolf Ranch Parkway Georgetown, Texas	2018	90.0%	93.0%	4.75%
2	June-20	Retreat at Wolf Ranch	2323 Wolf Ranch Parkway Georgetown, Texas	2017	93.0%	93.0%	4.71%
3	October-19	Windsor Burnet	10301 Burnet Rd. Austin, Texas	2018	90.0%	92.0%	4.68%
4	October-19	Crestview Commons	801 Sugaree St. Austin, Texas	2018	91.0%	94.5%	4.80%
5	August-19	Estancia Villas	1200 Estancia Parkway Austin, Texas	2017	97.0%	93.0%	4.56%
6	July-19	Abacus	304 E William Cannon Dr. Austin, Texas	2014	93.0%	94.6%	4.83%
7	May-19	Alexan East	2400 E 6th St. Austin, Texas	2018	91.0%	94.5%	4.62%
8	May-19	Camden Rainey Street Apartments	91 Rainey Street Austin, Texas	2016	95.0%	95.0%	5.31%
9	October-18	The Arnold	1621 E 6th St Austin, Texas	2016	95.0%	95.0%	5.00%
Mean							4.81%

The OAR comparables range from 4.56% to 5.31%, with an indicated average of 4.81%. It is noted that overall rates have shown a declining trend over the past several years. The OAR comparables are located throughout the Austin MSA and do not reflect the inclusion of replacement reserves or a management fee. A concluded overall capitalization rate for the subject within the range of the OAR comparables can be expected.

Investor Surveys

The following table illustrates anticipated overall capitalization rates as published by the investor surveys:

Investor Surveys - Overall Capitalization Rates

Survey (Nat'l unless noted)	Date	Rate Range		Average
PwC Apartment Market	2Q21	3.50%	to 7.00%	4.96%
RERC Apartment Market	2Q21	3.50%	to 5.80%	4.50%
RR Apartments	2Q21	4.00%	to 11.99%	7.95%
<i>Source: RealtyRates.com™, RERC & PwC</i>		Average	3.67% to 8.26%	5.80%

The various national surveys indicate overall rates for apartments to range from 3.67% to 8.26%, averaging 5.80%.

Overall Capitalization Rate Conclusion

Based on our analysis of the foregoing, we conclude an overall rate of 4.75% in the analysis.

Lease-Up Discount

The prospective market value conclusion is based on operations at stabilized occupancy. Therefore, a lease-up discount was necessary to reflect the prospective upon completion fee simple market value indication. To achieve stabilized occupancy, approximately 51 units (53 residential units and 3 commercial units) must be absorbed.

Given the location, physical characteristics of the subject property and current market conditions, it is not reasonable to assume the subject property would capture substantially more than its fair share of absorption. The market data reviewed provides limited support for an orderly absorption and our observations indicate absorption to be positive in recent quarters. Based on the performance of the subject property's submarket, an absorption of 12 units per month was projected and is reflected in the calculations below.

As presented in the following tables, the calculations resulted in a lease-up adjustment of \$150,000.

Assumptions	
Total Units	56
Stabilized Occupancy	95.0%
Stabilized Units	53
Less: Pre-Leased/Occupied Units	0
Remaining Units until Stabilization	53
Absorption Start Date	August 2023
Units per Month	12
Leasing Commission	5.0%
Average Monthly Rent	\$1,191
Inflationary Rate per Fiscal Year	5.0%
Discount Factor	12.00%

Our lease-up discount does not consider any additional credit loss as the lease-up period is less than the typical lease term at the subject and we do not anticipate credit loss during this period of time.

Lease-Up Calculation

Period	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24
Total Available Units	53	53	53	53	53
Preleased Units	0	0	0	0	0
Absorbed Units	12	12	12	12	5
Vacant Units	41	29	17	5	0
Occupied Units	12	24	36	48	53
Occupancy	22.6%	45.3%	67.9%	90.6%	100.0%
Remaining Units to Stabilize	41	29	17	5	0
Average Monthly Rent	\$1,196	\$1,196	\$1,196	\$1,196	\$1,196
Total Rent Loss	\$49,053	\$34,696	\$20,339	\$5,982	\$0
Expenses During Stabilization Period					
Leasing Commissions	\$8,614	\$8,614	\$8,614	\$8,614	\$3,589
Period Loss					
Discount Factor	0.9901	0.9803	0.9706	0.9610	0.9515
Discounted Amount	\$57,096	\$42,457	\$28,102	\$14,027	\$3,415
Present Value Lease-Up Costs	\$145,096				
Rounded	\$150,000				

Direct Capitalization Conclusions

Prospective As Complete/Stabilized Fee Simple Market Value Indication

Following this discussion is the direct capitalization model that formed the basis of our value conclusions via the direct capitalization technique. As previously discussed, we estimated a stabilized occupancy of 95% with an additional 1% for potential credit loss. Using the estimated overall capitalization rate of 4.75% indicated a preliminary prospective as complete/stabilized fee simple market value indication of \$8,960,000.

Lease-Up Discount

The lease-up discount of \$150,000 was deducted from the preliminary value estimate. The direct capitalization calculation is presented as follows:

Direct Capitalization Technique Value Indication	
Stabilized Net Operating Income (NOI)	\$425,521
Divided by Overall Capitalization Rate	÷ 4.75%
Prospective As Complete/Stabilized Fee Simple Market Value Indication	\$8,960,000
Less Lease-Up Discount:	\$150,000
As Complete/Stabilized Fee Simple Market Value Indication	\$8,810,000

Considering the previously concluded value of the appraised property by the Cost Approach of \$10,930,000, the proposed project does not indicate feasibility as a for-rent multi-family property.

Reconciliation

Summary of Value Indications

The indicated values from the approaches used and our concluded market values for the subject property are summarized in the following table.

Value Indications

Approach to Value	As Is	Prospective As Complete/Stabilized (Condominium)	Prospective As Complete (Multifamily)
Land Only - Sales Comparison	\$1,480,000		
Cost	N/A	\$10,930,000	Not developed
Sales Comparison	N/A	N/A	Not developed
Income Capitalization	N/A	\$11,320,000	\$8,810,000

Value Conclusions

Component	As Is	Prospective As Complete/Stabilized (Condominium)	Prospective As Complete (Multifamily)
Value Type	Market Value	Market Value	Market Value
Property Rights Appraised	Fee Simple	Fee Simple	Fee Simple
Effective Date of Value	October 6, 2021	August 1, 2023	August 1, 2023
Value Conclusions			
Value Conclusion	\$1,480,000	\$11,320,000	\$8,810,000
	\$94.86 psf	\$202,143 per unit	\$157,321 per unit

To reach a final opinion of value, we considered the reliability and relevance of each value indication based upon the quality of the data and applicability of the assumptions underlying each approach. Given the availability and reliability of data within the Income Approach, we gave this approach primary weight in arriving at our final value conclusions. Furthermore, multifamily properties such as the subject property are typically purchased by owner-occupant, who primarily rely upon the methods employed by the Income Approach.

Our findings and conclusions are further contingent upon the following extraordinary assumptions and/or hypothetical conditions which might have affected the assignment results:

Extraordinary Assumptions:

- The 'as complete' appraisal analysis assumes that the building improvements are constructed and completed in accordance with the building specifications provided to the appraisers. Building plans/specifications and detailed cost estimates were provided to the appraisers by the property developer, Chestnut Neighborhood Revitalization Corporation. Architectural plans were prepared by KRDB Architects. The appraisers have relied upon the information prepared by these professionals.
- It is assumed that construction of the improvements will commence in the near term such that the appraisers' anticipated prospective date of completion and stabilization is reasonable. Based on discussions with the development, construction is expected to commence in February 2022 and will take approximately 16-18 months. Therefore, the appraisers estimate the 'as complete' date of value to be August 1, 2023; the 'as complete' value is based upon condominium sell-out assumptions discussed in a proceeding section of this report.
- This appraisal assumes that the appraised property will be subject to a condominium declaration. As of the date of value and report preparation, the appraisers were not provided with a condominium declaration for the subject property. The appraisers have estimated HOA fees for the residential and commercial units based on market data. The use of the above extraordinary assumption might have affected assignment results.

Hypothetical Conditions:

- None

Exposure Time and Marketing Period

Investor Surveys - Marketing Time

Survey (Nat'l unless noted)	Date	Range (Mos.)			Average
PwC Apartment Market	2Q21	1.0	to	12.0	4.4
RERC Apartment Market	2Q21	---	to	---	4.7
<i>Source: RERC & PwC</i>		Average	1.0	to	12.0
					4.6

Based on statistical information about days on market, escrow length, and marketing times gathered through national investor surveys, sales verification, and interviews of market participants, marketing and exposure time estimates of 12 months or less are considered reasonable and appropriate for the subject property.

Hypothetical Value Scenario

At the request of the client for underwriting purposes, we have provided a Hypothetical Value of the subject condominium units as if 25 residential units and 1 commercial unit are sold, prior to completion of construction. Based on the average residential condominium pricing estimated herein of \$225,340 and the estimated average commercial condominium pricing of \$342,395, the total presale proceeds equate to \$5,975,886. As is typical in the market, pre-sold units are discounted by 10% to 15% as incentive to buyers. As we anticipate the subject units to be in high demand, we have applied a 10% discount to \$5,975,886 for a total presale proceeds of \$5,380,000, rounded. Our calculations for the balance of the units to be sold are as follows:

SELL-OUT ANALYSIS						
Proposed Chicon II Condominiums						
RESIDENTIAL ASSUMPTIONS						
Total Number of Units:	28					
Quarterly Absorption:	12 Units					
Est. Avg. Unit Value (Residential):	\$225,340					
Annual Escalation	5.0%					
Annual Taxes/Unit/Year	\$4,265					
HOA Fee (Unit per year)	\$1,666					
Entrepreneurial Profit:	0.00% (Considered in Discount Rate)					
Sales Expense:	6.0%					
Discount Rate (IRR):	12.0%					
COMMERCIAL ASSUMPTIONS						
Total Size:	2,209 sf					
Total Number of Units:	2					
Quarterly Absorption:	1 Units					
Average Unit Size	736 sf					
Est. Value PSF:	\$465.00 psf					
Est. Value Per Unit:	\$342,395					
Annual Escalation	3.0%					
Annual Taxes/Unit/Year	\$7,378					
HOA Fee (Unit per year)	\$4,800					
Sales Expense:	6.0%					
Entrepreneurial Profit:	0.00% (Considered in Discount Rate)					
Discount Rate (IRR):	12.0%					
SELL-OUT						
Quarters	1	2	3	4	5	Total
Beginning Inventory	28.0	16.0	4.0	0.0	0.0	
Number of Units Sold	12.0	12.0	4.0	0.0	0.0	28.0
Ending Unit Inventory	16.0	4.0	0.0	0.0	0.0	
Average Unit Price	\$225,340	\$228,156	\$231,008	\$233,896	\$236,820	
Gross Sales - Residential	\$2,704,075	\$2,737,876	\$924,033	\$0	\$0	\$6,365,985
Less:						
Sales Expense	\$162,245	\$164,273	\$55,442	\$0	\$0	\$381,959
Taxes	\$23,457	\$10,662	\$2,132	\$0	\$0	\$36,252
HOA Fee	\$9,165	\$4,166	\$833	\$0	\$0	\$14,165
Total Expenses	\$194,867	\$179,101	\$58,408	\$0	\$0	\$432,375
Net Cash Flow - Residential	\$2,509,209	\$2,558,775	\$865,626	\$0	\$0	\$5,933,610
Beginning Inventory	2.0	1.0	0.0	0.0	0.0	
Number of Units Sold	1.0	1.0	0.0	0.0	0.0	2.0
Ending Unit Inventory	1.0	0.0	0.0	0.0	0.0	
Average Unit Price	\$342,395	\$344,963	\$347,550	\$350,157	\$352,783	
Gross Sales - Commercial	\$342,395	\$344,963	\$0	\$0	\$0	\$687,358
Less:						
Sales Expense	\$20,544	\$20,698	\$0	\$0	\$0	\$41,241
Taxes	\$2,767	\$922	\$0	\$0	\$0	\$3,689
HOA Fee	\$1,800	\$600	\$0	\$0	\$0	\$2,400
Total Expenses	\$25,110	\$22,220	\$0	\$0	\$0	\$47,331
Net Cash Flow - Commercial	\$317,285	\$322,743	\$0	\$0	\$0	\$640,027
Total Net Cash Flow	\$2,826,493	\$2,881,518	\$865,626	\$0	\$0	\$6,573,637
PV Factor	0.970874	0.942596	0.915142	0.888487	0.862609	
Present Value	\$2,744,168	\$2,716,107	\$792,170	\$0	\$0	\$6,252,446
Net Present Value (Sell-Out)	\$6,250,000 (RD), or:		\$208,333 Per Unit			
Plus: Pre-sold unit proceeds	\$5,380,000		\$207,679 Per Unit			
	\$11,630,000					

General Assumptions and Limiting Conditions

This appraisal is subject to the following general assumptions and limiting conditions:

1. The legal description – if furnished to us – is assumed to be correct.
2. No responsibility is assumed for legal matters, questions of survey or title, soil or subsoil conditions, engineering, availability or capacity of utilities, or other similar technical matters. The appraisal does not constitute a survey of the property appraised. All existing liens and encumbrances have been disregarded and the property is appraised as though free and clear, under responsible ownership and competent management unless otherwise noted.
3. Unless otherwise noted, the appraisal will value the property as though free of contamination. Valbridge Property Advisors | Austin will conduct no hazardous materials or contamination inspection of any kind. It is recommended that the client hire an expert if the presence of hazardous materials or contamination poses any concern.
4. The stamps and/or consideration placed on deeds used to indicate sales are in correct relationship to the actual dollar amount of the transaction.
5. Unless otherwise noted, it is assumed there are no encroachments, zoning violations or restrictions existing in the subject property.
6. The appraiser is not required to give testimony or attendance in court by reason of this appraisal, unless previous arrangements have been made.
7. Unless expressly specified in the engagement letter, the fee for this appraisal does not include the attendance or giving of testimony by Appraiser at any court, regulatory or other proceedings, or any conferences or other work in preparation for such proceeding. If any partner or employee of Valbridge Property Advisors | Austin is asked or required to appear and/or testify at any deposition, trial, or other proceeding about the preparation, conclusions or any other aspect of this assignment, client shall compensate Appraiser for the time spent by the partner or employee in appearing and/or testifying and in preparing to testify according to the Appraiser's then current hourly rate plus reimbursement of expenses.
8. The values for land and/or improvements, as contained in this report, are constituent parts of the total value reported and neither is (or are) to be used in making a summation appraisal of a combination of values created by another appraiser. Either is invalidated if so used.
9. The dates of value to which the opinions expressed in this report apply are set forth in this report. We assume no responsibility for economic or physical factors occurring at some point at a later date, which may affect the opinions stated herein. The forecasts, projections, or operating estimates contained herein are based on current market conditions and anticipated short-term supply and demand factors and are subject to change with future conditions. Appraiser is not responsible for determining whether the date of value requested by Client is appropriate for Client's intended use.
10. The sketches, maps, plats and exhibits in this report are included to assist the reader in visualizing the property. The appraiser has made no survey of the property and assumed no responsibility in connection with such matters.
11. The information, estimates and opinions, which were obtained from sources outside of this office, are considered reliable. However, no liability for them can be assumed by the appraiser.

12. Possession of this report, or a copy thereof, does not carry with it the right of publication. Neither all, nor any part of the content of the report, or copy thereof (including conclusions as to property value, the identity of the appraisers, professional designations, reference to any professional appraisal organization or the firm with which the appraisers are connected), shall be disseminated to the public through advertising, public relations, news, sales, or other media without prior written consent and approval.
13. No claim is intended to be expressed for matters of expertise that would require specialized investigation or knowledge beyond that ordinarily employed by real estate appraisers. We claim no expertise in areas such as, but not limited to, legal, survey, structural, environmental, pest control, mechanical, etc.
14. This appraisal was prepared for the sole and exclusive use of the client for the function outlined herein. Any party who is not the client or intended user identified in the appraisal or engagement letter is not entitled to rely upon the contents of the appraisal without express written consent of Valbridge Property Advisors | Austin and Client. The Client shall not include partners, affiliates, or relatives of the party addressed herein. The appraiser assumes no obligation, liability, or accountability to any third party.
15. Distribution of this report is at the sole discretion of the client, but third parties not listed as an intended user on the face of the appraisal, or the engagement letter may not rely upon the contents of the appraisal. In no event shall client give a third-party a partial copy of the appraisal report. We will make no distribution of the report without the specific direction of the client.
16. This appraisal shall be used only for the function outlined herein, unless expressly authorized by Valbridge Property Advisors | Austin.
17. This appraisal shall be considered in its entirety. No part thereof shall be used separately or out of context.
18. Unless otherwise noted in the body of this report, this appraisal assumes that the subject property does not fall within the areas where mandatory flood insurance is effective. Unless otherwise noted, we have not completed, nor have we contracted to have completed an investigation to identify and/or quantify the presence of non-tidal wetland conditions on the subject property. Because the appraiser is not a surveyor, he or she makes no guarantees, express or implied, regarding this determination.
19. The flood maps are not site specific. We are not qualified to confirm the location of the subject property in relation to flood hazard areas based on the FEMA Flood Insurance Rate Maps or other surveying techniques. It is recommended that the client obtain a confirmation of the subject property's flood zone classification from a licensed surveyor.
20. If the appraisal is for mortgage loan purposes 1) we assume satisfactory completion of improvements if construction is not complete, 2) no consideration has been given for rent loss during rent-up unless noted in the body of this report, and 3) occupancy at levels consistent with our "Income and Expense Projection" are anticipated.
21. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.

