



Griffin Consulting

October 30, 2014

Ms. Maria N. Gonzalez (President) and Mr. Emanuel Rivera (Project Manager)
HACE
167 W. Allegheny Avenue
Philadelphia, Pennsylvania 19140

Re: Market Study Update, Casa Indiana Apartments, LIHTC-Senior (Philadelphia)

Dear Ms. Gonzalez and Mr. Rivera:

This represents a letter of agreement between HACE (at times referred to herein as "Client") and Griffin Consulting. Griffin Consulting will perform a Market Study / Needs Assessment in accordance with the latest (2015) Pennsylvania Housing Finance Agency ("PHFA") LIHTC Market Study / Needs Assessment Guidelines. The study will be related to a low income housing tax credit ("LIHTC")-senior new construction complex in the City of Philadelphia, Philadelphia County, Pennsylvania. The project will be called Casa Indiana Apartments ("Subject").

Griffin Consulting originally completed a Market Study / Needs Assessment on this prospective development to the PHFA's LIHTC specs in October 2013.

BACKGROUND¹

The Subject will be an affordable (LIHTC) rental development to be located at 2935-2965 North 2nd Street (on the southeast corner of 2nd Street and Indiana Avenue) in the Fairhill neighborhood of north Philadelphia.

Casa Indiana will provide housing to seniors, age 55-plus.

The Subject will be a 4-story, new construction, elevator-access building that will include 36 one-bedroom and 10 two-bedroom apartments, plus community rooms, management offices, and supportive space for social activities.

¹ Our background information on Casa Indiana Apartments is limited to that included in three documents forwarded from HACE to Griffin Consulting on September 27, 2013. It is assumed that any additional information required will be directed to Griffin Consulting by HACE on a timely basis.

Ms. Maria N. Gonzalez (President) & Mr. Emanuel Rivera (Project Manager)
HACE
October 30, 2014

Page 2

Initially, senior persons eligible for residency in the facility will not be deficient in any (more than one or two) Activities of Daily Living ("ADLs") as defined by the US Department of Housing and Urban Development. Eight (8) of the units will be fully handicapped-accessible, and four (4) other units will be equipped for residents with hearing and/or visual impairments.

Casa Indiana will also feature ten (10) two-bedroom units that will also be designed to accommodate residents who require additional sleeping quarters for potential live-in nurses / caregivers.

The Client previously provided background information to Griffin Consulting that includes a significant amount of additional detail on the Subject development and neighborhood. The majority of this information will not be reiterated in this engagement letter, but applicable items have been and will be incorporated into the Market Study. We request that the Client inform Griffin Consulting of any known changes of scope in the Subject neighborhood in the past year. In the course of our research, we will seek comparable information from outside sources.

REQUESTS FROM CLIENT

HACE completed a 'Project Start-Up Information Sheet' on Casa Indiana in October 2013. We request that the Client review the attached, previously completed Project Start-Up Information Sheet to verify that last year's project information remains the same or, if applicable, to provide Griffin Consulting with information on any programming changes to the Subject development. This information allows for the completion of the market study.

In addition, two engagement preparation options will be presented to HACE. Brian Smargiassi of Griffin Consulting can complete this update study either with or without a return trip to Philadelphia. The basic difference would be that comparable / competitive apartment complex research would take place via either on-site or by telephone interviews. By rule, the single unit market rate rental research, the community support interviews, and virtually all other update research will take place by phone interview and limited internet research regardless. Alternative professional fee amounts will be provided herein, the differential between the two being minimized to a good extent.

PROJECT DEFINITION AND OVERVIEW

Griffin Consulting will analyze apartment market activity and demographic trends to estimate the absorption/occupancy potential of the Subject LIHTC-senior rental complex. Our analysis will be in complete conformance with the PHFA's Market Study/Housing Needs Assessment application for 2015. A review of this questionnaire-format document will provide the Client with a complete summary of the research items to be undertaken and summarized in Griffin Consulting's Market Study report. We have reviewed a red-lined version of the PHFA's 2015 Market Study / Housing Needs

Assessment form, and there have been only minor, cosmetic changes from the 2014 document.

DATA SOURCES

With the exception of a number of photographs (which the PHFA allows to be re-used if less than 18 months old), information in the market Study will be updated to the most current levels available. This includes competitive rental complex / unit information and economic-demographic data. In addition, providers of existing letters of support for the project will be contacted to verify that their previously-stated opinions still hold.

