



TO: Potential Steeplechase L.P. Investor

FROM: Eric Conner, TriPro Management, Inc.

DATE: May 23, 2018

RE: Steeplechase Apartments Investment Opportunity

After a lengthy and thorough search, *TriPro* is pleased to alert investors of the pending acquisition of Steeplechase Apartments, a 316-unit multifamily property located at 3149 Walnut Hill Lane, Irving, TX 75038. This letter will briefly highlight the investment opportunity. *Please note that the information below is preliminary in nature and may change.* The more detailed and customary marketing package will be completed and distributed at the end of June.

Property highlights include:

- A 1974 asset located in the northern Irving market that achieved 8+% rent growth in 2017 with average occupancy above 94%.
- 316-unit property situated near the Las Colinas submarket, minutes from D/FW airport, Irving Mall and the Las Colinas Business Park.
- A property with pitched roofs (replaced in 2015), three boilers (two replaced in 2015), 26 two-story buildings, a large pool area, ample parking and four floor plans (average 754 sf).
- A property that currently bills back for water (allocated), gas (allocated), and trash (currently \$3) using a third party service. Residents choose their own electric provider.

The Value-Added Opportunity includes:

- Rebranding (new name) and repositioning the property as part of an overall modernization effort (consistent with other upgraded properties).
- Implementing an extensive capital upgrade program (~\$3mm):
  - Correct deferred issues and upgrade the exterior with new hardiplank (70% of the siding), new signage, horizontal wrapped fencing, new lighting, new paint, additional amenity areas, etc.
  - Upgrade 200 of the units, as there are no interior upgrades of consequence to date. This creates a rare opportunity for *TriPro* to implement the same interior upgrade program that has successfully and consistently achieved rent increases on its previous 10 deals.
- Boosting NOI (from \$1.48mm to \$1.8mm+) through:
  - Rental increases on both the base and upgraded units - increase current average rents from \$803 (\$1.06/sf) to ~\$920 (\$1.22/sf) or higher (market average for comparable upgraded properties).
  - Maximization of other income - adding carports, upgrading the laundry facilities, etc.
  - Expense savings – implement a water conservation program, re-negotiate all vendor contracts, etc.

**Steeplechase Investment Opportunity**  
**Introductory Letter**  
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Partnership and contract specifics include:

- ✓ Contractual terms:
  - Purchase price of \$26.6mm (\$84.18K/unit; \$46.5/sf; 5.5% capitalization rate using Seller's trailing three month's revenue)
  - Expected contract execution date of June 4, 2018
  - Expected inspection period deadline of June 30, 2018
  - Expected closing date of July 31, 2018
  - No financing contingency
  - Earnest Money of \$500,000
- ✓ Total capitalization of \$30,057,000
  - Class A LP equity of \$900,000
  - Class B LP equity of \$6,240,000
  - General Partner and other *TriPro* affiliates equity of \$400,000
  - Debt of \$22,517,000 (lender quotes being solicited)
- ✓ Investor returns are expected to be:
  - A 9.0% preferred return and 60% of sale distributions after return of the partner's invested capital and the cumulative preferred return hurdles are met.
  - IRR's (internal rate of return) to the limited partners in excess of 16.0%.
  - A multiple on capital of 1.85.

Attachments include an offering memorandum flyer (prepared by the Broker – Berkadia) and *TriPro's* preliminary economics). Additional information will be forwarded as the opportunity develops.

**Based on previous response, this opportunity will be fully subscribed in a short period of time. This narrative is designed to alert potential investors and to solicit preliminary commitments.**

Please contact Eric Conner at 214-871-2030 or [EConner@TriProManagement.com](mailto:EConner@TriProManagement.com) with any questions or comments.