22. Our inspection included an observation of the land and improvements thereon only. It was not possible to observe conditions beneath the soil or hidden structural components within the improvements. We inspected the buildings involved, and reported damage (if any) by termites, dry rot, wet rot, or other infestations as a matter of information, and no guarantee of the amount or degree of damage (if any) is implied. Condition of heating, cooling, ventilation, electrical and plumbing equipment is considered to be commensurate with the condition of the balance of the improvements unless otherwise stated. Should the client have concerns in these areas, it is the client's responsibility to order the appropriate inspections. The appraiser does not have the skill or expertise to make such inspections and assumes no responsibility for these items.
23. This appraisal does not guarantee compliance with building code and life safety code requirements of the local jurisdiction. It is assumed that all required licenses, consents, certificates of occupancy or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value conclusion contained in this report is based unless specifically stated to the contrary.
24. When possible, we have relied upon building measurements provided by the client, owner, or associated agents of these parties. In the absence of a detailed rent roll, reliable public records, or "as-built" plans provided to us, we have relied upon our own measurements of the subject improvements. We follow typical appraisal industry methods; however, we recognize that some factors may limit our ability to obtain accurate measurements including, but not limited to, property access on the day of inspection, basements, fenced/gated areas, grade elevations, greenery/shrubbery, uneven surfaces, multiple story structures, obtuse or acute wall angles, immobile obstructions, etc. Professional building area measurements of the quality, level of detail, or accuracy of professional measurement services are beyond the scope of this appraisal assignment.
25. We have attempted to reconcile sources of data discovered or provided during the appraisal process, including assessment department data. Ultimately, the measurements that are deemed by us to be the most accurate and/or reliable are used within this report. While the measurements and any accompanying sketches are considered to be reasonably accurate and reliable, we cannot guarantee their accuracy. Should the client desire more precise measurement, they are urged to retain the measurement services of a qualified professional (space planner, architect or building engineer) as an alternative source. If this alternative measurement source reflects or reveals substantial differences with the measurements used within the report, upon request of the client, the appraiser will submit a revised report for an additional fee.
26. In the absence of being provided with a detailed land survey, we have used assessment department data to ascertain the physical dimensions and acreage of the property. Should a survey prove this information to be inaccurate, upon request of the client, the appraiser will submit a revised report for an additional fee.
27. If only preliminary plans and specifications were available for use in the preparation of this appraisal, and a review of the final plans and specifications reveals substantial differences upon request of the client the appraiser will submit a revised report for an additional fee.

28. Unless otherwise stated in this report, the value conclusion is predicated on the assumption that the property is free of contamination, environmental impairment, or hazardous materials. Unless otherwise stated, the existence of hazardous material was not observed by the appraiser and the appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation or other potentially hazardous materials may affect the value of the property. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required for discovery. The client is urged to retain an expert in this field, if desired.
29. The Americans with Disabilities Act ("ADA") became effective January 26, 1992. We have not made a specific compliance survey of the property to determine if it is in conformity with the various requirements of the ADA. It is possible that a compliance survey of the property, together with an analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this could have a negative effect on the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible noncompliance with the requirements of ADA in developing an opinion of value.
30. This appraisal applies to the land and building improvements only. The value of trade fixtures, furnishings, and other equipment, or subsurface rights (minerals, gas, and oil) were not considered in this appraisal unless specifically stated to the contrary.
31. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated, unless specifically stated to the contrary.
32. Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute prediction of future operating results. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance.
33. Any estimate of insurable value, if included within the scope of work and presented herein, is based upon figures developed consistent with industry practices. However, actual local and regional construction costs may vary significantly from our estimate and individual insurance policies and underwriters have varied specifications, exclusions, and non-insurable items. As such, we strongly recommend that the Client obtain estimates from professionals experienced in establishing insurance coverage. This analysis should not be relied upon to determine insurance coverage and we make no warranties regarding the accuracy of this estimate.
34. The data gathered in the course of this assignment (except data furnished by the Client) shall remain the property of the Appraiser. The appraiser will not violate the confidential nature of the appraiser-client relationship by improperly disclosing any confidential information furnished to the appraiser. Notwithstanding the foregoing, the Appraiser is authorized by the client to disclose all or any portion of the appraisal and related appraisal data to appropriate representatives of the Appraisal Institute if such disclosure is required to enable the appraiser to comply with the Bylaws and Regulations of such Institute now or hereafter in effect.

35. You and Valbridge Property Advisors | Austin both agree that any dispute over matters in excess of \$5,000 will be submitted for resolution by arbitration. This includes fee disputes and any claim of malpractice. The arbitrator shall be mutually selected. If Valbridge Property Advisors | Austin and the client cannot agree on the arbitrator, the presiding head of the Local County Mediation & Arbitration panel shall select the arbitrator. Such arbitration shall be binding and final. In agreeing to arbitration, we both acknowledge that, by agreeing to binding arbitration, each of us is giving up the right to have the dispute decided in a court of law before a judge or jury. In the event that the client, or any other party, makes a claim against Valbridge Property Advisors | Austin or any of its employees in connections with or in any way relating to this assignment, the maximum damages recoverable by such claimant shall be the amount actually received by Valbridge Property Advisors | Austin for this assignment, and under no circumstances shall any claim for consequential damages be made.
36. Valbridge Property Advisors | Austin shall have no obligation, liability, or accountability to any third party. Any party who is not the "client" or intended user identified on the face of the appraisal or in the engagement letter is not entitled to rely upon the contents of the appraisal without the express written consent of Valbridge Property Advisors | Austin. "Client" shall not include partners, affiliates, or relatives of the party named in the engagement letter. Client shall hold Valbridge Property Advisors | Austin and its employees harmless in the event of any lawsuit brought by any third party, lender, partner, or part-owner in any form of ownership or any other party as a result of this assignment. The client also agrees that in case of lawsuit arising from or in any way involving these appraisal services, client will hold Valbridge Property Advisors | Austin harmless from and against any liability, loss, cost, or expense incurred or suffered by Valbridge Property Advisors | Austin in such action, regardless of its outcome.
37. The Valbridge Property Advisors office responsible for the preparation of this report is independently owned and operated by Valbridge Property Advisors | Austin. Neither Valbridge Property Advisors, Inc., nor any of its affiliates has been engaged to provide this report. Valbridge Property Advisors, Inc. does not provide valuation services, and has taken no part in the preparation of this report.
38. If any claim is filed against any of Valbridge Property Advisors, Inc., a Florida Corporation, its affiliates, officers or employees, or the firm providing this report, in connection with, or in any way arising out of, or relating to, this report, or the engagement of the firm providing this report, then (1) under no circumstances shall such claimant be entitled to consequential, special or other damages, except only for direct compensatory damages, and (2) the maximum amount of such compensatory damages recoverable by such claimant shall be the amount actually received by the firm engaged to provide this report.
39. This report and any associated work files may be subject to evaluation by Valbridge Property Advisors, Inc., or its affiliates, for quality control purposes.
40. Acceptance and/or use of this appraisal report constitutes acceptance of the foregoing general assumptions and limiting conditions.
41. The global outbreak of a "novel coronavirus" (known as COVID-19) was officially declared a pandemic by the World Health Organization (WHO). It is currently unknown what direct, or indirect, effect, if any, this event may have on the national economy, the local economy or the market in which the subject property is located. The reader is cautioned and reminded that the conclusions presented in this appraisal report apply only as of the effective date(s) indicated. The appraiser makes no representation as to the effect on the subject property of this event, or any event, subsequent to the effective date of the appraisal.

Certification – T. Jordan Sale, MAI

I certify that, to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. The undersigned T. Jordan Sale, MAI has not performed any services regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
5. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. My 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 value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
9. T. Jordan Sale, MAI made a personal inspection of the property that is the subject of this report.
10. No one provided significant real property appraisal assistance to the person signing this certification, unless otherwise noted.
11. The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
12. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
13. As of the date of this report, I, T. Jordan Sale, MAI have completed the continuing education program for Designated Members of the Appraisal Institute.



T. Jordan Sale, MAI
Director
State Certified General
Real Estate Appraiser
TX-1338161-G

Certification – Mary E. Douglas, MAI

I certify that, to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. The undersigned, Mary E. Douglas, MAI, has not performed services regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
5. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. My 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 value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
9. Mary E. Douglas, MAI has not personally inspected the subject property.
10. No one provided significant real property appraisal assistance to the person signing this certification, unless otherwise noted.
11. The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
12. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
13. As of the date of this report, I, Mary E. Douglas, MAI have completed the continuing education program for Designated Members of the Appraisal Institute.



Mary E. Douglas, MAI
Director
State Certified General
Real Estate Appraiser
TX-1380326-G

Addenda

Letter of Engagement

Glossary

Qualifications

- Jordan Sale, MAI - Director
- Mary Douglas, MAI - Director

Information on Valbridge Property Advisors

Office Locations

Letter of Engagement



901 Mopac Expressway South
Suite 300
Austin, Texas 78746
(737) 242-8585 phone
www.valbridge.com

September 10, 2021

T. Jordan Sale, MAI
jsale@valbridge.com

Capital Impact Partners
Cheryl Ferguson
Senior Closing Administrator
CFerguson@capitalimpact.org
1400 Crystal Drive, Suite 500
Arlington, VA 22202

Dear Ms. Ferguson:

This letter will outline my proposal to complete a market value appraisal "As Is" and "Upon Completion" of the fee simple interest for the proposed Chicon – Phase II, located at E. 14th Street and Chicon St., Austin, TX 78702. The property is a 0.35-acre tract of vacant land which will be improved with 53 residential condominium units totaling 55,200 square feet. There will be 2,200 square feet of ground level commercial space. In addition to the market value "Upon Completion", we will provide a hypothetical market value "As Stabilized", with the same effective date of value "Upon Completion", as a rental property. This will be based on 13 market-oriented units and 40 affordable units at <80% MFI. The purpose of the appraisal is for loan underwriting and-or credit decisions by the client, Capital Impact Partners who is also the sole intended user. The effective date of the appraisal will be our date of inspection and then an appropriate future date as indicated by a designated property contact, or related party. The fee for the assignment is \$5,500 and we will deliver the report on or before October 7, 2021.

If you are in agreement with the terms and conditions outlined herein, please acknowledge accordingly by signing and returning a copy of this letter for our files.

We appreciate the opportunity to be of service and look forward to working with you on this assignment.

Respectfully submitted,

Valbridge Property Advisors | Austin



T. Jordan Sale, MAI
Director
State Certified General
Real Estate Appraiser
TX-1338161-G

San Antonio • Austin • Corpus Christi • Laredo • Rio Grande Valley • Victoria • Midland/Odessa • El Paso • Texas Hill Country
Temple/Killeen/Fort Hood



Agreed and Accepted
Ms. Cheryl Ferguson

Kristofor Johnston

Signature

Title

Name (type or print)

Sep 10, 2021

Date

Glossary

Definitions are taken from The Dictionary of Real Estate Appraisal, 6th Edition (Dictionary), the Uniform Standards of Professional Appraisal Practice (USPAP), and Building Owners and Managers Association International (BOMA).

Absolute Net Lease

A lease in which the tenant pays all expenses including structural maintenance, building reserves, and management; often a long-term lease to a credit tenant. (Dictionary)

Amortization

The process of retiring a debt or recovering a capital investment, typically through scheduled, systematic repayment of the principal; a program of periodic contributions to a sinking fund or debt retirement fund. (Dictionary)

As Is Market Value

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date. (Dictionary)

Base Rent

The minimum rent stipulated in a lease. (Dictionary)

Base Year

The year on which escalation clauses in a lease are based. (Dictionary)

Building Common Area

In office buildings, the areas of the building that provide services to building tenants but which are not included in the office area or store area of any specific tenant. These areas may include, but shall not be limited to, main and auxiliary lobbies, atrium spaces at the level of the finished floor, concierge areas or security desks, conference rooms, lounges or vending areas, food service facilities, health or fitness centers, daycare facilities, locker or shower facilities, mail rooms, fire control rooms, fully enclosed courtyards outside the exterior walls, and building core and service areas such as fully enclosed mechanical or equipment rooms. Specifically excluded from building common area are floor common areas, parking space, portions of loading docks outside the building line, and major vertical penetrations. (BOMA)

Building Rentable Area

The sum of all floor rentable areas. Floor rentable area is the result of subtracting from the gross measured area of a floor the major vertical penetrations on that same floor. It is generally fixed for the life of the building and is rarely affected by changes in corridor size or configuration. (BOMA)

Bulk Value

The value of multiple units, subdivided plots, or properties in a portfolio as though sold together in a single transaction.

Certificate of Occupancy (COO)

A formal written acknowledgment by an appropriate unit of local government that a new construction or renovation project is at the stage where it meets applicable health and safety codes and is ready for commercial or residential occupancy. (Dictionary)

Common Area Maintenance (CAM)

The expense of operating and maintaining common areas; may or may not include management charges and usually does not include capital expenditures on tenant improvements or other improvements to the property. (Dictionary)

The amount of money charged to tenants for their shares of maintaining a [shopping] center's common area. The charge that a tenant pays for shared services and facilities such as electricity, security, and maintenance of parking lots. Items charged to common area maintenance may include cleaning services, parking lot sweeping and maintenance, snow removal, security and upkeep. (ICSC – International Council of Shopping Centers, 4th Ed.)

Condominium

A multiunit structure, or a unit within such a structure, with a condominium form of ownership. (Dictionary)

Conservation Easement

An interest in real estate restricting future land use to preservation, conservation, wildlife habitat, or some combination of those uses. A conservation easement may permit farming, timber harvesting, or other uses of a rural nature as well as some types of conservation-oriented development to continue, subject to the easement. (Dictionary)

Contributory Value

A type of value that reflects the amount a property or component of a property contributes to the value of another asset or to the property as a whole.

The change in the value of a property as a whole, whether positive or negative, resulting from the addition or deletion of a property component. Also called deprival value in some countries. (Dictionary)

Debt Coverage Ratio (DCR)

The ratio of net operating income to annual debt service ($DCR = NOI/Im$), which measures the relative ability of a property to meet its debt service out of net operating income; also called *debt service coverage ratio (DSCR)*. A larger *DCR* typically indicates a greater ability for a property to withstand a reduction of income, providing an improved safety margin for a lender. (Dictionary)

Deed Restriction

A provision written into a deed that limits the use of land. Deed restrictions usually remain in effect when title passes to subsequent owners. (Dictionary)

Depreciation

In appraisal, a loss in property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvement on the same date.

In accounting, an allocation of the original cost of an asset, amortizing the cost over the asset's life; calculated using a variety of standard techniques. (Dictionary)

Disposition Value

The most probable price that a specified interest in property should bring under the following conditions:

- Consummation of a sale within a specified time, which is shorter than the typical exposure time for such a property in that market.
- The property is subjected to market conditions prevailing as of the date of valuation;
- Both the buyer and seller are acting prudently and knowledgeably;
- The seller is under compulsion to sell;
- The buyer is typically motivated;
- Both parties are acting in what they consider to be their best interests;
- An adequate marketing effort will be made during the exposure time;
- Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. (Dictionary)

Double Net (Net Net) Lease

An alternative term for a type of net lease. In some markets, a net net lease is defined as a lease in which the tenant is responsible to pay both property taxes and premiums for insuring the building(s). (Valbridge)

(The market definition of a double net lease varies depending on the market)

Easement

The right to use another's land for a stated purpose. (Dictionary)

EIFS

Exterior Insulation Finishing System. This is a type of exterior wall cladding system. Sometimes referred to as dry-vit.

Effective Date

The date on which the appraisal or review opinion applies. (SVP)

In a lease document, the date upon which the lease goes into effect. (Dictionary)

Effective Gross Income (EGI)

The anticipated income from all operations of the real estate after an allowance is made for vacancy and collection losses and an addition is made for any other income. (Dictionary)

Effective Rent

Total base rent, or minimum rent stipulated in a lease, over the specified lease term minus rent concessions; the rent that is effectively paid by a tenant net of financial concessions provided by a landlord. (TIs). (Dictionary)

EPDM

Ethylene Propylene Diene Monomer Rubber. A type of synthetic rubber typically used for roof coverings. (Dictionary)

Escalation Clause

A clause in an agreement that provides for the adjustment of a price or rent based on some event or index. e.g., a provision to increase rent if operating expenses increase; also called *escalator clause*, *expense recovery clause* or *stop clause*. (Dictionary)

Estoppel Certificate

A signed statement by a party (such as a tenant or a mortgagee) certifying, for another's benefit, that certain facts are correct, such as that a lease exists, that there are no defaults, and that rent is paid to a certain date. (Black's) In real estate, a buyer of rental property typically requests estoppel certificates from existing tenants. Sometimes referred to as an *estoppel letter*. (Dictionary)

Excess Land

Land that is not needed to serve or support the existing use. The highest and best use of the excess land may or may not be the same as the highest and best use of the

improved parcel. Excess land has the potential to be sold separately and is valued separately. (Dictionary)

Excess Rent

The amount by which contract rent exceeds market rent at the time of the appraisal; created by a lease favorable to the landlord (lessor) and may reflect unusual management, unknowledgeable or unusually motivated parties, a lease execution in an earlier, stronger rental market, or an agreement of the parties. (Dictionary)

Expense Stop

A clause in a lease that limits the landlord's expense obligation, which results in the lessee paying operating expenses above a stated level or amount. (Dictionary)

Exposure Time

The time a property remains on the market.

The estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal;

Comment: Exposure time is a retrospective opinion based on an analysis of past events assuming a competitive and open market. (Dictionary)

Extraordinary Assumption

An assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions.

Comment: Uncertain information might include physical, legal, or economic characteristics of the subject property; or conditions external to the property, such as market conditions or trends; or the integrity of data used in an analysis. (USPAP)

Fee Simple Estate

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. (Dictionary)

Floor Common Area

In an office building, the areas on a floor such as washrooms, janitorial closets, electrical rooms, telephone rooms, mechanical rooms, elevator lobbies, and public corridors which are available primarily for the use of tenants on that floor. (BOMA)

Full Service (Gross) Lease

A lease in which the landlord receives stipulated rent and is obligated to pay all of the property's operating and fixed expenses; also called a *full service lease*. (Dictionary)

Furniture, Fixtures, and Equipment (FF&E)

Business trade fixtures and personal property, exclusive of inventory. (Dictionary)

Going-Concern Value

An outdated label for the market value of all the tangible and intangible assets of an established and operating business with an indefinite life, as if sold in aggregate; more accurately termed the *market value of the going concern* or *market value of the total assets of the business*. (Dictionary)

Gross Building Area (GBA)

Total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls of the above-grade area. This includes mezzanines and basements if and when typically included in the market area of the type of property involved.

Gross leasable area plus all common areas.

For residential space, the total area of all floor levels measured from the exterior of the walls and including the superstructure and substructure basement; typically does not include garage space. (Dictionary)

Gross Measured Area

The total area of a building enclosed by the dominant portion (the portion of the inside finished surface of the permanent outer building wall which is 50 percent or more of the vertical floor-to-ceiling dimension, at the given point being measured as one moves horizontally along the wall), excluding parking areas and loading docks (or portions of same) outside the building line. It is generally not used for leasing purposes and is calculated on a floor by floor basis. (BOMA)

Gross Up Method

A method of calculating variable operating expenses in income-producing properties when less than 100% occupancy is assumed. Expenses reimbursed based on the amount of occupied space, rather than on the total building area, are described as "grossed up." (Dictionary)

Gross Retail Sellout

The sum of the separate and distinct market value opinions for each of the units in a condominium, subdivision development, or portfolio of properties, as of the date of valuation. The aggregate of retail values does not represent the value of all the units as though sold together in a single transaction; it is simply the total of the individual market value conclusions. Also called the *aggregate of the retail values*, *aggregate retail selling price* or *sum of the retail values*. (Dictionary)

Ground Lease

A lease that grants the right to use and occupy land. Improvements made by the ground lessee typically

revert to the ground lessor at the end of the lease term. (Dictionary)

Ground Rent

The rent paid for the right to use and occupy land according to the terms of a ground lease; the portion of the total rent allocated to the underlying land. (Dictionary)

HVAC

Heating, ventilation, air conditioning (HVAC) system. A unit that regulates the temperature and distribution of heat and fresh air throughout a building. (Dictionary)

Highest and Best Use

The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.