Our research will include, but not necessarily be limited to, the following:

- Interviews (phone and possibly field) with local government officials, comparable and competitive rental complex representatives (including the completion of the PHFA's *Comparable Housing Survey Forms*), the Client, local realtors, property managers, neighborhood groups, grassroots organizations, local community development corporations, and/or potential tenant populations. This will consist of the updating of market data in most cases, and the verification or refutation of prior opinions in others.
- Based on the nature of the individual unit comps utilized as a portion of our market rate rental rate analysis, new individual unit rental comparables will be obtained and analyzed to the extent necessary.
- As dictated by the PHFA's Market Study/Housing Needs Assessment application, the PHFA Housing Inventory Request and Housing Providers Needs Assessment forms will be filled in to the extent of our responsibility and forwarded to the specified parties (PHFA and Philadelphia Housing Authority) for completion and processing.
- Economic-demographic data will be obtained from Nielsen Claritas (Demographic Snapshot, Household Income by Age of Householder, Demographic Trend and/or Executive Summary reports), the internet-based American FactFinder (2010 Census data), and other empirical sources, some of which are referenced on the PHFA website.
- As necessary, updated photographs will be taken of a sampling of the new comparable/competitive individual unit rentals as requested in the PHFA's Market Study/Housing Needs Assessment form.

In addition, HACE will be consulted relative to any potential changes in project development specifics (see attached, previously-completed Project Start-Up Information Sheet), anticipated opening date, and other information necessary and/or beneficial to the optimal completion of the Market Study.

PROFESSIONAL FEES AND EXPENSES

Total professional fees for the full Market Feasibility Analysis will be \$4,800 if the Client does not require that Griffin Consulting physically re-visit the competitive market area and \$5,150 if said visit is required. There will be no extra charges for study-related expenses.

Our experience and discussions with consulting professionals such as Obie Mild of Mastroieni & Associates and Meg Sowell of Real Estate Strategies suggests that field research would be unnecessary. However, we have no objection to revisiting the market if this is desired by the Client.

As is common in the industry, we are requesting a deposit of fifty percent of our base professional fee (\$2,400) prior to commencing the engagement. However, on the basis of our now established professional relationship with HACE, we will begin the engagement on Client's verbal authorization under the assumption that the signed engagement letter and retainer are in process. We will bill for the remainder of our professional fees at the completion of the draft report.

A late charge will accrue at 1.5 percent per month on any balance outstanding 30 days or more following invoice. In the event that collection agency assistance and/or litigation are required for collection of our contract fees and/or expenses, the judgment debtor will pay actual collection and/or attorney fees and court costs.

Note that should a clearly negative result become apparent at any point in time, we will stop the engagement at that point and inform you of this finding. The fee amount will be reduced to that amount accrued at the time of the negative conclusion and engagement termination.

TIMING

Assuming prompt approval and authorization of this engagement letter by the Client and that the review of the draft report is not of significant duration, final reports will be completed on or before January 9, 2014 (though actual issuance will quite possibly be at an earlier date). The PHFA deadline for LIHTC applications is January 30, 2015. Please inform us if your timing needs differ, and we will adjust our schedule accordingly.

STUDY PERSONNEL

Field and other research, data analysis and report preparation work will be performed and recommendations will be provided by Brian J. Smargiassi, Principal and Owner of Griffin Consulting, possibly with mapping and technical assistance from Eric Rasmussen, President and Owner of Development Economics.

We take pride in the fact that all research and report-writing are performed by the company principal. We have prepared approximately 95 LIHTC Market Studies over the past thirteen years – all in either Arizona or Pennsylvania. We are highly knowledgeable with the workings of this market niche. We feel that these factors provide us with a distinct advantage relative to providing quality research and reports.

My resume, a summary of my apartment market research project experience, and/or client references can be forwarded to HACE upon request

RESEARCH LIMITATIONS

Our research will be limited to a detailed analysis of the Subject LIHTC-senior apartment complex as detailed in scope by the Client.

Our research will be taken only to the level of analysis specified in the PHFA's Market Study/Housing Needs Assessment application for 2015. Pro forma, land valuation, or other more detailed financial analyses will not be undertaken.

As available, objective (empirical) sources will be given priority in our research. In studies such as this, however, there will be instances in which more subjective analyses (estimates based on interviews and samplings) will be requisite.

APPROVAL

We can begin work on your verbal approval under the assumption that a signed copy of this agreement and your retainer are in process. Consider this agreement to be your invoice for the relevant deposit.

We appreciate the opportunity to present this proposal and look forward to working with you on this assignment.

Ms. Maria N. Gonzalez (President) & Mr. Emanuel Rivera (Project Manager)

HACE

October 30, 2014

Page 6

AGREEMENT

Please verify your approval for the above-described research agreement by signing below:

GRIFFIN CONSULTING



October 30, 2014

Brian J. Smargiassi
Principal & Owner

Date

Approval:

You are hereby authorized to proceed with the work as described above:

HACE



Maria N. Gonzalez
President

11/10/2014
Date