[Steeplechase.BerkadiaREA.com](http://Steeplechase.BerkadiaREA.com)



*Steeplechase*  
APARTMENT HOMES



3149 WALNUT HILL LANE WEST | IRVING, TX 75038

**316 Units | Built in 1974 | Unpriced Offering**

**VALUE-ADD MULTIFAMILY OPPORTUNITY IN LAS COLINAS**

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## THE ASSET

Steeplechase is a 316-unit, two-story, garden-style apartment community located in Irving, Texas and offers residents an attractive place to call home. Constructed in 1974, the property is situated on 13.12 acres and consists of 26 buildings with stucco and wood siding and pitched composition shingle **roofs that were replaced in 2015**. Steeplechase features an attractive unit mix consisting of 49% one-bedroom floor plans ranging from 570 to 672 square feet, and 51% two-bedroom floor plans ranging from 810 to 982 square feet. The property is beautifully landscaped and features lush grass areas, mature shade trees, manicured shrubs, and colorful flower beds.

The property currently features a renovated clubhouse, swimming pool, dog park, and three laundry centers. An opportunity exists for a new owner to implement exterior renovations to items such as siding, patios and balconies, as well as adding common areas amenities such as business center, fitness center, soccer field, covered parking and much more.

Located in one of the premiere submarkets in Dallas-Fort Worth, Steeplechase benefits from strong economic and employment drivers which have created a thriving rental market. The property has received minimal upgrades and stands to benefit from a programmatic renovation plan, both in the building exteriors as well as the unit interiors. Current ownership has lightly upgraded 66 units and the submarket suggests renters in the area are willing to pay significant premiums for upgraded interiors.

## INTERIOR AMENITIES

- WHITE APPLIANCE PACKAGE\*\*
- FROST-FREE REFRIGERATOR WITH ICE MAKER
- DOUBLE-SIDED SINKS WITH DISPOSAL
- VINYL WOOD FLOORING
- BERBER CARPET
- WOOD-BURNING FIREPLACE\*
- PRIVATE PATIO / BALCONY SPACE
- BRUSHED NICKEL FIXTURES
- LIGHT FIXTURES\*\*
- NEW BATHROOM TUBS AND TILE\*\*
- OUTSIDE STORAGE CLOSETS\*
- CEILING FANS
- INDIVIDUAL HVAC UNITS

\*IN SELECT HOMES

\*\*UPGRADED UNITS

## COMMUNITY AMENITIES

- CONTEMPORARY CLUBHOUSE WITH WIFI
- RESORT-STYLE SWIMMING POOL
- POOLSIDE TABLES AND LOUNGE CHAIRS
- THREE CLOTHES-CARE CENTERS
- LEASH-FREE DOG PARK

## INVESTMENT HIGHLIGHTS

- The Irving submarket has realized over 10% rent growth YOY and maintained 95.8% occupancy over the last 24 months.
- Significant upside exists through the continuation of the current upgrades and implementation of a heavier programmatic interior upgrade plan.
- Recent exterior capital expenditures include new roofs, two new boilers, clubhouse, updated pool area, and all windows were replaced in 2015.
- Average Household Income within 5-Mile radius of the property is \$64,211 with an average age of 32 years old
- Steeplechase is being offered as an ASSUMPTION or as an ALL CASH opportunity.

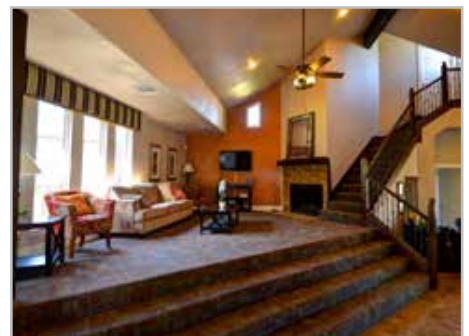


## INVESTMENT SUMMARY

Price	Market
Terms	All Cash or Assumption
Units	316
Year Built	1974
Net Rentable Area	238,400 SF
Average Unit Size	754 SF
Average Effective Rent / Unit	\$803
Average Effective Rent / SF	\$1.06
Occupancy	88%

## THE OPPORTUNITY

Berkadia is pleased to present the exclusive listing of **Steeplechase**, a 316-unit value-add apartment community in Irving, Texas. Located in the Las Colinas submarket of north Irving, the property is ideally situated in the heart of the Dallas-Fort Worth Metroplex just minutes from Dallas-Fort Worth International Airport, Las Colinas Business Park, Irving Mall and DFW Freeport Business Park.