The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid. (IVS)

[The] highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future. (Uniform Appraisal Standards for Federal Land Acquisitions) (Dictionary)

Hypothetical Condition

A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.

Comment: Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. (USPAP)

Insurable Value

A type of value for insurance purposes. (Typically this includes replacement cost less basement excavation, foundation, underground piping and architect's fees). (Dictionary)

Investment Value

The value of a property to a particular investor or class of investors based on the investor's specific requirements. Investment value may be different from market value because it depends on a set of investment

criteria that are not necessarily typical of the market. (Dictionary)

Just Compensation

In condemnation, the amount of loss for which a property owner is compensated when his or her property is taken. Just compensation should put the owner in as good a position pecuniarily as he or she would have been if the property had not been taken. (Dictionary)

Leased Fee Interest

The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires. (Dictionary)

Leasehold Interest

The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease. (Dictionary)

See also Positive Leasehold and Negative Leasehold.

Lessee (Tenant)

One who has the right to occupancy and use of the property of another for a period of time according to a lease agreement. (Dictionary)

Lessor (Landlord)

One who conveys the rights of occupancy and use to others under a lease agreement. (Dictionary)

Liquidation Value

The most probable price that a specified interest in property should bring under the following conditions:

- Consummation of a sale within a short time period.
- The property is subjected to market conditions prevailing as of the date of valuation.
- Both the buyer and seller are acting prudently and knowledgeably.
- The seller is under extreme compulsion to sell.
- The buyer is typically motivated.
- Both parties are acting in what they consider to be their best interests.
- A normal marketing effort is not possible due to the brief exposure time.
- Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.

The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. (Dictionary)

Loan to Value Ratio (LTV)

The ratio between a mortgage loan and the value of the property pledged as security, usually expressed as a percentage. (Dictionary)

Major Vertical Penetrations

Stairs, elevator shafts, flues, pipe shafts, vertical ducts, and the like, and their enclosing walls. Atria, lightwells and similar penetrations above the finished floor are included in this definition. Not included, however, are vertical penetrations built for the private use of a tenant occupying office areas on more than one floor. Structural columns, openings for vertical electric cable or telephone distribution, and openings for plumbing lines are not considered to be major vertical penetrations. (BOMA)

Market Rent

The most probable rent that a property should bring in a competitive and open market under all the conditions requisite to a fair lease transaction, the lessee and the lessor each acting prudently and knowledgeably, and assuming the rent is not affected by undue stimulus. Implicit in this definition is the execution of a lease as of a specified date under conditions whereby:

Lessee and lessor are typically motivated;
Both parties are well informed or well advised, and acting in what they consider their best interests;
Payment is made in terms of cash or in terms of financial arrangements comparable thereto; and
The rent reflects specified terms and conditions, such as permitted uses, use restrictions, expense obligations, duration, concessions, rental adjustments and revaluations, renewal and purchase options, and tenant improvements (TIs). (Appraisal Institute)

Market Value

The most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their own best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and

- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. (Dictionary)

Marketing Time

An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal. (Advisory Opinion 7 of the Appraisal Standards Board of the Appraisal Foundation)

Master Lease

A lease in which the fee owner leases a part or the entire property to a single entity (the master lease) in return for a stipulated rent. The master lessee then leases the property to multiple tenants. (Dictionary)

Modified Gross Lease

A lease in which the landlord receives stipulated rent and is obligated to pay some, but not all, of the property's operating and fixed expenses. Since assignment of expenses varies among modified gross leases, expense responsibility must always be specified. In some markets, a modified gross lease may be called a *double net lease*, *net net lease*, *partial net lease*, or *semi-gross lease*. (Dictionary)

Negative Leasehold

A lease situation in which the market rent is less than the contract rent. (Dictionary)

Operating Expense Ratio

The ratio of total operating expenses to effective gross income (TOE/EGI); the complement of the net income ratio, i.e., OER = 1 – NIR (Dictionary)

Option

A legal contract, typically purchased for a stated consideration, that permits but does not require the holder of the option (known as the *optionee*) to buy, sell, or lease real estate for a stipulated period of time in accordance with specified terms; a unilateral right to exercise a privilege. (Dictionary)

Partial Interest

Divided or undivided rights in real estate that represent less than the whole, i.e., a fractional interest such as a tenancy in common, easement, or life interest. (Dictionary)

Pass Through

A tenant's portion of operating expenses that may be composed of common area maintenance (CAM), real property taxes, property insurance, and any other

expenses determined in the lease agreement to be paid by the tenant. (Dictionary)

Percentage Lease

A lease in which the rent or some portion of the rent represents a specified percentage of the volume of business, productivity, or use achieved by the tenant. (Dictionary)

Positive Leasehold

A lease situation in which the market rent is greater than the contract rent. (Dictionary)

Potential Gross Income (PGI)

The total income attributable to property at full occupancy before vacancy and operating expenses are deducted. (Dictionary)

Prospective Future Value Upon Completion

A prospective market value may be appropriate for the valuation of a property interest related to a credit decision for a proposed development or renovation project. According to USPAP, an appraisal with a prospective market value reflects an effective date that is subsequent to the date of the appraisal report. ... The prospective market value –as completed- reflects the property's market value as of the time that development is expected to be complete. (Dictionary)

Prospective Future Value Upon Stabilization

A prospective market value may be appropriate for the valuation of a property interest related to a credit decision for a proposed development or renovation project. According to USPAP, an appraisal with a prospective market value reflects an effective date that is subsequent to the date of the appraisal report ...The prospective market value – as stabilized – reflects the property's market value as of the time the property is projected to achieve stabilized occupancy. For an income-producing property, stabilized occupancy is the occupancy level that a property is expected to achieve after the property is exposed to the market for lease over a reasonable period of time and at comparable terms and conditions to other similar properties. (Dictionary)

Replacement Cost

The estimated cost to construct, at current prices as of a specific date, a substitute for a building or other improvements, using modern materials and current standards, design, and layout. (Dictionary)

Reproduction Cost

The estimated cost to construct, at current prices as of the effective date of the appraisal, an exact duplicate or replica of the building being appraised, using the same materials, construction standards, design, layout, and quality of workmanship and embodying all of the

deficiencies, superadequacies, and obsolescence of the subject building. (Dictionary)

Retrospective Value Opinion

A value opinion effective as of a specified historical date. The term *retrospective* does not define a type of value. Instead, it identifies a value opinion as being effective at some specific prior date. Value as of a historical date is frequently sought in connection with property tax appeals, damage models, lease renegotiation, deficiency judgments, estate tax, and condemnation. Inclusion of the type of value with this term is appropriate, e.g., "retrospective market value opinion." (Dictionary)

Sandwich Leasehold Estate

The interest held by the sandwich leaseholder when the property is subleased to another party; a type of leasehold estate. (Dictionary)

Sublease

An agreement in which the lessee in a prior lease conveys the right of use and occupancy of a property to another, the sublessee, for a specific period of time, which may or may not be coterminous with the underlying lease term. (Dictionary)

Subordination

A contractual arrangement in which a party with a claim to certain assets agrees to make his or her claim junior, or subordinate, to the claims of another party. (Dictionary)

Surplus Land

Land that is not currently needed to support the existing use but cannot be separated from the property and sold off for another use. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved parcel. (Dictionary)

TPO

Thermoplastic polyolefin, a resilient synthetic roof covering.

Triple Net (Net Net Net) Lease

An alternative term for a type of net lease. In some markets, a net net net lease is defined as a lease in which the tenant assumes all expenses (fixed and variable) of operating a property except that the landlord is responsible for structural maintenance, building reserves, and management; also called *NNN lease, net net net lease, or fully net lease*. (Dictionary)

(The market definition of a triple net lease varies; in some cases tenants pay for items such as roof repairs, parking lot repairs, and other similar items.)

Usable Area

The measured area of an office area, store area, or building common area on a floor. The total of all the usable areas for a floor shall equal floor usable area of that same floor. (BOMA)

Value-in-Use

The value of a property assuming a specific use, which may or may not be the property's highest and best use on the effective date of the appraisal. Value in use may or may not be equal to market value but is different conceptually. (Dictionary)

VTAB

Value of the Total Assets of a Business. The value of a going concern (i.e. the business enterprise). (Dictionary)

Qualifications

Qualifications of T. Jordan Sale, MAI

Director

Valbridge Property Advisors | Austin

jsale@valbridge.com



Education

- *Bachelor of Arts Degree, Economics, Texas Christian University, 2004*

Specialized Education

Received credit for and successfully completed the following Appraisal/Real Estate Courses:

Appraisal Institute

- Uniform Standards of Professional Appraisal Practice - USPAP
- Business Practices and Ethics
- Basic Appraisal Principles
- Basic Appraisal Procedures
- General Market Analysis and Highest and Best Use
- Basic Income Capitalization
- Advanced Income Capitalization
- Advanced Sales Comparison & Cost Approaches
- Report Writing & Valuation Analysis
- Advanced Applications
- Other various specialized seminars and continuing education

Designations/Certifications

- Designated Member of the Appraisal Institute, MAI (February 2014)
- State Certified General Real Estate Appraiser; State of Texas; Certification No. TX-1338161-G

Experience

Mr. Sale began his career in appraisal with a global financial services institution where, for 8 years, he served as an internal commercial real estate consultant to various lines of business and lending units. His position involved the daily oversight of external appraisal processes, vendor management as well as internal appraisal review and consulting to lenders, on various transactions and collateral monitoring. Since 2013, Jordan has worked for global commercial real estate firms, conducting appraisal assignments on a wide array of property types including but not limited to office, retail, multi-family, industrial and other more specialized assets with a focus in the North and Central Texas and the North Louisiana market areas. Presently, he is employed by Valbridge Property Advisors | Austin as a Director with the firm.

Real Estate Specializations

Retail, Office, Industrial, Multi-family and other more specialized assets.

Professional Affiliations

- Board of Directors Member - North Texas Chapter of the Appraisal Institute (2010 - 2013)



TALCB
TEXAS APPRAISER LICENSING &
CERTIFICATION BOARD

Certified General Real Estate Appraiser

Appraiser: Talbot Jordan Sale
License #: TX 1338161 G **License Expires: 10/31/2022**

Having provided satisfactory evidence of the qualifications required by the Texas Appraiser Licensing and Certification Act, Occupations Code, Chapter 1103, authorization is granted to use this title:
Certified General Real Estate Appraiser

For additional information or to file a complaint please contact TALCB at www.talcb.texas.gov.



Chelsea Buchholtz
Commissioner

Qualifications of Mary E. Douglas, MAI
Director
Valbridge Property Advisors | San Antonio
mdouglas@valbridge.com



Education

- Bachelor's Degree, Business Administration in Finance, Mays Business School, Texas A&M University, 2009
- Master's Degree, Land Economics and Real Estate, Mays Business School, Texas A&M University, 2010

Specialized Education

Texas A&M University: Graduate Program in Land Economics and Real Estate

Appraisal Institute:

- Real Estate Appraisal Principles*
- Basic Valuation Procedures*
- Basic Income Capitalization*
- Advanced Income Capitalization*
- Case Studies in Real Estate Valuation*
- Report Writing and Valuation Analysis*
- General Applications*
- Advanced Applications*
- Advanced Sales Comparison and Cost Approaches*
- Highest and Best Use and Market Analysis*
- USPAP (Course – I410N)
- Business Practices and Ethics
- General Appraiser Site Valuation and Cost Approach (OL-402G)

* Credit received from approved Master's Degree Program from Texas A&M University

Designations/Certifications

- State Certified General Real Estate Appraiser; State of Texas, Certification No. TX-1380326-G; May 22, 2014
- Accredited Member, Appraisal Institute, No. 550469, April 2018

Professional Affiliations

- Member of the Appraisal Institute (No. No. 550469, April 2018)
- Member, Aggie Real Estate Network (formerly Society of Texas A&M Real Estate Professionals)
- Member Urban Land Institute (ULI) San Antonio Young Leaders

Experience

- Presently and since January 2011, Mary E. Douglas, MAI has been employed by Valbridge Property Advisors | San Antonio. Experience includes appraisal and consulting assignments related to commercial, retail, office, medical office, hotel/lodging (luxury, full service and limited service), industrial, multi-family, commercial land, ad valorem tax litigation support and special purpose/use properties including automobile dealerships, as well as a wide variety of income producing properties.

MARY ELIZABETH DOUGLAS
9901 W IH-10 STE 1035
SAN ANTONIO, TX 78230



TALCB
TEXAS APPRAISER LICENSING &
CERTIFICATION BOARD

Certified General Real Estate Appraiser

Appraiser: **Mary Elizabeth Douglas**
License #: **TX 1380326 G**

License Expires: **05/31/2022**

Having provided satisfactory evidence of the qualifications required by the Texas Appraiser Licensing and Certification Act, Occupations Code, Chapter 1103, authorization is granted to use this title:
Certified General Real Estate Appraiser

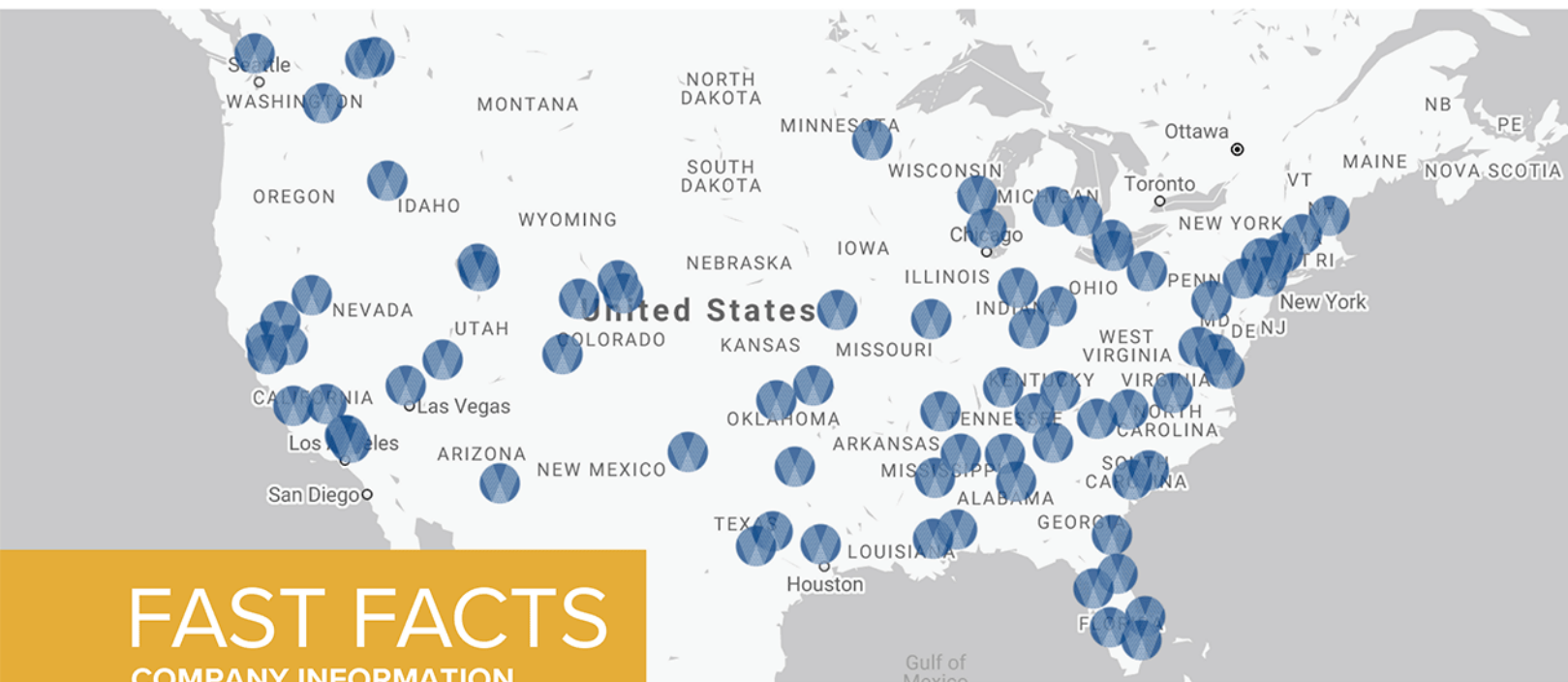

Chelsea Buchholtz
Commissioner

For additional information or to file a complaint please contact TALCB at www.talcb.texas.gov.



Valbridge

PROPERTY ADVISORS



FAST FACTS

COMPANY INFORMATION

- Valbridge is the largest independent commercial property valuation and advisory service firm in North America.
 - Total number of MAI-designated appraisers (200+ on staff)
 - Total number of office locations (80+ across the U.S.)
 - Total number of staff (675+ strong)
- Valbridge covers the entire U.S. from coast to coast.
- Valbridge specializes in appraising all types of real property.
- Valbridge provides independent valuation services. We are NOT owned by a brokerage firm or investment company.
- Every Valbridge office is overseen by a senior managing director who holds the MAI designation of the Appraisal Institute.
- Valbridge is owned by local offices.
- Valbridge welcomes single-property assignments as well as portfolio, multi-market, and other bulk-property engagements.

Valbridge Property Advisors, Inc.

2240 Venetian Court
Naples, FL 34109
Phone: 888.981.2029



valbridge.com



Valbridge

PROPERTY ADVISORS

INDEPENDENT VALUATIONS
FOR A VARIABLE WORLD

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3100 Lorna Rd., Ste. 201
Birmingham, AL 35216
(205) 440-2998

4732 Woodmere Blvd.
Montgomery, AL 36106
(334) 277-5077

ARIZONA

6061 E. Grant Rd.
Tucson, AZ 85712
(520) 321-0000

CALIFORNIA

4915 Calloway Dr., Ste. 101
Bakersfield, CA 93312
(661) 587-1010

1306 Higuera St.
San Luis Obispo, CA 93401
(805) 544-2472

2813 Coffee Rd., Ste. E-2
Modesto, CA 95355
(209) 569-0450

825 Colorado Blvd., Ste. 243
Los Angeles, CA 90041
(626) 486-9327

1370 N. Brea Blvd., Ste. 255
Fullerton, CA 92835
(714) 449-0852

99 S. Lake Ave., Ste. 21
Pasadena, CA 91101
(626) 744-0428

3090 Fite Cir., Ste. 202
Sacramento, CA 95872
(916) 361-2509

55 South Market St., Ste. 1210
San Jose, CA 95113
(408) 279-1520

3160 Crow Canyon Pl.
San Ramon, CA 94583
(925) 327-1660

COLORADO

23272 Two Rivers Rd., Ste. 101
Basalt, CO 81621
(970) 340-1016

COLORADO (CONT'D)

5345 Arapahoe Ave., Ste. 7
Boulder, CO 80303
(303) 867-1935

7445 E. Peakview Ave.
Centennial, CO 80111
(303) 867-1933

1099 Main Avenue, Ste. 311
Durango, CO 81301
(970) 340-1016

CONNECTICUT

17 Covewood Dr.
Norwalk, CT 06853
(860) 246-4606

15 Concord St.
Glastonbury, CT 06033
(860) 246-4606

FLORIDA

10950 San Jose Blvd.
Jacksonville, FL 32223
(904) 608-2948

301 Almeria Ave., Ste. 350
Coral Gables, FL 33134
(305) 639-8029

734 Rugby St.
Orlando, FL 32804
(407) 493-6426

2711 Poinsettia Ave.
West Palm Beach, FL 33407
(561) 833-5331

2240 Venetian Ct.
Naples, FL 34109
(239) 514-4646

2601 West Horatio St. Unit 6
Tampa, FL 33609
(321) 228-6488

GEORGIA

2675 Paces Ferry Rd., Ste. 145
Atlanta, GA 30339
(404) 354-2331

IDAHO

1875 N. Lakewood Dr., Ste. 100
Coeur d'Alene, ID 83814
(208) 292-2965

IDAHO (CONT'D)

1459 Tyrell Ln., Ste. B
Boise, ID 83706
(208) 336-1097

ILLINOIS

566 W. Lake St., Ste. 240
Chicago, IL 60661
(312) 429-0132

INDIANA

820 Fort Wayne Ave.
Indianapolis, IN 46204
(317) 687-2747

KANSAS

10990 Quivira Rd., Ste. 100
Overland Park, KS 66210
(913) 451-1451

KENTUCKY

9000 Wessex Pl., Ste. 306
Louisville, KY 40222
(502) 585-3651

LOUISIANA

2030 Dickory Ave., Ste. 200
Elmwood, LA 70123
(504) 541-5100

MARYLAND

11100 Dovedale Ct.
Marriottsville, MD 21104
(443) 333-5525

MASSACHUSETTS

260 Bear Hill Rd., Ste. 106
Waltham, MA 02451
(781) 790-5645

MICHIGAN

1420 Washington Blvd.
Detroit, MI 48226
(313) 986-3313

2127 University Park Dr.
Okemos, MI 48864
(517) 336-0001

MINNESOTA

255 E. Kellogg Blvd., Ste. 102A
St. Paul, MN 55101
(651) 370-1475

CORPORATE OFFICE

2240 Venetian Court, Naples, FL 34109
Phone: (239) 325-8234 | Fax: (239) 325-8356

Each Valbridge office is independently owned and operated.



valbridge.com

Summer 2021

MISSISSIPPI

1010 Ford St.
Gulfport, MS 39507
(228) 604-1900

224 Avalon Cir., Ste. C
Brandon, MS 39047
(601) 853-0736

501 Highway 12 W., Ste. 150-M
Starkville, MS 39759
(662) 617-2350

MISSOURI

1118 Hampton Ave., Ste. 208
St. Louis, MO 63139
(314) 255-1323

NEVADA

3034 S. Durango Dr., #100
Las Vegas, NV 89117
(702) 242-9369

6490 S. McCarran Blvd., #51
Reno, NV 89509
(775) 204-4100

NEW JERSEY

2740 Route 10 West, Ste. 204
Morris Plains, NJ 07950
(973) 970-9333

3500 Route 9 South, Ste. 202
Howell, NJ 07731
(732) 807-3113

NEW YORK

325 West 38th St. Ste. 702
New York, NY 10018
(212) 268-1113

NORTH CAROLINA

5950 Fairview Rd., Ste. 405
Charlotte, NC 28210
(704) 376-5400

412 E. Chatham St.
Cary, NC 27511
(919) 859-2666

OHIO

1655 W. Market St., Ste. 130
Akron, OH 44313
(330) 899-9900

8291 Beechmont Ave., Ste. B
Cincinnati, OH 45255
(513) 785-0820

1422 Euclid Ave., Ste. 616
Cleveland, OH 44115
(216) 367-9690

OKLAHOMA

6666 S. Sheridan Rd., Ste. 104
Tulsa, OK 74133
(918) 712-9992

5909 NW Expy., Ste. 104
Oklahoma City, OK 73132
(405) 603-1553

PENNSYLVANIA

150 S. Warner Rd., Ste. 440
King of Prussia, PA 19406
(215) 545-1900

4701 Baptist Rd., Ste. 304
Pittsburgh, PA 15227
(412) 881-6080

SOUTH CAROLINA

1250 Fairmont Ave.
Mt. Pleasant, SC 29464
(843) 884-1266

11 Cleveland Ct.
Greenville, SC 29607
(864) 233-6277

920 Bay St., Ste. 26
Beaufort, SC 29902
(843) 884-1266

TENNESSEE

3500 Ringgold Rd., Ste. 3
Chattanooga, TN 37412
(423) 206-2677

213 Fox Rd.
Knoxville, TN 37922
(865) 522-2424

756 Ridge Lake Blvd., Ste. 225
Memphis, TN 38120
(901) 753-6977

5205 Maryland Way, Ste. 300
Brentwood, TN 37027
(615) 369-0670

TEXAS

2731 81st St.
Lubbock, TX 79423
(806) 744-1188

901 Mopac Expy. S., Bldg. 1, Ste. 300
Austin, TX 78746
(737) 242-8585

10210 North Central Expy., Ste. 115
Dallas, TX 75231
(214) 446-1611

974 Campbell Rd., Ste. 204
Houston, TX 77024
(713) 467-5858

TEXAS (CONT'D)

9901 IH-10 West, Ste. 1035
San Antonio, TX 78230
(210) 227-6229

UTAH

527 E. Pioneer Rd., Ste. 240
Draper, Utah 84020
(801) 262-3388

20 North Main
St. George, UT 84770
(435) 773-6300

321 N. County Blvd., Ste. D
American Fork, UT 84003
(801) 492-0000

VIRGINIA

656 Independence Pkwy., Ste. 220
Chesapeake, VA 23320
(757) 410-1222

4914 Fitzhugh Ave.
Richmond, VA 23230
(757) 345-0010

5107 Center St., Ste. 2B
Williamsburg, VA 23188
(757) 345-0010

WASHINGTON

8378 W. Grandridge Blvd., Ste. 110-D
Kennewick, WA 99336
(509) 221-1540

25923 Washington Blvd., NE., Ste. 300
Kingston, WA 98346
(360) 649-7300

324 N. Mullan Rd.
Spokane Valley, WA 99206
(509) 747-0999

WISCONSIN

12660 W. North Ave.
Brookfield, WI 53005
(262) 782-7990



City of Austin

P.O. Box 1088, Austin, TX 78767
www.cityofaustin.org/housing

Housing and Planning Department **S.M.A.R.T. Housing Program**

April 5, 2021 (Revision to letter dated June 4, 2020)

S.M.A.R.T. Housing Certification **Chestnut Neighborhood Revitalization Corporation – The Chicon Phase 2 (ID 673)**

TO WHOM IT MAY CONCERN:

The Chestnut Neighborhood Revitalization Corporation (CNRC) (development contact Sean Garretson; ph: 512.300.7270; email sean@pegasusatx.com) is planning to develop The Chicon-Phase 2, a **53-unit multi-family** development at 1309 Chicon Street, Austin TX 78702. **Forty (40)** of the units will be affordable units sold to households at or below 80% Median Family Income (MFI). Due to the applicant applying for City of Austin, Housing Bond Funds, these units will be subject to a 99-year affordability period. The unit sales prices must be approved by the Housing and Planning Department (HPD), prior to execution of any sales contract.

This revision updates the total unit count from 49 to 53 units and the number of affordable units from 37 to 40.

The Housing and Planning Department (HPD) certifies the proposed project meets the S.M.A.R.T. Housing standards at the pre-submittal stage. Since **75% (40 units)** of the units will serve households at or below 80% MFI and will have a 99 year affordability period, the development will be eligible for 100% waiver of fees listed in Land Development Code, Chapter 25-1-704, as amended or other fees waived under a separate ordinance. The expected fee waivers include, but are not limited to, the following fees:

AWU Capital Recovery Fees	Concrete Permit	Mechanical Permit
Building Permit	Electrical Permit	Plumbing Permit
Site Plan Review	Subdivision Plan Review	Zoning Verification
Construction Inspection	Parkland Dedication Fee	Land Status Determination
Demolition Permit Fee	(by separate ordinance)	Building Plan Review
	Regular Zoning Fee	

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

- ◆ Obtain a signed Conditional Approval from the Austin Energy Green Building Program stating that the plans and specifications for the proposed development meet the criteria for a Green Building Rating. (Contact Austin Energy Green Building: 512-482-5300 or greenbuilding@austinenergy.com).
- ◆ Submit plans demonstrating compliance with the required accessibility or visitability standards.

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

- ◆ Pass a final inspection and obtain a signed Final Approval from the Green Building Program. (Separate from any other inspections required by the City of Austin or Austin Energy).
- ◆ Pass a final inspection to certify that the required accessibility or visitability standards have been met.
- ◆ An administrative hold will be placed on the building permit, until the following items have been completed: 1) the number of affordable units have been finalized and evidenced through a sealed letter

from project architect and/or engineer, 2) a Restrictive Covenant stating the affordability requirements and terms has been filed for record at the Travis County Clerk Office.

The applicant must demonstrate compliance with S.M.A.R.T. Housing standards after the certificate of occupancy has been issued or repay the City of Austin, in full, the fees waived for this S.M.A.R.T. Housing certification.

Please contact me by phone 512.974.2108 or by email at alex.radtke@austintexas.gov if you need additional information.

Sincerely,

Alex Radtke, Senior Planner
Housing and Planning Department

Cc: Kristin Martinez, AE Ellis Morgan, NHCD Jonathan Orenstein, AWU
 Mashell Smith, ORS



City of Austin

P.O. Box 1088, Austin, TX 78767
www.cityofaustin.org/housing

Housing and Planning Department

Date: 1/21/2022

Chestnut Neighborhood Revitalization Corporation
1309 Chicon (Project ID 848)
Affordability Unlocked Development Bonus Certification

TO WHOM IT MAY CONCERN:

Chestnut Neighborhood Revitalization Corporation (contact: Sean Garretson, email: sean@pegasusatx.com; Ph. 512-300-7270) is planning to construct a multi-family ownership development that includes a total of 53 unit/s at 1309 Chicon Street, Austin, Texas 78702. The applicant has elected to participate in the City of Austin's Affordability Unlocked Development Bonus Program, Type 2.

Neighborhood Housing and Community Development (NHCD) certifies that the project, at the site plan submittal stage, meets the affordability requirements to qualify as a Type 2 development and is eligible to receive waivers and modifications of development regulations as described in Ordinance No. 20199509-027.

If changes are made through the review process, the applicant must notify NHCD and an amendment to the Affordability Unlocked Land Use and Restrictions Agreement must be made and a revised Affordability Unlocked Certification letter must be issued. An administrative hold will be placed on the building permits, until the following items have been completed: 1) the number of affordable units have been finalized and evidenced through a sealed letter from project architect, and 2) a Restrictive Covenant stating the affordability requirements and terms has been filed for record at the Travis County Clerk Office.

Please contact me by phone 512.974.3462 or by email at nathan.jones@austintexas.gov if you need additional information.

Sincerely,

Nathan Jones, Project Coordinator
Housing and Planning Department



AFFORDABILITY UNLOCKED LAND USE AND RESTRICTIONS AGREEMENT

This Agreement is made this 10 day of December, 2021, by and between the City of Austin (“City”), a home-rule municipal corporation, acting by and through the Housing and Planning Department (“HPD” or “Department”) and Chestnut Neighborhood Revitalization Corporation, a Texas nonprofit corporation (the “Development Owner”).

RECITALS

WHEREAS, the Development Owner is the record owner of that certain real property located at what will be commonly known as 1309 Chicon in the City of Austin, County of Travis, State of Texas (the “Property”), and whose legal description is set forth in Exhibit “A”, which is attached hereto and incorporated herein by this reference; and

WHEREAS, the Development Owner intends to develop, rehabilitate, or construct approximately 53 units on the Property; and

WHEREAS, in connection therewith, the Development Owner sought and has or will receive one or more Land Use Incentives from the City’s Affordability Unlocked Bonus Program (“Program”), which was adopted by ordinance and codified in the Land Development Code of the Austin City Code; and

WHEREAS, as a condition to receive the Land Use Incentives provided by the Program, the Development Owner agrees to set aside a certain percentage of Affordable Unit(s) at the Property for sale to income Eligible Households so as to provide affordable housing opportunities to low- and moderate-income households; and

WHEREAS, the Department administers, coordinates, and implements various local, state, and federal public funding sources to promote the production of affordable housing citywide; and

WHEREAS, the Development Owner agrees that the Land Use Incentives received under the Program benefit the Property, the Qualifying Development, the Development Owner, and future owners; and

WHEREAS, it is the intent of the parties that the Affordable Unit(s) shall be continuously held, and may only be sold subject to this Agreement for the benefit of Eligible Households; and

WHEREAS, it is the desire of the City and the Development Owner to enter into this Agreement to ensure that such requirement or condition, whereby the Development Owner agrees to offer the Affordable Unit(s) for sale to Eligible Households, is fully complied with and to provide for the terms and conditions for the sale of Affordable Unit(s); and



WHEREAS, these provisions are for the purpose of enabling only Eligible Households to own the Affordable Unit(s) at the Property.

NOW THEREFORE, in consideration of Land Use Incentives, mutual covenants, and representations herein contained, the parties enter into the following specific agreements and restrictions listed below.

SPECIFIC AGREEMENTS AND RESTRICTIONS

1. DEFINITIONS

- (A) Affordable Unit means a dwelling unit or sleeping unit provided for sale to an Eligible Household.
- (B) Agreement means this “Affordability Unlocked Land Use and Restrictions Agreement” between the City and the Development Owner.
- (C) Compliant Year means a continuous 12-month period where affordability requirements were met.
- (D) Development Owner means Chestnut Neighborhood Revitalization Corporation, a Texas nonprofit corporation and each person or entity holding a record ownership interest in the Property, their successors, assignees, transferees, grantees, heirs, executors, administrators, and duly authorized agents. The term Development Owner does not include persons or entities who/which hold an interest merely as security for the performance of an obligation. The term Development Owner does not include Homeowner. Except for Section 2(E)(ii), the Development Owner does not include persons or entities after they have ceased to hold a record ownership interest in the Property.
- (E) Duly Authorized Agent means an owners association, real estate agent, real estate entity, and their agents.
- (F) Eligible Buyer means a household certified by the City as meeting the City’s Asset Limits and Income Limits, and has been qualified by an institutional lender for a mortgage to be used to purchase the Affordable Unit.
- (G) Eligible Household means a household whose annual income does not exceed the applicable Median Family Income.
- (H) Funding Program means a local, state, or federal program with more restrictive affordability requirements or procedures and forms that apply to the Qualifying Development.
- (I) Homeowner means an Eligible Household who owns a record ownership in an Affordable Unit.
- (J) Land Use Incentives mean the waivers, bonuses, modifications, or increases authorized by the Program.
- (K) Median Family Income (MFI) means the median family income for the Austin Metropolitan Statistical Area as determined by the director of the Housing and Planning Department.



- (L) Minimum Affordability Period means the minimum number of years the Affordable Unit(s) must be available to Eligible Households.
- (M) Property means address listed above and described in Exhibit "A".
- (N) Qualifying Development means 1309 Chicon Street, Austin, Texas 78702, a development accessing waivers and modifications of development regulations granted under a Type 2 level of affordability.

2. GENERAL REQUIREMENTS

- (A) Recitals. The recitals set forth above are incorporated into this Agreement for all purposes.
- (B) Runs with the Property.
 - (i) This Agreement shall run with the Property for the term of this Agreement.
 - (ii) The Department shall record this Agreement in the official real property records of Travis County, Texas, when the first certificate of occupancy for the Qualifying Development is issued by the City.
 - (iii) If this Agreement is amended or terminated, the Department shall record the amendment or termination.
- (C) Resale Restriction Agreement and Covenant Limitations on Resale Price and Buyer Income:
 - (i) Affordable Housing Restrictive Covenant means Resale Restriction Agreement and Covenant Limitations on Resale Price and Buyer Income.
 - (ii) Development Owner agrees to impose an Affordable Housing Restrictive Covenant in the form attached hereto as Exhibit "C" on each Affordable Unit.
 - (iii) Development Owner shall record the Affordable Housing Restrictive Covenant in the real property records of the appropriate county within 10 days of closing with an Eligible Buyer.
- (D) Minimum Affordability Period. Development Owner agrees to impose, on each Affordable Unit, a Minimum Affordability Period of 99 Compliant Years, which begins to run from the date the Development Owner transfers or sells the Affordable Unit to an Eligible Buyer.
- (E) Condominium Declaration. If the Property is part of a condominium regime, the Development Owner agrees to include the declaration attached here to as in Exhibit "D" as part of the Condominium Declarations.
- (F) Required Conveyance Deed Language. The Development Owner and each Homeowner shall use a form of special warranty deed, which includes in 12 point type and in all caps on the front page thereof the language immediately below:

THIS DEED IS DELIVERED AND ACCEPTED SUBJECT TO THE PROVISIONS AND CONDITIONS SET FORTH IN THAT CERTAIN AFFORDABLE HOUSING COVENANT, DATED AS OF _____, 20__, RECORDED UNDER DOCUMENT NO. _____ OF THE OFFICIAL PUBLIC RECORDS OF [INSERT] COUNTY, TEXAS.



- (G) Term of the Agreement. This Agreement shall remain in effect until the Development Owner sells all of the Affordable Unit(s) unless the City, its successor or assigns, executes an amendment to this Agreement and records a notice of amendment or termination, as appropriate, to the Agreement in the official real property records of the appropriate county.
- (H) Binds the Development Owner's Successors and Assigns.
- (i) This Agreement is binding upon the Development Owner and the Development Owner's successors, assignees, transferees, grantees, heirs, successors, executors, and administrators in ownership of the Property or any portion thereof until all Affordable Units are sold in compliance with this Agreement and is binding upon and inures to the benefit of the City and its successors and assigns.
 - (ii) The City reserves the right to designate another public agency to perform the City's obligations or to exercise the City's rights under this Agreement.
 - (iii) This Agreement is enforceable against a purchaser of the Property even if the Development Owner fails to notify the purchaser of this Agreement.
- (I) Affordable Unit(s).
- (i) The Owner shall set aside a minimum of 50% of the units as Affordable Unit(s) in the Qualifying Development rounded up to the nearest unit or sleeping unit.
 - (ii) The Development Owner shall set aside the following percentage of Affordable Unit(s) for the following MFI:
 - (a) 50% of units for households at or below 80% MFI
 - (iii) The Development Owner shall ensure that at least 25% of the Affordable Units include two or more bedrooms (2 units) and housing for older persons (5 units).
 - (iv) The Affordable Units must be fixed and designated as set forth in Exhibit B.
- (J) Minimum Set-Aside Requirement. The Development Owner shall ensure that the minimum percentage of Affordable Unit(s) is made available for sale to Eligible Households.
- (K) The Development Owner's Sale of the Affordable Unit.
- (i) The Development Owner must sell an Affordable Unit to an Eligible Household.
 - (ii) The Development Owner may not sell the Affordable Unit to an Eligible Household for more than the amount authorized by the Department.
- (L) Compliance with Fair Housing and Equal Opportunity Laws.
- (i) The Development Owner shall comply with applicable federal, state, and local fair housing and anti-discrimination laws in the marketing and provision of housing.
 - (ii) Occupants of Affordable Unit(s) shall have access to all on-site amenities available to market-rate units, including the same access to common areas and facilities provided to occupants of market-rate units.
 - (iii) The Development Owner may not discriminate on the basis of an individual's source of income, which means lawful, regular, and verifiable income including, but not limited to, housing vouchers and other subsidies provided by government



or non-governmental entities, child support, or spousal maintenance, but does not include future gifts.

- (M) Affirmative Marketing of the Affordable Unit(s). For purposes of initial sale of each Affordable Unit(s), the Development Owner shall advertise and market the Affordable Unit(s) to Eligible Households and encourage their participation in applying for and purchasing an Affordable Unit. The Development Owner complies with this provision if the Development Owner follows any written guidance provided by the Department.

3. **EQUITABLE REMEDIES FOR BREACH**

- (A) The Development Owner acknowledges and agrees that:
 - (i) the Affordable Unit(s) provided under this Agreement are of a unique and special character;
 - (ii) the affordability restrictions are reasonable in scope and necessary to protect the City's legitimate interests; and
 - (iii) a breach or threatened breach by the Development Owner of any of the Development Owner's obligations under this Agreement would give rise to irreparable harm to the City for which monetary damages would not be an adequate remedy.
- (B) The Development Owner acknowledges and agrees that if a breach or a threatened breach by the Development Owner of any such obligations occurs:
 - (i) the City will, in addition to any and all other rights and remedies that may be available to it at law, at equity or otherwise in respect to such breach, be entitled to equitable relief, including a temporary restraining order, an injunction, specific performance, and any other relief that may be available from a court of competent jurisdiction, without any requirement to post a bond or other security, or prove actual damages or that monetary damages will not afford an adequate remedy; and
 - (ii) the Development Owner will not oppose or otherwise challenge the appropriateness of equitable relief or the entry by a court of competent jurisdiction of an order granting equitable relief, in each case, consistent with the terms of this Section.
- (C) The Development Owner acknowledges and agrees:
 - (i) that the failure to enforce any provision of this Agreement at any time does not constitute a waiver of the right thereafter to enforce this Agreement; and
 - (ii) not to oppose or otherwise challenge the City's right to enforce this Agreement even if the City failed to enforce this Agreement previously.

4. **GENERAL PROVISIONS**

- (A) Land Use Incentives.
 - (i) This Agreement allows the Development Owner to utilize, for the Qualifying Development, one or more of the Land Use Incentives found in the following City Code sections:
 - (a) 25-2-518 (*Qualifying Development*);
 - (b) 25-2-534 (*Qualifying Development Exceptions*); and
 - (c) 25-6-471(J) (*Off-Street Parking Facility Required*)



- (ii) A copy of the City Code sections, as they existed on the date of this Agreement, are attached to this Agreement as Exhibit “E” and describe the Land Use Incentives applicable to the Qualifying Development.
- (B) Notice of Duly Authorized Agent. The Development Owner shall provide notice as set forth in Section 5(E) within three business days from the date the Development Owner:
 - (i) contracts with a real estate agent or entity, or
 - (ii) transitions responsibilities to an owner’s association.
- (C) Notice and Opportunity to Cure. If the Department determines the Development Owner is out of compliance with this Agreement, the Department will send a Notice of Default and Opportunity to Cure (“Cure Notice”) to the Development Owner as set forth in Section 5(E). The Cure Notice will require the Development Owner to cure default within a specified period of time beginning from the date on the Cure Notice.
- (D) This Agreement may not be construed as creating an employer/employee relationship, a partnership, joint enterprise, or joint venture between the parties.
- (E) Notices. All notices required under this Agreement shall be in writing, which include email, sent to the Development Owner and the City at the address(es) set forth below.

<p>For the Department: Housing and Planning Department Attn: Real Estate Division Manager P.O. Box 1088 Austin, TX 78767</p> <p>With Copy to: City of Austin Law Department P.O. Box 1088 Austin, TX 78767</p>	<p>For the Development Owner: Chestnut Neighborhood Revitalization Corporation 3522 East MLK Blvd AUSTIN, TX 78721</p>
--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------------------------------------

- (F) Authority. Each party to this Agreement hereby represents and warrants that each person executing this Agreement on behalf of a party has the right, power, legal capacity, and authority to enter into and perform under the Agreement, that no approval or consent of any other persons are necessary and that the Agreement constitutes a valid and binding obligation of such party, enforceable against such party.
- (G) Amendments. This Agreement may be modified only by a writing properly executed by each of the parties. Any modification or amendment of this Agreement may not be binding on the parties unless made in writing and properly executed by each of the parties.
- (H) Governing Law and Venue.
 - (i) This Agreement is made under and shall be governed by the laws of the State of Texas, without regard to conflicts of laws principles which would apply the law of any other jurisdiction.



- (ii) Venue for any dispute arising out of or concerning this Agreement, either administrative or judicial, shall be proper and lie exclusively in Travis County, Texas.
- (I) Severability. If a court of competent jurisdiction determines that a term or provision of this Agreement is void or unenforceable, the remainder of this Agreement remains effective to the extent permitted by law.
- (J) Effective Date. This Agreement shall commence on the date of execution by the last of the parties to sign this Agreement.
- (K) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original and when the parties hereto have signed this Agreement shall be one and the same instrument.
- (L) **INDEMNIFICATION OF THE CITY. THE DEVELOPMENT OWNER SHALL, AND DOES HEREBY, INDEMNIFY, PROTECT, DEFEND AND HOLD HARMLESS THE CITY, AND THE CITY'S AGENTS, EMPLOYEES, OFFICERS, SUCCESSORS, DESIGNEES AND ASSIGNS, FROM AND AGAINST ANY AND ALL CLAIMS, DAMAGES, LIABILITIES, OBLIGATIONS, LOSSES, CAUSES OF ACTION, PENALTIES, COSTS AND EXPENSES (INCLUDING, WITHOUT LIMITATION, REASONABLE ATTORNEYS' FEES AND COURT COSTS) ARISING DIRECTLY OR INDIRECTLY FROM THE PROVISIONS IN THIS THIS AGREEMENT. THE PROPERTY OWNER HEREBY ASSUMES ALL RISK OF DAMAGE TO PROPERTY OR INJURY TO PERSONS IN, ON OR ABOUT THE PROPERTY, FROM ANY CAUSE, AND THE DEVELOPMENT OWNER HEREBY WAIVES ALL CLAIMS IN RESPECT THEREOF AGAINST THE CITY, AND THE CITY'S RESPECTIVE OFFICIALS, AGENTS, EMPLOYEES, OFFICERS, SUCCESSORS, DESIGNEES AND ASSIGNS.**

{signatures follow}



DEVELOPMENT OWNER:

CHESTNUT NEIGHBORHOOD REVITALIZATION CORPORATION, a Texas nonprofit corporation

By

Sean Garretson
President

ACKNOWLEDGMENT

STATE OF TEXAS §

COUNTY OF TRAVIS §

The foregoing instrument was acknowledged before me, the undersigned Notary Public, 18th day of November 2021, by Sean Garretson, President of the Chestnut Neighborhood Revitalization Corporation, a Texas nonprofit corporation, on behalf of said nonprofit corporation

Given under my hand and seal of office on November 18th 2021

Notary Public, State of Texas

{signature follows}





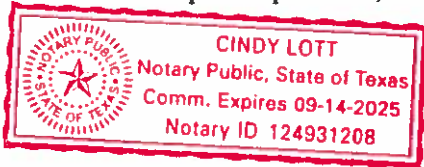
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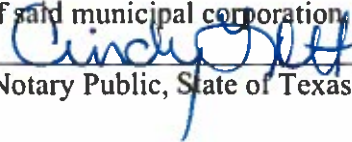
CITY OF AUSTIN,
a home-rule municipal corporation

By: 
Rosie Truelove
Director, Housing and Planning Department

THE STATE OF TEXAS §
§
COUNTY OF TRAVIS §

This instrument was acknowledged before me on this the 10 day of December,
2021, Rosie Truelove as Director of Housing and Planning Department of the City of Austin, a
home-rule municipal corporation, on behalf of said municipal corporation.




Notary Public, State of Texas

APPROVED AS TO FORM:
BY CITY OF AUSTIN LAW DEPARTMENT

M. Shannon Kackley
M. Shannon Kackley
Assistant City Attorney
City of Austin

AFTER RECORDING RETURN TO:
Housing and Planning Department
1000 East 11th Street, Suite 200
Austin, TX 78702
Attn: Alex Radtke



EXHIBIT A

LEGAL DESCRIPTION OF PROPERTY

Lots 9 and 10, Block 8, of the subdivision of OUTLOT 34, DIVISION "B", OF THE ORIGINAL CITY OF AUSTIN, according to the map or plat thereof, recorded in Volume 1, Page 42, Plat Records, Travis County, Texas.



EXHIBIT B

UNIT COUNT AND MIX INFORMATION

FIRST FLOOR

Unit 101 Retail

Unit 102 Retail

Unit 103 Retail

Unit 104 1-bedroom, Affordable at 80% MFI or below

Unit 105 1-bedroom, Affordable at 80% MFI or below

Unit 106 1-bedroom, Affordable at 80% MFI or below

Unit 107 1-bedroom, Market Rate

Unit 108 1-bedroom, Affordable at 80% MFI or below

Unit 109 1-bedroom, Market Rate

Unit 110 1-bedroom, Affordable at 80% MFI or below

SECOND FLOOR

Unit 201 2-bedroom, Market Rate

Unit 202 1-bedroom, Affordable at 80% MFI or below

Unit 203 1-bedroom, Affordable at 80% MFI or below

Unit 204 2-bedroom, Affordable at 80% MFI or below

Unit 205 1-bedroom, Affordable at 80% MFI or below

Unit 206 1-bedroom, Affordable at 80% MFI or below

Unit 207 1-bedroom, Affordable at 80% MFI or below

Unit 208 1-bedroom, Affordable at 80% MFI or below

Unit 209 1-bedroom, Affordable at 80% MFI or below

Unit 210 1-bedroom, Affordable at 80% MFI or below

Unit 211 1-bedroom, Affordable at 80% MFI or below

Unit 212 1-bedroom, Affordable at 80% MFI or below

Unit 213 1-bedroom, Affordable at 80% MFI or below

THIRD FLOOR

Unit 301 2-bedroom, Market Rate

Unit 302 1-bedroom, Market Rate

Unit 303 1-bedroom, Affordable at 80% MFI or below

Unit 304 2-bedroom, Market Rate

Unit 305 1-bedroom, Affordable at 80% MFI or below

Unit 306 1-bedroom, Affordable at 80% MFI or below

Unit 307 1-bedroom, Affordable at 80% MFI or below

Unit 308 1-bedroom, Market Rate

Unit 309 1-bedroom, Affordable at 80% MFI or below

Unit 310 1-bedroom, Affordable at 80% MFI or below

Unit 311 1-bedroom, Affordable at 80% MFI or below

Unit 312 1-bedroom, Affordable at 80% MFI or below

Unit 313 1-bedroom, Affordable at 80% MFI or below



FOURTH FLOOR

Unit 401 2-bedroom, Market Rate

Unit 402 1-bedroom, Market Rate

Unit 403 1-bedroom, Affordable at 80% MFI or below

Unit 404 2-bedroom, Affordable at 80% MFI or below

Unit 405 1-bedroom, Affordable at 80% MFI or below

Unit 406 1-bedroom, Affordable at 80% MFI or below

Unit 407 1-bedroom, Affordable at 80% MFI or below

Unit 408 1-bedroom, Affordable at 80% MFI or below

Unit 409 1-bedroom, Affordable at 80% MFI or below

Unit 410 1-bedroom, Affordable at 80% MFI or below

Unit 411 1-bedroom, Affordable at 80% MFI or below

Unit 412 1-bedroom, Affordable at 80% MFI or below

Unit 413 1-bedroom, Affordable at 80% MFI or below

FIFTH FLOOR

Unit 501 2-bedroom, Market Rate

Unit 502 1-bedroom, Affordable at 80% MFI or below

Unit 503 1-bedroom, Market Rate

Unit 504 2-bedroom, Market Rate

Unit 505 1-bedroom, Affordable at 80% MFI or below

Unit 506 1-bedroom, Affordable at 80% MFI or below

Unit 507 1-bedroom, Market Rate



EXHIBIT C

[NOTICE TO TITLE COMPANY: THIS EXHIBIT SHOULD BE COMPLETED IN FULL BY THE HOME BUYER AT CLOSING AND RECORDED. PLEASE CONTACT THE HOUSING AND PLANNING DEPARTMENT AT THE CITY OF AUSTIN IF YOU HAVE ANY QUESTIONS OR NEED ASSISTANCE.]

STATE OF TEXAS §
 §
COUNTY OF TRAVIS §

**RESALE RESTRICTION AGREEMENT AND COVENANT
LIMITATIONS ON RESALE PRICE and BUYER INCOME**

Compliance with the provisions of this Covenant shall be deemed to be a requirement of title.

AFFORDABLE HOUSING COVENANT

This Affordable Housing Covenant ("Covenant") is entered into as of the _____ day of _____, 20__, by and between _____, and the City of Austin, Texas.

This Covenant applies only to the following described real property, including improvements, in [_____] County, Texas ("Affordable Unit"):

Condominium Unit Number _____, in Building "_____", and the space encompassed by the boundaries thereof, the limited common elements appurtenant thereto, together with an undivided interest in the general common elements located in and being part of _____ of _____ CONDOMINIUMS, a Condominium project in Travis County, Texas, as fully described in and as located, delineated and as defined in the _____ Condominium Declaration for _____ CONDOMINIUMS, recorded under Document No. _____, Official Public Records of Travis County, Texas.



RECITALS

WHEREAS, the City of Austin supports the goal of preserving affordable homeownership opportunities through long term affordability strategies; and

WHEREAS, the Affordable Unit (more completely described below in Section 1. Definitions) is subject to the Affordability Unlocked Land Use and Restriction Agreement defined below in Section 1, but none of the other condominium units in the Condominium Project, other than the Affordable Unit, is subject to the Affordability Unlocked Land Use and Restrictive Agreement or this Covenant; and

WHEREAS, the Affordability Unlocked Land Use and Restriction Agreement requires, inter alia, that the Owner impose this Covenant on the Affordable Unit; and

WHEREAS, in accordance with such requirement, the Owner has agreed to impose the affordable housing restrictions set forth in this Covenant against the Affordable Unit; and

WHEREAS, subsequent purchasers of the Affordable Unit will benefit from the limitations on the resale purchase price which this Covenant requires; and

WHEREAS, the intent of the Owner is to preserve through this Covenant the affordability of the Affordable Unit for persons of low or moderate income, their surviving spouse, domestic partner, lineal descendants or siblings, and to assign to the City the right to enforce compliance with this Covenant.

NOW THEREFORE, in consideration of the benefits received by the parties, the sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Definitions

The following terms shall have the following meanings herein:

“Acknowledgment of Affordability Restrictions” means an acknowledgement in substantially the form of Exhibit 1 attached hereto, confirming a Homeowner’s review and understanding of the terms and conditions of this Restrictive Covenant.

“Area Median Income” means the Area Median Income reported annually for single persons and households of various sizes by the United States Department of Housing and Urban Development, or by any successor United States Government department, agency, or instrumentality, for the Austin Metropolitan Statistical Area which includes the City of Austin, Texas.



“Affordability Unlocked Land Use and Restriction Agreement” means the Affordability Unlocked Land Use and Restriction Agreement dated _____ and recorded under Document No. _____ of the Official Public Records of [_____] County, Texas.

“Affordable Unit” means Condominium Unit Number _____, in Building “_____”, and the space encompassed by the boundaries thereof, the limited common elements appurtenant thereto, together with an undivided interest in the general common elements located in and being part of _____ CONDOMINIUMS, a Condominium project in Travis County, Texas, as fully described in and as located, delineated and as defined in the Condominium Declaration for _____ CONDOMINIUMS, recorded under Document No. _____, Official Public Records of Travis County, Texas.

“Asset Limits” means aggregate personal assets, including cash, personal property and real property assets of not more than Fifty-Thousand Dollars (\$50,000.00), excluding employer or tax deferred retirement plan assets and any amount used as the down payment for the Affordable Unit. The Asset Limit shall be increased or decreased annually in accordance with the Federal Costs of Living Adjustment (COLA),

“Certified” means written acknowledgement of the City that an individual is an Eligible Buyer, Owner or Income Qualified Person, based on the Qualified Person’s previous year federal income tax return and year to date income statements or paycheck stubs as the case may be and meets the requirements of this Restrictive Covenant for ownership of the Affordable Unit.

“City” means the City of Austin, a Texas home rule municipality.

“Condominium Declaration” means the _____ CONDOMINIUMS, a Condominium project in Travis County, Texas, described in the Condominium Declaration for _____ CONDOMINIUMS, recorded under Document No. _____, Official Public Records of Travis County, Texas.

“Condominium Project” means the Project defined in the Condominium Declaration.

“Compliant Year” means a continuous 12-month period where affordability requirements were met.

“Declarant” means legal entity authorized to transfer ownership to Eligible Buyer.

“Eligible Buyer” means household certified by the City as meeting the City’s Asset Limits and Income Limits, and has been qualified by an Institutional Lender for a mortgage to be used to purchase the Affordable Unit.



“Eligible Capital Improvement” means (i) a capital improvement to the Affordable Unit that is reasonably necessary to maintain the Affordable Unit in a good state of repair including necessary structural, mechanical, electrical and plumbing repairs, but specifically excludes normal and customary repairs and maintenance to the Affordable Unit and normal and customary repairs and maintenance to the mechanical, electrical or plumbing systems in the Affordable Unit; and (ii) replacing built-in appliances and fixtures. Eligible Capital Improvements shall also include amounts paid by the Owner of the Affordable Unit as a special assessment under the Condominium Declaration provided the special assessment is for capital improvement to the Condominium Project that is reasonably necessary to maintain the Condominium Project in a good state of repair including necessary structural, mechanical, electrical and plumbing repairs, but specifically excludes normal and customary repairs and maintenance to the Condominium Project.

“First deed of trust” means a deed of trust or mortgage which is recorded senior to any other deeds of trust or liens against the Affordable Unit to secure a loan used to purchase the Affordable Unit made by an Institutional Lender.

“Homeowner” means any Eligible Buyer, household, devisee, transferee, grantee, owner or holder of title of the Affordable Unit or any interest in the Affordable Unit, excluding Owner.

“HUD” means the United States Department of Housing and Urban Development.

“HUD Low Income Limit” means the maximum gross household income which allows a household to be considered “low income” for the purposes of HUD financial assistance. These limits are reported annually by HUD and reflect the low income limit for a particular area.

“Income” means the definition of income under Section 8 of the United States Housing Act of 1937, codified at 42 U.S.C.S. § 1437a(b)(1990), as further determined by the United States Secretary of Agriculture in 24 CFR § 813.106 (1997). In the event that Section 8 is repealed or the definition of income under Section 8 is substantially modified, then “income” shall mean the anticipated total income for the next twelve month period received from all sources by each member of the household, excluding, however, temporary or non-recurring income (including gifts), income from the employment of children under age 18, payments for the care of foster children or foster adults, and amounts received specifically for the reimbursement of medical expenses for a member of the household.

“Income Limits” means a projected Income that does not exceed the prior Homeowner’s maximum allowable percent of the median family income for the Austin Metropolitan Statistical Area as defined annually by HUD, adjusted to reflect the family size of the buyer or buyers.

“Income-Qualified Person(s)” means a person or persons who has been certified in writing by the City, as meeting the City’s Asset Limits and Income Limits.



“Institutional Lender” means any bank or any other institutional lender which is licensed to engage in the business of providing purchase money mortgage financing for residential real property.

“Notice of Exercise of Right” means the City’s written notice to Owner of its exercise of its Purchase Right, or assignment of such right to an Eligible Buyer.

“Notice of Waiver of Right” means the City’s written notice to Owner of its waiver of its Purchase Right.

“Owner” means _____, a [type of entity) and each person or entity holding a record ownership interest in the Property, their successors, assignees, transferees, grantees, heirs, executors, administrators, and duly authorized agents. The term Owner does not include persons or entities who/which hold an interest merely as security for the performance of an obligation or a Homeowner.

“Purchase Right” means the City’s limited right to purchase the Affordable Unit solely as provided in Section 6.B. of this Covenant.

“Transfer” means any sale, assignment or transfer, voluntary, involuntary or by operation of law (whether by deed, contract of sale, gift, devise, or bequest) of any interest in the Affordable Unit, including but not limited to a fee simple interest, a joint tenancy interest, a tenancy in common, a life estate, a leasehold interest (except for a lease allowed by this Covenant), or any interest evidenced by a contract for sale by which possession of the Affordable Unit is transferred and the Homeowner retains title.

2. Requirement of Title and Term of Affordability

Compliance with the provisions of this Covenant shall be deemed to be a requirement of title. Eligible Buyers must have a valid written income certification from the City approved within nine months prior to the closing of the purchase of the Affordable Unit in order to be eligible to purchase the Affordable Unit.

3. Term

This Covenant shall remain in effect for a period of 99 Compliant Years from the date a certificate of occupancy is issued for the Affordable Unit unless the City, its successor or assigns, executes and records a notice of termination in the Official Records of [_____] County, Texas.

4. Required Conveyance Deed Language



Owner and each Homeowner shall use a form of special warranty deed, which includes in 12- point type and in all caps on the front page thereof the language immediately below:

THIS DEED IS DELIVERED AND ACCEPTED SUBJECT TO THE PROVISIONS AND CONDITIONS SET FORTH IN THAT CERTAIN AFFORDABLE HOUSING COVENANT, DATED AS OF _____, 20____, RECORDED UNDER DOCUMENT NO. _____ OF THE OFFICIAL PUBLIC RECORDS OF [_____] COUNTY, TEXAS.

5. Eligible Buyers

A. Title to the Affordable Unit only may be transferred to an Eligible Buyer or Income Qualified Person; provided, however, upon the death of an Eligible Buyer, the Affordable Unit may be transferred to the surviving spouse, domestic partner, lineal descendants or siblings of an Eligible Buyer without any of such persons having to requalify as an Eligible Buyer. In order to qualify as an Eligible Buyer, the buyer's assets may not exceed the Asset Limits and the buyer's projected income may not exceed the prior Homeowner's maximum allowable percent of median family income for the Austin Metropolitan Statistical Area as defined annually by HUD, adjusted to reflect the family size of the buyer or buyers. If the Affordable Unit is sold jointly to more than one buyer in the same transaction, or if the Affordable Unit is sold to a buyer who is married or who has a domestic partner, or if the Affordable Unit is sold to one or more buyers who have the custody of children under the age of eighteen, then (a) the buyer or buyers shall be considered to be a household for the purposes of this Covenant; (b) the income of all persons in the household (which will include each buyer of the Affordable Unit, the spouse or domestic partner of the buyer, and all buyer's children who are age eighteen or older) shall be used in determining the buyer's(s') income; and (c) the HUD Low Income Limit shall be adjusted to reflect the household's size.

B. The following transfers are exceptions to the above qualification requirement as an Eligible Buyer or Income Qualified Person, provided that the new Homeowners, other than an estate, shall use the Affordable Unit as his or her principal residence:

- i. A transfer resulting from the death of a Homeowner where the transfer is to the spouse or domestic partner of the Homeowner.
- ii. A transfer to the Homeowner's estate following his or her death for the purpose of administering the estate and distributing the assets thereof during a limited period of time.
- iii. A transfer resulting from the death of a Homeowner when the transfer is to one or more lineal descendants or heirs of the deceased Homeowner.
- iv. A transfer by a Homeowner where the spouse or domestic partner of the Homeowner becomes the co-owner of the Affordable Unit.



- v. A transfer resulting from a decree of dissolution of the marriage or from a property settlement agreement incidental to such a decree by which a spouse of a Homeowner becomes the sole Homeowner of the Affordable Unit.
- vi. A transfer directly resulting from a termination of a registered domestic partnership by which a domestic partner of a Homeowner becomes the sole Homeowner of the Affordable Unit.

Any other beneficiaries, heirs, legatees or devisees of the Homeowner, must be certified by the City to be Income-Qualified Persons in order to retain title to the Affordable Unit. Such other beneficiaries, heirs, legatees or devisees who do not meet the requirements to be certified as an Income Qualified Person shall be required to transfer their interest in the Affordable Unit within 180 days of their receipt of title to the Affordable Unit. Such transfer must be in accordance with Section 6 herein.

6. Transfer of Ownership through Sale or Exchange.

A. A Homeowner wishing to transfer the Affordable Unit must provide the City with written notice of its intent to sell (“Intent to Sell Notice”) and comply with subsections B., and C. of Section 6 of this Covenant.

B. The City’s Purchase Right. If the Homeowner of the Affordable Unit delivers an Intent to Sell Notice to the City, then in such limited event, the City is hereby granted a Purchase Right to purchase the Affordable Unit. The City’s Purchase Right must, if at all, be exercised by the City within 45 days after the City’s receipt of said Intent to Sell Notice (“City’s Exercise Period”). If the City fails to timely exercise the Purchase Right by delivering to the Homeowner a Notice of Exercise of Right prior to the expiration of the City’s Exercise Period, then the City’s Purchase Right to purchase the Affordable Unit shall be deemed to be waived as to the applicable Intent to Sell Notice. If the City timely exercises the Purchase Right by delivering the Notice of Exercise of Right prior to the expiration of the City’s Exercise Period, then the City is obligated to either (i) purchase the Affordable Unit, or (ii) assign the Purchase Right to an Eligible Buyer. Prior to the expiration of the City’s Exercise Period, the City must either provide the Homeowner a Notice of Exercise of Right or Notice of Waiver of Right. In the event that the City provides a Notice of Waiver of Right, or fails to deliver either a Notice of Exercise of Right or Notice of Waiver of Right prior to the expiration of the City’s Exercise Period, the Homeowner may proceed with sale of the Affordable Unit, in the manner prescribed by subsection C. of Section 6 of this Covenant. In the event the City provides a Notice of Exercise of Right, the sale of the Affordable Unit must close with either the City, or an Eligible Buyer who is the City’s assignee, as stated in the Notice of Exercise of Right, within sixty (60) days of the Homeowner’s receipt of the Notice of Exercise of Right (the “City’s Closing Period”). In the event that the sale does not close prior to the expiration of the City’s Closing Period, and such failure is not due to a default by the Homeowner, the Homeowner may terminate the contract with the City, or its assignee, and sell the



Affordable Unit in accordance with the provisions of subsection C. of Section 6 of this Covenant. In such event, the City shall provide the Homeowner with such written confirmation or other documentation that may reasonably be necessary to satisfy a title insurer of the Homeowner's compliance with this Section.

C. Good Faith Marketing and Selection Process. Provided a Homeowner: (i) has received a Notice of Waiver of Right from the City; or, (ii) the City has not timely exercised its Purchase Right prior to the expiration of the City's Exercise Period or, (iii) the City, or its assignee fails to timely close the purchase of the Affordable Unit prior to the expiration of the City's Closing Period, a Homeowner may market the Affordable Unit for sale in accordance with this subsection. The purpose of this subsection is to assure that a Homeowner engages in a good faith marketing effort such that members of the public have a fair chance to become informed of the availability of the Affordable Unit, which shall include marketing the Affordable Unit for a minimum of thirty (30) days before any contract for sale may be executed by the Homeowner. Upon the expiration of the mandatory Intent to Sell Notice and marketing period, the Homeowner may enter into a contract for sale of the Affordable Unit with a ready, willing and able buyer; provided such buyer has been certified by the City as an Eligible Buyer.

7. Owner's Sale of the Affordable Unit

The sales price for the first sale of the Affordable Unit to an Eligible Buyer may not be for more than \$ _____.

8. Affordable Resale Price Limit

A. After the first transfer from Owner to the first Homeowner of the Affordable Unit, the Affordable Unit may not be transferred for more than an amount calculated in accordance with this Paragraph. The "Affordable Resale Price" is equal to the original affordable sales price paid by such Homeowner, plus the affordable sales price multiplied by a Fixed Rate of Appreciation at 2% annual, simple interest multiplied by the number of ownership years the Affordable Unit is owned by such Homeowner (the "Fixed Rate of Appreciation") with a cap of 30 years. Ownership years are calculated on an annual, pro-rated basis to credit the Homeowner with that portion of the year that may not be a full calendar year. "Ownership years" equals the total number of days of ownership divided by three hundred and sixty-five days, so that the Ownership Year is prorated daily. The amount of appreciation due to the Homeowner shall equal the affordable sales price paid by such Homeowner for the Affordable Unit multiplied by a Fixed Rate of Appreciation at 2% annual, simple interest multiplied by the number of ownership years the Affordable Unit is owned by such Homeowner (the "Fixed Rate of Appreciation") with a cap of 30 years.

B. Nothing in this Covenant represents or guarantees that the Affordable Unit will be re-sold at an amount equal to the resale price limit. Depending upon conditions affecting the real estate market, the Affordable Unit may be re-sold for less than the Affordable Resale Price.



C. Adjustments to Affordable Resale Price. The Affordable Resale Price shall be increased or decreased, as applicable, by the following adjustment factors (“Adjustment”).

- (i) Capital Improvements. Provided that prior to a Homeowner’s undertaking the Eligible Capital Improvement Owner obtains City’s written approval to proceed, the Affordable Resale Price shall be increased in an amount equal the original cost to a Homeowner for making the Eligible Capital Improvement. To receive City approval, the Homeowner must submit evidence to City showing the purpose and cost of the capital improvements.
- (ii) Damages. Affordable Resale Price shall be decreased by the amount necessary to repair damage to the Property, if any, and to place the Property into saleable condition as reasonably determined by the City, including, without limitation, amounts attributed to making necessary structural, mechanical, electrical and plumbing repairs that would require the issuance of a building permit; and repairing or replacing built-in appliances and fixtures; however, Damages shall not include reasonable wear and tear to items such as painted surfaces, drapery, flooring or carpeting or other normal and customary repairs for which a building permit from the City is not required.

9. City’s Right to Acquire Homeowner’s Interest prior to foreclosure.

A. The Homeowner shall give to the City written notice within three (3) business days from the date any notice of foreclosure is provided to the Homeowner or any foreclosure is commenced against the Property under the first deed of trust, or other instrument encumbering the Affordable Unit.

B. If the Homeowner has not cured the default under the first deed of trust within ten (10) business days prior to a scheduled foreclosure sale by an Institutional Lender who is the beneficiary under the first deed of trust, then the City may (but shall not be obligated to) proceed to make any payment required in order to avoid foreclosure of the Affordable Unit. Upon making any such payment, the City shall succeed to all beneficial rights of the Homeowner to the Affordable Unit and shall assume all of the Homeowner’s rights and obligations under the first deed of trust, subject to the terms of this Covenant. In such event, the Homeowner shall relinquish possession thereof to the City.

C. The Homeowner may reacquire or repurchase his or her interest in the Affordable Unit by payment to the City of all sums paid by the City in connection with the first deed of trust, or other instrument encumbering the Affordable Unit, and all other sums reasonably expended by the City in relation to its acquisition of the Affordable Unit, plus two percent (2%), per annum, simple interest from each date of expenditure. This reacquisition or repurchase only may occur



within twelve (12) months from the date the City expended money in connection with its acquisition of the Affordable Unit. As of the date of such reacquisition or repurchase, the Homeowner shall re-assume all of his or her rights and obligations under the first deed of trust. At the end of such twelve (12) month period, if the Homeowner's interest has not been so reacquired or repurchased, all right, title and interest of the Homeowner in the Affordable Unit shall be extinguished, and the Homeowner shall execute a quit claim deed to the City to evidence Transfer of title to the City. If the Homeowner fails or refuses to execute such a deed after being sent a written request therefor by the City, the City may execute it on behalf of the Homeowner as the Homeowner's attorney-in-fact. But prior to executing such a deed, the City shall pay to the Homeowner the down payment made by the Homeowner plus any reduction made by the Homeowner in the principal amount of the loan, plus the cost of any Eligible Capital Improvement, minus the City's costs to the date of execution of the deed.

D. Provided that the City declines to exercise its right to assume Owner's interest in the Affordable Unit, an Institutional Lender's foreclosure under a first deed of trust, shall terminate this Covenant as to the Affordable Unit, the City shall have no right to acquire the Affordable Unit after a foreclosure sale and the Institutional Lender shall have no obligation to account to, remit proceeds or otherwise deal with the City as a result of any foreclosure sale.

E. Notwithstanding the language of Section 9.D of this Covenant, if an Institutional Lender forecloses under a first deed of trust and the proceeds from such foreclosure sale exceed the amount the Institutional Lender would be entitled under the loan documents executed by the Homeowner in connection with a first deed of trust, then any such surplus shall be divided between Homeowner and City as follows:

- The Homeowner shall receive such surplus proceeds in an amount that does not exceed the Affordable Resale Price, as calculated at the time of the foreclosure sale.
- The City shall receive all surplus proceeds that exceed the Affordable Resale Price, as calculated at the time of the foreclosure sale.

Declarant acknowledges that it would be contrary to the purposes of this Covenant if, in the event of a foreclosure, a sale generates proceeds in excess of the amount an Institutional Lender is legally entitled to and Homeowner receives more than the Affordable Resale Price. Therefore, Declarant hereby covenants the following: (i) there shall be an irrevocable assignment of certain surplus proceeds to the City, as prescribed in the above bullet points, and that the Homeowner, at the time of such foreclosure sale shall execute all documents reasonably necessary to effectuate the assignment and shall instruct the Institutional Lender to distribute any such surplus in accordance with this subsection; and, (ii) in the event that the amount of surplus proceeds for which the City is entitled is inadvertently paid to the Homeowner, the Homeowner shall be obligated to pay such amount to the City promptly. It is not the intent of Declarant for the covenants set out in this subsection to in any way impair the Institutional Lender from its recovery of all outstanding principal and interest, penalties, attorney's fees, and other fees and penalties it may be lawfully



entitled in prosecuting such foreclosure, and the effect of this covenant is limited in scope to only such proceeds generated in surplus of that which Institutional Lender is legally entitled to recover.

10. Subordination of Covenant

The provisions of this Covenant shall be subordinate to the lien of a first deed of trust to secure a loan to purchase the Affordable Unit made by an Institutional Lender. This Covenant may not impair the rights of such Institutional Lender, or such lender's assignee or successor in interest, to exercise its remedies under the first deed of trust in the event of default by the Homeowner; these remedies include the right to foreclose or exercise a power of sale or to accept a deed in lieu of foreclosure.

11. Re-Financing of the First Deed of Trust or Financing Eligible Capital Improvements.

The Homeowner may not mortgage, refinance or in any other manner encumber any of its interest in the Affordable Unit without the prior written consent of the City, which shall be in the City's sole and absolute discretion, with the exception of a first deed of trust. If the Homeowner wishes to refinance its first deed of trust, or sell the Affordable Unit, the Homeowner must (a) give notice to the City, and (b) deliver to the City copies of every document to be recorded in connection with the refinancing or sale in advance of the closing. **THESE RESTRICTIONS PROHIBIT THE HOMEOWNER FROM GETTING ADDITIONAL LOANS THAT USE THE AFFORDABLE UNIT AS COLLATERAL, INCLUDING, WITHOUT LIMITATION, LOANS TO REPAY CREDIT CARD DEBT, LOANS TO PURCHASE AUTOMOBILES, HOME EQUITY LOANS, DEBT CONSOLIDATION LOANS OR LOANS TO FINANCE THE PURCHASE OF OTHER PERSONAL PROPERTY.** The Homeowner acknowledges and agrees that the requirements of this Restrictions to Financing Section are necessary to ensure the continued affordability of the Affordable Unit to the Homeowner and to minimize the risk of loss of the Affordable Unit through default and foreclosure. The Homeowner shall pay to the City, at the City's option, all fees, costs and expenses, including, without limitation, reasonable attorneys' fees, incurred by the City in connection with approving any mortgage or refinancing. Any lien purported to be granted by the Homeowner to any party that is done in violation of this Restrictions to Financing Section shall be absolutely void

The Homeowner, with the City's prior written consent, only may re-finance the first deed of trust or finance Eligible Capital Improvements, so long as the total amount of such re-financing and/or financing of Eligible Capital Improvements does not exceed ninety-three percent (93%) of the Affordable Resale Price Limit in effect at the time of the re-financing of the Affordable Unit. Such re-financing must be with an Institutional Lender.

12. Taxes, Assessments and Utilities

A. Taxes, Assessments and Utilities. The Homeowner shall pay, at their own expense, when due all taxes, governmental assessments and charges of every kind against the Affordable



Unit. The Homeowner also shall pay, when due, all other service bills and utility charges that relate to the Affordable Unit, including, without limitation, all charges for water, sewer, heat, air conditioning, gas, light, garbage, electricity, telephone service, power, and all other public and private services and utilities

B. Homeowner's Right to Contest. The Homeowner may, in good faith and with reasonable diligence, contest the amount or validity of any taxes relating to the Affordable Unit if, during any such contest, the enforcement of the lien of such taxes is stayed.

C. Payments in Event of Delinquency. If the Homeowner fails to pay the taxes or other amounts specified in this Section 12 when due, the Homeowner will hold the City harmless from and against any liens arising out of any failure to pay the taxes or other amounts specified in this Section.

D. Proof of Compliance. Within thirty (30) business days after payment of taxes, the Homeowner shall provide evidence of payment to the City on an annual basis. Within ten (10) business days after payment of any liens arising out of the non-payment of taxes or utilities, the Homeowner shall provide evidence of payment to the City.

13. Maintenance of Property

The Homeowner shall, at the Homeowner's sole expense, maintain the Affordable Unit in good, safe, and habitable condition in all respects, except for normal wear and tear, and in full compliance with all applicable laws, ordinances, rules and regulations of any governmental authority with jurisdiction over matters concerning the condition of the Affordable Unit. The Homeowner may not be required to obtain any permission from the City for normal and customary repairs and maintenance of the Affordable Unit; provided, however, the Homeowner is obligated to obtain any required building permits for Eligible Capital Improvements if such Eligible Capital Improvements are subject to the requirement to obtain building permits for same by applicable City building codes or ordinances.

14. Eligible Capital Improvements

Any post-purchase construction, excluding normal and customary repairs and maintenance, in about or to the Affordable Unit requiring issuance of a permit is subject to the following conditions: (a) such construction may not commence without the prior written consent of the City; (b) all costs shall be borne and paid for by the Homeowner; (b) all construction shall be performed in a good and workmanlike manner and shall comply with applicable laws.

15. Prohibited Liens

If any mechanic's, laborer's, materialman's or statutory lien is filed against the Affordable Unit, the Homeowner shall cause the lien to be discharged of record within sixty (60) calendar



days thereafter by payment, deposit, bond, order of a court of competent jurisdiction or as otherwise permitted by law. If the Homeowner fails to cause such lien to be discharged within the 60-day period, then, in addition to any other right or remedy, the City may not be obligated to pay any sums secured by the lien. The Homeowner agrees to indemnify, defend and hold the City harmless from and against any liens arising out of any construction or other work on the Affordable Unit.

16. Use of Property as Homeowner's Primary Residence

A. **Occupancy.** At or before the time when title is transferred to the Affordable Unit, each new Homeowner shall certify to the City in writing their intent to occupy the Affordable Unit as their primary residence; and the Homeowner must declare the Affordable Unit as the Homeowner's residential homestead, as provided in Texas Tax Code Chapter 11, as may be amended, revised, or recodified. Except for leasing, allowed by this Section 16, the Homeowner shall reside at the Affordable Unit at least nine of the twelve calendar months each year of Homeowner's possession of the Affordable Unit.

B. **Leasing.** A Homeowner may not lease the Affordable Unit except as provided in this subsection 16.B.

- i. Requirements for all leases. Any lease of the Affordable Unit shall be approved by the City before it may become effective. The City shall approve the leasing of the Affordable Unit only if: (1) the Lease is in writing and conforms with Texas law; (2) the lease requires the tenant to maintain the Affordable Unit in good condition and prohibits subleasing; and (3) the rent for the Affordable Unit does not exceed Owner's monthly cost of principal and interest on the loan secured by the first deed of trust to an Institutional Lender, and property insurance, property taxes and condominium owners association assessments assessed against the Affordable Unit.
- ii. Requirements for leases that do not exceed a term of three months. Provided that the Homeowner complies with the 9 month primary residency requirements, the Homeowner may lease the Affordable Unit for a period that does not exceed 3 months during a calendar year; provided further that the Homeowner complies with the requirements for all leases, as stated in sub-section 16.B.(i) above.
- iii. Leases greater than three (3) months. Except for Leases that do not exceed three (3) months during a calendar year, the Homeowner may not lease the Affordable Unit during the first five (5) years of ownership. Upon the fifth anniversary of the Homeowner's ownership of the Affordable Unit, the Homeowner may lease the Affordable Unit, provided that: (i) the lease term does not exceed twelve (12) months and is not renewable; (ii) no more than one (1) lease term occurs within a seven (7) year period of ownership; (iii)



the Homeowner first provides the City with notice that the Affordable Unit is available for lease and obtains certification that such Affordable Unit has been inspected and is in compliance with all applicable statutory and regulatory housing requirements; and (iv) the Homeowner complies with the requirements for all leases, as stated in sub-section 16.B.(i) above. In the event that a maximum lease term of twelve (12) months presents a condition of economic hardship on the Homeowner because of military deployment, health problems, or another reason causing the Homeowner to be required to leave the area temporarily, City may grant a temporary waiver to the Homeowner not to exceed 24 months of the requirement to continuously occupy and reside in the Affordable Unit. Documentation substantiating the economic hardship must be submitted in writing for City to review. City will provide the the Homeowner with a response, in its sole discretion, within a reasonable time period.

17. Liability, Insurance, Damage Eminent Domain

A. Homeowner's Liability. The Homeowner assumes sole responsibility and liability to all persons and authorities related to its possession, occupancy and use of the Affordable Unit. The City or its successors may not be liable to the Homeowner or any third party for any losses, costs, damages, harms, claims or lawsuits connected with the Affordable Unit.

B. INDEMNIFICATION OF THE CITY. THE HOMEOWNER SHALL, AND DOES HEREBY, INDEMNIFY, PROTECT, DEFEND AND HOLD HARMLESS THE CITY, AND THE CITY'S AGENTS, EMPLOYEES, OFFICERS, SUCCESSORS, DESIGNEES AND ASSIGNS, FROM AND AGAINST ANY AND ALL CLAIMS, DAMAGES, LIABILITIES, OBLIGATIONS, LOSSES, CAUSES OF ACTION, PENALTIES, COSTS AND EXPENSES (INCLUDING, WITHOUT LIMITATION, REASONABLE ATTORNEYS' FEES AND COURT COSTS) ARISING DIRECTLY OR INDIRECTLY FROM: (A) THE HOMEOWNER'S USE OF THE AFFORDABLE UNIT, OR ANY ACTIVITY, WORK OR OTHER THINGS DONE, PERMITTED OR SUFFERED BY THE HOMEOWNER IN, ON OR ABOUT THE AFFORDABLE UNIT; (B) THE HOMEOWNER'S BREACH OF THIS RESTRICTIVE COVENANT OR VIOLATION OF ANY APPLICABLE LAWS; (C) ANY ACT OR OMISSION OF THE HOMEOWNER, OR ANY GUEST OR INVITEE OF THE HOMEOWNER, OR ANYONE CLAIMING BY, THROUGH OR UNDER THE HOMEOWNER; OR (D) ANY CAUSE IN, ON OR ABOUT THE AFFORDABLE UNIT. THE HOMEOWNER HEREBY ASSUMES ALL RISK OF DAMAGE TO PROPERTY OR INJURY TO PERSONS IN, ON OR ABOUT THE AFFORDABLE UNIT, FROM ANY CAUSE, AND THE OWNER HEREBY WAIVES ALL CLAIMS IN RESPECT THEREOF AGAINST THE CITY, AND THE CITY'S RESPECTIVE OFFICIALS, AGENTS, EMPLOYEES, OFFICERS, SUCCESSORS, DESIGNEES AND ASSIGNS.

18. Insurance.



The Homeowner shall, at the Homeowner's sole expense, keep the interior of the Affordable Unit (e.g., interior walls, flooring, carpeting, appliances, built-in cabinets, shelves, and any other installations or additions which are the Homeowner's insurance responsibility under the condominium documents) continuously insured against loss or damage by fire and the extended coverage hazards for its full replacement value. The Homeowner shall keep the Affordable Unit continuously insured throughout the Covenant Term in such amounts and against such risks and liabilities as the first deed of trust requires, or, if there is no first deed of trust, in such amounts and against such risks and liabilities as the City may reasonably require, provided that such insurance shall specifically insure the Homeowner against all liability assumed under this Restrictive Covenant and imposed by law. All insurance policies shall name the City as additional insureds, and also shall contain endorsements providing that they may not be canceled, reduced in amount of coverage or otherwise modified in any material respect, without prior written notice to the City of at least 30 days. At the City's request, the Homeowner shall provide copies of all policies and renewals of policies or other evidence of insurance. The Homeowner shall pay the insurance premiums as they become due, and shall comply with all insurance requirements at any time in force; provided, however, the Homeowner's compliance, in whole or in part, with this Section shall not be deemed to limit, in any way or to any extent, the liabilities or obligations of the Homeowner to the City under the terms of this Restrictive Covenant. Notwithstanding anything herein to the contrary, Homeowner shall be deemed to have satisfied its obligation to make the insurance payments required by this Section and tax payments required by Section 12 so long as it is making such payments through an escrow established by the first deed of trust for such purposes, in which case the Owner shall provide the City copies of any annual escrow accounting provided to the Homeowner by the first deed of trust promptly upon the City's written request.

19. Damage and Destruction.

A. Obligation to Restore. Except as provided in subsection (b) below, if the Affordable Unit is damaged by fire or any other cause, the Homeowner shall immediately give written notice to the City, and the Homeowner shall promptly repair or restore the Affordable Unit, as nearly as practicable, to its condition immediately prior to the damage and this Restrictive Covenant shall remain in full force and effect. The Homeowner shall also promptly and with due diligence take all steps necessary to ensure that the Affordable Unit does not constitute a danger to people or property.

B. Termination of Covenant and Distribution of Insurance Proceeds. If repair or restoration is not economically feasible, or is otherwise prohibited under the Institutional Lender, or the Condominium Instruments, then the Homeowner may terminate this Covenant by delivering written notice to the City within 60 calendar days after the date of the damage. Subject to the terms of the Institutional Lender any insurance proceeds shall be applied in the order provided for in Section 9.E, with the Affordable Resale Price determined as of the day immediately before the date of the damage in accordance with Section 8.A.



20. Eminent Domain.

A. Obligation to Restore. Except as provided in (B) immediately below, in the event of any taking under the power of eminent domain, or conveyance in lieu of condemnation, the Homeowner shall promptly apply the proceeds of any such taking to the repair or restoration of the Affordable Unit, as nearly as practicable, to its condition immediately prior to the taking and this Covenant shall remain in full force and effect.

B. Termination of Covenant and Distribution of Condemnation Award. In the event of a total taking (or partial taking, if repair or restoration is not economically feasible or is otherwise prohibited under the Institutional Lender or the Condominium Instruments), this Covenant shall terminate as of the date the Owner or Homeowner is required to give up possession of the Affordable Unit. Subject to the terms of the Institutional Lender, any condemnation award shall be applied in the order provided for in Section 9.E, with the Affordable Resale Price determined as of the day immediately before the day of the taking in accordance with Section 8.A.

21. Enforcement of this Covenant

- A. The Owner and each Homeowner hereby grant and assign the City the right to enforce compliance with this Covenant.
- B. Monitoring may be conducted by the City. Monitoring may take the form of a desk review and consist of the following:
 - 1. Review of property records to determine if property taxes are current;
 - 2. Review of appraisal district records to review chain of title for transfers of ownership and name and/or address inconsistencies;
 - 3. Review of City utility records to verify occupancy and name inconsistencies;
 - 4. Review Bureau of Vital Statistics to verify death.
- C. Compliance may be enforced by the City by any lawful means, including without limitation specific performance.
- D. If the City is required to pursue legal action to enforce this Covenant, then in such event, the City shall be entitled to an award of reasonable and necessary attorney's fees and other reasonable and necessary costs incurred in the enforcement of this Covenant.
- E. Venue for a suit enforcing compliance shall be proper in Travis County, Texas.

22. Miscellaneous

A. This Covenant shall run with the Affordable Unit. It shall be binding during its term, and the benefit hereof shall inure during its term to the Homeowner, his or her heirs, legal



representatives, executors, successors in interest and assignees, and to the City, its successors, designees, or assignees.

B. The Affordable Unit may not be used by any other development to satisfy the requirements of this Covenant or any other off-site affordable housing obligations.

C. The Affordable Unit is held and hereafter shall be held, conveyed, encumbered (except to the first deed of trust), leased, rented, and occupied subject to these covenants, conditions, restrictions, and limitations. All of the herein-stated covenants, conditions, restrictions, and limitations are intended to constitute both equitable servitudes and covenants running with the land.

D. Any buyer or transferee of the Affordable Unit or of any portion of or interest in the Affordable Unit, by acceptance of a deed therefor, or by the signing of a contract or agreement to purchase the same, shall, by acceptance of such deed or by the signing of such contract or agreement, be deemed to have consented to and accepted the covenants, conditions, restrictions, and limitations set forth herein.

E. Notices to the City shall be given in writing and delivered in person or mailed, by certified or registered mail, return receipt requested, to the party at the address set forth below, or such other address designated by the City by like notice:

Housing and Planning Department
City of Austin - HPD
1000 East 11th Street, Ste 200
Austin, Texas 78702

Notices to the Homeowner may be given in like manner addressed to the Homeowner of the Affordable Unit as shown on the City's tax rolls.

F. If any provision of this Covenant is held by a court of proper jurisdiction to be invalid, illegal or unenforceable, the remaining provisions shall survive and their validity, legality or unenforceability shall not in any way be affected or impaired thereby.

G. The captions of the paragraphs in this Covenant are for convenience only and shall not be used to interpret the meaning of any provision hereof.

H. The conditions of this Covenant shall be interpreted so as to avoid speculation on the Affordable Unit and to insure to the greatest extent possible that its purchase price and mortgage payments remain affordable during its term to persons and families of low or moderate income.



I. This Covenant may not be revised, amended, repealed or otherwise modified without the written approval of City and the Homeowner of the Affordable Unit; and any such modification must be recorded in the public records of the appropriate county before becoming effective.

J. This Covenant shall apply to the Affordable Unit in addition to the terms and conditions of the Condominium Declaration that is applicable to the Condominium Project in which the Affordable Unit is located. The terms of this Covenant shall apply in addition to and in conjunction with the Condominium Declaration, and no provision of the Condominium Declaration may in any way be impaired by this Covenant. Any amendment to said Condominium Declaration that attempts to repeal, amend, or modify this Covenant shall be void and without effect.

(remainder of page intentionally left blank; signature pages follow)



IN WITNESS WHEREOF, Owner has executed this Covenant as of the date first stated above.

OWNER:

By: _____

Printed
Name: _____

STATE OF TEXAS §

COUNTY OF TRAVIS §

The foregoing instrument was acknowledged before me this ____ day of _____, 20__, by _____.

NOTARY PUBLIC, STATE OF TEXAS

My Commission Expires: _____



CITY OF AUSTIN:

By: _____

Assistant City Manager
City of Austin

THE STATE OF TEXAS §
§
COUNTY OF TRAVIS §

This instrument was acknowledged before me on this the _____ day of _____, 20__, by _____, as Assistant City Manager of the City of Austin, a municipal corporation, on behalf of said Municipal Corporation.

Notary Public, State of Texas

APPROVED AS TO FORM:
BY CITY OF AUSTIN LAW DEPARTMENT

Assistant City Attorney
City of Austin

AFTER RECORDING RETURN TO:
Housing and Planning Department
1000 East 11th Street, Suite 200
Austin, TX 78702
Attn: Alex Radtke



EXHIBIT 1

HOMEOWNER'S ACKNOWLEDGMENT OF AFFORDABILITY RESTRICTIONS

TO: City of Austin

DATE: _____, 20__

I am giving this letter to the City of Austin to be made an exhibit to A Resale Restriction Agreement and Covenant Limitations on Resale Price and Buyer Income ("Restrictive Covenant") between the City and me. I am buying the condominium unit located at _____, Unit #____, Austin, TX _____, which will be subject to the Restrictive Covenant.

I understand how the terms and conditions of the Restrictive Covenant affect my rights as a homeowner, now and in the future. In particular, I understand and agree that:

- Long-Term Affordability. The purpose of the Restrictive Covenant is to keep housing affordable for future generations of low- and moderate-income households. I support this goal.
- Resale Restrictions. The City controls the resale of my home. If I want to sell my home, I must sell it to another income-eligible buyer (or to the City) for a restricted resale price determined in accordance with the resale formula in the Restrictive Covenant. If I violate the resale restrictions, the Restrictive Covenant gives the City the right, among other remedies, to sue for damages or terminate the Restrictive Covenant and recover any sale proceeds. I realize this limits my ability to resell my home (a "restraint on alienation"), but I agree that this limitation is reasonable under the circumstances set forth in the Restrictive Covenant.
- Refinancing Restrictions. The Restrictive Covenant may keep me from obtaining a home equity loan, debt consolidation loan, car loan, or a similar loan that would use the home as collateral. I acknowledge that this constitutes a restraint on alienation, but likewise agree that it is a reasonable restraint under the circumstances of the Restrictive Covenant.
- Principal Residence. I must occupy and use my home as a principal residence. I only may lease it under the provisions under the Restrictive Covenant, and if I move out, I must sell it. I cannot continue to own the home as an absentee owner.

I will honor the terms of the Restrictive Covenant. I consider these terms fair to me and others.

By: _____
[Insert Name of Homeowner]



EXHIBIT D

CONDOMINIUM DECLARATION

ARTICLE XXV

PROVISIONS RELATED TO RESTRICTED RESALE UNITS

1. Compliance with Affordable Housing Requirements. The Declarant is required by the City's Affordability Unlocked Bonus Program to provide affordable housing and the Declarant shall restrict ____% percent of the ownership residential units in the development as affordable for not less than 99 Compliant Years from the date a certificate of occupancy is issued, for ownership and occupancy by households earning no more than ____% of the current Annual Median Family Income for the Austin Metropolitan Statistical Area as determined annually by the United States Department of Housing and Urban Development. In the event the United States Department of Housing and Urban Development ceases publication of this information, the Annual Median Family Income for the Austin Metropolitan Statistical Area will be determined by the Housing and Planning Department, or its successor, at the City of Austin.
2. Affordable Housing Unit(s). *Insert identification information for each affordable units.* (each an "Restricted Resale Unit", collectively the "Restricted Resale Units") may from time to time be conveyed to Unit Owners subject to restrictions that, among other things, limit the resale price and the income of potential purchasers of the Restricted Resale Units (the "Restrictions"). The Restrictions may be set forth in the deeds conveying such Restricted Resale Units or in a separately recorded document. Such Restrictions run in favor of and are enforceable by the City of Austin, a Texas home-rule city and municipal corporation, its successors and assigns (the "City"). The Board and Association will observe the provisions of this Article XXV after control and management is turned over by the Declarant. Prior to turnover of the Association to the Board or Association, the Declarant shall observe the provisions of this Article XXV.
3. Right of First Refusal. To the extent that the Declaration now or hereafter shall contain any provision granting the Board or the Association the right of first refusal or other right to purchase any Unit (a "ROFR"), then the Board or the Association may not exercise such ROFR against any Restricted Resale Unit, unless the City shall fail to enforce the Restrictions relating to resale of such Restricted Resale Unit. In the event of the failure by the City to enforce such Restrictions, the Board or the Association may exercise any otherwise-applicable ROFR, but in such purchase and any subsequent resale of the affected Restricted Resale Unit the Board and the Association shall observe the restrictions on sale price and income of potential purchasers expressed in the Restrictions. In the event the Board receives notice of the sale of a Restricted Resale Unit, the Board shall notify the



Housing and Planning Department at the City to confirm the Restrictions have been satisfied prior to issuing any documents for the closing of the sale.

4. Notice to City. Notwithstanding anything in this Declaration to the contrary, City shall have all of the rights provided to an Eligible Mortgagee of a Restricted Resale Unit under this Declaration, including, without limitation, the right to (i) from time to time to examine current copies of the Declaration and other documents governing the administration of the Property, (ii) receive, upon request, any financial statements prepared by the Association for the Unit Owners and (iii) receive contemporaneous copies of all notices directed to the owner of any Restricted Resale Unit.
5. Assessments. The Restrictions provide, among other things, for the possible acquisition by the City of a Restricted Resale Unit in connection with the exercise of remedies by an Eligible Mortgagee (a "Foreclosure"). To the extent that in a Foreclosure an Eligible Mortgagee of a Restricted Resale Unit is entitled to acquire a Unit free and clear of the lien of assessments or other charges exists under this Declaration, the provisions of the next sentence shall apply. In the context of a Foreclosure, if the City shall exercise its rights under the Restrictions with respect to the subject Restricted Resale Unit, the City (and/or a buyer meeting the requirements of the Restrictions, as the case may be, shall acquire ownership of the Restricted Resale Unit free and clear of any lien for unpaid assessments or other charges in favor of the Association in the same manner as would be applicable in a Foreclosure.
6. Modification. The provisions of this Article XXV may not be amended or eliminated without the prior written consent of the City, so long as the Restrictions shall remain in effect; provided however, upon the expiration or earlier termination of the Restrictions, the City shall promptly release and waive the provisions of this Article XXV.



EXHIBIT E

CITY CODE SECTIONS IN EFFECT ON DATE OF AGREEMENT

ORDINANCE NO. 20190509-027

AN ORDINANCE AMENDING CITY CODE TITLE 25 (*LAND DEVELOPMENT CODE*) CREATING A RESIDENTIAL AFFORDABLE HOUSING DEVELOPMENT BONUS PROGRAM; WAIVING, MODIFYING, AND ESTABLISHING REQUIREMENTS; CREATING AN OFFENSE; AND ESTABLISHING A PENALTY.

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF AUSTIN:

PART 1. FINDINGS.

The council finds the following:

- (1) The Strategic Housing Blueprint (Blueprint) establishes a City-wide goal to produce a total of 135,000 new units with a goal of at least 60,000 new income restricted units by 2027.
- (2) There is a need for affordable housing of all types throughout the City including, but not limited, to single family, duplex, townhome, condominium, and multi-family.
- (3) The City is dedicated to finding creative, innovative solutions to address the City's affordable housing crisis, to create more affordable housing, to increase the effectiveness of public dollars used for affordable housing, and to meet the goals of the Blueprint.
- (4) In November 2018, voters approved \$250 million for affordable housing. Additionally, 4% and 9% Low Income Housing Tax Credits (LIHTC) are popular financing tools to create affordable housing and require at least 50% of a development's dwelling units to serve households that average 60% median family income.
- (5) This city-wide program, which was initiated in Resolution No. 20190221-027, is necessary to encourage the development of affordable housing throughout the City.

PART 2. City Code Chapter 25-1, Article 15 (*Housing*) is amended to add a new Division 4 (*Affordability Unlocked Bonus Program*) to read as follows:

Division 4. Affordability Unlocked Bonus Program.

§ 25-1-720 PURPOSE, APPLICABILITY, SHORT TITLE, AUTHORITY, AND CONFLICT.

- (A) The purpose of this division is to establish a voluntary affordable housing bonus program that allows for increased density for residential dwelling units.
- (B) This division applies within the zoning jurisdiction.
- (C) This division may be cited as “Affordability Unlocked Bonus Program”.
- (D) The director may adopt, implement, and enforce:
 - (1) program guidelines; and
 - (2) administrative rules in accordance with Chapter 1-2 (*Administrative Rules*).
- (E) A provision of this title that is specifically applicable to a qualifying development governs over a conflicting provision of this title.

§ 25-1-721 DEFINITIONS.

In this division,

- (1) **GOVERNMENT-OPERATED AFFORDABLE HOUSING PROGRAM** means a program operated by a federal, state, or local department that provides financial or other form of subsidy for the purpose of providing affordable housing.
- (2) **HOUSING FOR OLDER PERSONS** means housing for households with at least one individual who is at least 62 years of age at the time of initial occupancy.
- (3) **MFI** means median family income for the Austin metropolitan statistical area.
- (4) **QUALIFYING DEVELOPMENT** means a development certified under Section 25-1-724 (*Certification*) and participating in the Affordability Unlocked Bonus Program.
- (5) **SLEEPING UNIT** means a bedroom in a structure that serves as a dwelling unit for seven or more unrelated individuals who share amenities, such as a kitchen, bathrooms, or living areas.
- (6) **SUPPORTIVE HOUSING** means housing that includes non-time-limited affordable housing assistance with wrap-around supportive

services for individuals experiencing homelessness, as well as other individuals with disabilities.

§ 25-1-722 ELIGIBILITY.

- (A) A proposed development qualifies as a Type 1 development and is eligible for this program if:
- (1) it includes:
 - (a) a minimum of three dwelling units,
 - (b) only affordable dwelling units; or
 - (c) one or more structures that serve as a dwelling unit for seven or more unrelated individuals who share amenities, such as a kitchen, bathrooms, or living areas;
 - (2) at least 25 percent of the affordable dwelling units include two or more bedrooms, supportive housing, housing for older persons, or any combination of the three;
 - (3) not more than 25 percent of the proposed development's gross floor area is for commercial uses;
 - (4) it is new construction, it is redevelopment of a site without existing multi-family structures, or the existing development on the site complies with the requirements in Subsection (D); and
 - (5) it meets the requirements set forth in Section 25-1-723 (*Affordability Requirements*).
- (B) Except for a proposed development participating in a government-operated affordable housing program with stricter requirements, the applicant for a proposed rental development:
- (1) shall incorporate lease provisions that are consistent with:
 - (a) the U.S. Department of Housing and Urban Development (HUD) Section 8 Tenant-Based Assistance Housing Choice Voucher (HCV) Program related to the termination of tenancy by owner;
 - (b) any lease addendum required as a condition to receive city or Austin Housing Finance Corporation (AHFC) funds; and
 - (c) 24 C.F.R. § 245.100 related to a tenant's right to organize; and

- (2) may not discriminate on the basis of an individual's source of income as defined in Section 5-1-13 (*Definitions*).
- (C) A proposed development qualifies as a Type 2 development and is eligible for additional bonuses if it meets the standards imposed in Subsections (A) and (B) plus one or more of the following:
- (1) at least 50 percent of the affordable dwelling units include two or more bedrooms;
 - (2) for a rental development:
 - (a) at least 75 percent of the total units or sleeping units serve households whose incomes average 60 percent MFI or below, rounded up to the nearest unit or sleeping unit; or
 - (b) at least 10 percent of the affordable units or sleeping units serve households with incomes of 30 percent MFI or below, rounded up to the nearest unit or sleeping unit; or
 - (3) for an owner-occupied development, at least 75 percent of the owner-occupied dwelling units or sleeping units serve households whose incomes average 80 percent MFI or below; or
 - (4) is located within $\frac{1}{4}$ mile of an activity corridor designated in the Imagine Austin Comprehensive Plan and is served by a bus or transit line.
- (D) A proposed development that will require the applicant to redevelop or rebuild an existing multi-family structure is eligible for this program if:
- (1) the proposed development meets the standards imposed in Subsections (A) and (B);
 - (2) the existing multi-family structure requires extensive repairs and for which rehabilitation costs will exceed 50 percent of the market value, as determined by the building official;
 - (3) the proposed development will replace all existing units that were affordable to a household earning 80 percent MFI or below in the previous year and have at least as many bedrooms;
 - (4) the applicant provides current tenants with:
 - (a) notice and information about the proposed development on a form approved by the director; and

- (b) relocation benefits that are consistent with Federal Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, 42 U.S.C.A. 4601, *et seq.*; and
- (5) the applicant grants current tenants the option to lease a unit of comparable affordability and size following completion of redevelopment.

§ 25-1-723 AFFORDABILITY REQUIREMENTS.

- (A) An applicant complies with the requirements in this section if the applicant participates in a government-operated affordable housing program that imposes, at a minimum, the same affordability requirements.
- (B) A rental development must comply with at least the following:
 - (1) at least 50 percent of the total units or sleeping units serve households whose incomes average 60 percent MFI or below; and
 - (2) at least 20 percent of the total units or sleeping units serve households with incomes of 50 percent MFI or below.
- (C) Except for a Type 2 owner-occupied development that complies with the requirements in Section 25-1-722(C)(3), at least 50 percent of the owner-occupied dwelling units or sleeping units must serve households whose incomes average 80 percent MFI or below.
- (D) If the number of units required in this section include less than a whole unit, the unit number is rounded up to the nearest whole unit.
- (E) The minimum affordability period for a rental development is the greater of the affordability period required for development receiving city or Austin Housing Finance Corporation (AHFC) funds or 40 years following the issuance of the last certificate of occupancy required for the qualifying development.
- (F) The minimum affordability period for an owner-occupied dwelling unit is 99 years following the issuance of a certificate of occupancy for the owner-occupied dwelling unit.
- (G) In a multi-phased qualifying development, the director may begin the minimum affordability period upon the issuance of the last certificate of occupancy for each phase.

§ 25-1-724 CERTIFICATION.

- (A) If the director certifies that a proposed development meets the requirements of this division, the accountable official is authorized to process a development application as a qualifying development.
- (B) Before the director may certify that a proposed development meets the requirements of this division, the applicant shall execute:
 - (1) an agreement to preserve the minimum affordability period and related requirements imposed by this division; and
 - (2) a document for recording in the real property records that provides notice of or preserves the minimum affordability requirements imposed by this division.
- (C) The form of the documents described in Subsection (B) must be approved by the city attorney.
- (D) The director may certify an applicant who complies with the requirements in Subsection (B) because the applicant participates in a government-operated affordable housing program that imposes, at a minimum, the same affordability requirements.

§ 25-1-725 POST-CONSTRUCTION REQUIREMENTS AND PENALTY.

- (A) For a rental development, the property owner or the property owner's agent shall provide the director with information that allows the director to verify compliance with the affordability requirements. The information shall be provided on an annual basis and on a form approved by the director.
- (B) If, for any reason, the director is unable to confirm that the affordability requirements were met during any 12-month period, the preceding 12 months may not be used to satisfy the minimum affordability requirements in Section 25-1-723 (*Affordability Requirements*).
- (C) An applicant complies with the requirements in this section if the applicant complies with monitoring and income verification requirements that are imposed and enforced as part of a government-operated affordable housing program.
- (D) A person commits an offense if the person fails to comply with the requirement in Subsection (A). A culpable mental state is not required, and need not be proved. A person commits a separate offense for each day the

person fails to provide the documentation. Each offense is punishable by a fine not to exceed \$500.

PART 3. City Code Chapter 25-2, Subchapter C, Article 2, Division 2 (*Requirements for All Districts*) is amended to add a new Section 25-2-518 (*Qualifying Development*) to read as follows:

§ 25-2-518 QUALIFYING DEVELOPMENT.

- (A) In this section, a qualifying development is a development certified under Section 25-1-724 (*Certification*) and participating in the Affordability Unlocked Bonus Program.
- (B) Notwithstanding any ordinance or City Code provision to contrary, a qualifying development is a permitted use under Section 25-2-491 (*Permitted, Conditional, and Prohibited Uses*) in:
 - (1) a residential base zoning district;
 - (2) a commercial base zoning district;
 - (3) a special purpose base zoning district, except on a site designated:
 - (a) agricultural (AG),
 - (b) aviation (AV); or
 - (4) a combining and overlay district.
- (C) No more than 25 percent of the gross floor area of the qualifying development may be comprised of commercial uses. The permitted commercial uses are determined using the base zoning district.
- (D) A qualifying development is not required to comply with:
 - (1) the height and setback requirements of Article 10 (*Compatibility Standards*) except to maintain side setbacks as required by the base zoning district;
 - (2) the maximum floor-to-area ratio for the applicable base zoning district under Section 25-2-492 (*Site Development Regulations*);
 - (3) Subchapter F (*Residential Design and Compatibility Standards*) except to maintain side setbacks as required by the base zoning district;
 - (4) Section 25-2-773 (*Duplex Residential Use*); or
 - (5) minimum site area requirements.

(E) This subsection applies to a qualifying development located in urban residence (SF-5) or more restrictive zoning district and the height of the development exceeds 35 or three stories.

(1) A qualifying development must comply with:

(a) Section 25-2-1066 (*Screening Requirements*); and

(b) Subsections (A) and (B) in Section 25-2-1067 (*Design Regulations*).

(2) A person must enclose a refuse receptacle, including a dumpster.

(3) The location of and access to a refuse receptacle is subject to review and approval by the accountable official.

(4) A person may not collect or allow another to collect refuse receptacles between 10:00 p.m. and 7:00 a.m.

PART 4. City Code Chapter 25-2, Subchapter C, Article 2, Division 3 (*Exceptions*) is amended to add a new Section 25-2-534 (*Qualifying Development Exceptions*) to read as follows:

§ 25-2-534 QUALIFYING DEVELOPMENT EXCEPTIONS.

(A) In this section, a qualifying development is a development certified under Section 25-1-724 (*Certification*) and participating in the Affordability Unlocked Bonus Program.

(B) A qualifying development is not subject to Section 25-2-511 (*Dwelling Unit Occupancy Limit*).

(C) Minimum lot size for a qualifying development is 2,500 square feet.

(D) Minimum lot width for a qualifying development is 25 feet.

(E) A Type 1 development may:

(1) construct to a height that is the applicable base zoning district height limit multiplied by 1.25;

(2) reduce front yard setbacks by 50 percent;

(3) reduce rear setbacks by 50 percent; and

(4) include six dwelling units if the existing zoning on the site is Single Family Residential Small (SF-4A), Single Family Residence Condominium Site (SF-4B), or more restrictive.

- (F) In addition to Subsection (E), a Type 2 development may:
- (1) construct to a height that is the applicable base zoning district height limit multiplied by 1.5; and
 - (2) include eight dwelling units if the existing zoning on the site is Single Family Residential Small (SF-4A), Single Family Residence Condominium Site (SF-4B), or more restrictive.
- (G) If a qualifying development is also eligible to utilize a separate density bonus program that grants density bonuses for the provision of affordable dwelling units or for the payment of a fee-in-lieu for affordable housing, then the qualifying development may comply with the least restrictive site development requirements if all affordable dwelling units are provided on-site.
- (H) A qualifying development will comply with impervious cover as allowed by zoning.

PART 5. City Code Section 25-6-471 (*Off-Street Parking Facility Required*) is amended to add new Subsections (I) and (J) to read as follows:

§ 25-6-471 OFF-STREET PARKING FACILITY REQUIRED.

(I) In this section,

(1) ACCESSIBLE SPACE means a parking space for an individual with a disability that complies with the Americans with Disabilities Act (ADA) and Fair Housing Act Amendments (FHAA), as appropriate; and

(2) QUALIFYING DEVELOPMENT means a development certified under Section 25-1-724 (Certification) and participating in the Affordability Unlocked Bonus Program.

(J) A qualifying development is not required to comply with Appendix A of Chapter 25-6 (Transportation) but must comply with this section.

(1) If the parking provided by a qualifying development with more than two units is fewer parking spaces than required in Appendix A (Tables of Off-Street Parking and Loading Requirements), the minimum number of required off-street accessible spaces is the greater of:

(a) one accessible parking space;

- (b) the number of accessible spaces required under the Building Code based on 100 percent of the parking required for the use under Appendix A (Tables of Off-Street Parking and Loading Requirements); or
 - (c) the number of accessible spaces required under the ADA or the FHAA, as appropriate.
- (2) An accessible space must be adjacent to the site and on an accessible route.
 - (3) An accessible parking space must comply with design, accessibility, and location requirements imposed by the ADA and the FFHA, as appropriate.
 - (4) Accessible parking detailed in Subsection (J)(1) must be provided off-street except insofar as on-street or off-site parking is allowed elsewhere in this title.

PART 6. The city shall enter into an agreement with each qualifying development, whether or not supported with city investments, that will include at least the following provisions to ensure compliance with affordability requirements established in this program, as well as ongoing affordability:

- (1) for owner-occupied housing, granting the City a right of first refusal for purchase of the property upon sale;
- (2) provisions related to penalties for repeated violations; and
- (3) other options the city deems appropriate.

PART 7. The administrative rules implementing the Affordability Unlocked Bonus Program shall at a minimum establish:

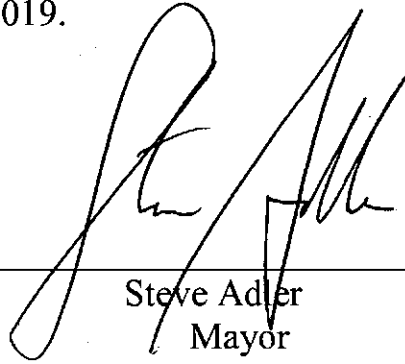
- (1) rent level standards based on the different median family income (MFI) level targets and varying to reflect different unit types; and
- (2) determine income eligibility standards for renters and owners.

PART 8. This ordinance takes effect on May 20, 2019.


PASSED AND APPROVED

May 9, 2019

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§
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Steve Adler
Mayor

APPROVED: 

Anne L. Morgan
City Attorney

ATTEST: 

Jannette S. Goodall
City Clerk