## HIGHLY DESIRABLE LOCATION

Steeplechase is conveniently situated near the intersection of West Walnut Hill and Belt Line Road, approximately one mile from The Dallas/Fort Worth International Airport. The property is within close proximity to State Highway 183, State Highway 114 and President George Bush Turnpike, also known as State Highway 161. This centralized location provides Steeplechase residents with easy access to the entire Dallas/Fort Worth Metroplex.

Irving is the picture-perfect model of an urban area that offers big city amenities with a suburban feel. It maintains some of the lowest taxes, fees and water rates in North Texas, boasts a low unemployment rate, and has been honored for its high-quality parks, golf courses, and dining options. One of the biggest draws to Irving is the presence of many major corporations, including more than 10 percent of Fortune 500 companies, all located in Irving's Las Colinas office park, the largest in North Texas.

Las Colinas is an upscale, developed area in the Dallas suburb of Irving, Texas. Due to its central location between Dallas and Fort Worth and its proximity to both DFW International Airport and Love Field Airport, Las Colinas has been a viable place in the Metroplex for corporate and business relocation. As a planned community, it has many corporate offices, luxury hotels, landmark office towers, luxury townhomes, distinguished single-family homes, private country clubs, gated enclaves, and urban lofts.

## UNIT MIX & RENT SCHEDULE

Units	Type	Unit SF	Total SF	Market Rent	Monthly Mkt. Rent	Annual Mkt. Rent	Rent / SF
96	1 Bed / 1 Bath	570	54,720	\$685	\$65,760	\$789,120	\$1.20
37	1 Bed / 1 Bath	672	24,864	\$735	\$27,195	\$326,340	\$1.09
23	1 Bed / 1 Bath	672	15,456	\$735	\$16,905	\$202,860	\$1.09
80	2 Bed / 1 Bath	810	64,800	\$850	\$68,000	\$816,000	\$1.05
80	2 Bed / 2 Bath	982	78,560	\$950	\$76,000	\$912,000	\$0.97
<b>316</b>		<b>754</b>	<b>238,400</b>	<b>\$803</b>	<b>\$253,860</b>	<b>\$3,046,320</b>	<b>\$1.06</b>

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**PROPERTY:** Steeplechase  
**AREA:** Walnut Hill & 183  
**ADDRESS:** 3149 Walnut Hill Lane  
**CITY:** Irving, TX 75038

As of: 5/21/2018

**PRELIMINARY**

**Purchase Transaction Data**

List Price	\$27,000,000		
Purchase Price - Estimate	\$26,600,000	\$46.5	Per sq. ft. land
Price per unit	\$84,177	\$111.58	Per sq. ft.
Trans Costs - Purchase	\$433,683		
Total fixup costs (\$) - Estimate	\$3,023,317	\$9,567	Per unit
Number of units	316		
Rentable square footage	238,400		
Current Average Rent - Subject	\$801	754	Average unit size

**Operating Information**

	Seller	Year 1 Assumption	Year 2 Assumption	Year 3-5 Assumption
Rents per sq foot, yr 1	\$1.13	\$1.13	\$1.22	\$1.24
Other Rev per unit (incl billback)	\$977	\$1,037	\$1,087	\$1,112
Loss to Lease	4.0%	4.0%	3.0%	3.3%
Loss to Vacancy, delinquent etc.	7.3%	7.3%	5.4%	4.0%
Oper exp per sq. ft.	\$6.20	\$6.23	\$6.69	\$6.79
Operating expenses per unit	\$4,680	\$4,701	\$5,047	\$5,122
Replacement reserves per unit	\$250	\$250	\$250	\$250
Revenue escalator (after Year 2)			2.25%	2.25%
Expense escalator (after Year 1)			1.50%	1.50%

**Debt Service**

	@ Acquisition		Lim Part	Other Fin	@ Refi
	New	New 2nd lien	Class A	Debt Fees	Lender Refi
Loan	\$22,517,000	\$0	\$900,000		\$0
Interest	4.750%	4.87%	6.00%		5.00%
Term (months)	360	360	0		360
# of months Int Only /other pmt	36	0	60	60	N/A
Monthly Payment PI	\$117,459	\$0	\$0	\$0	\$0
Monthly Payment Int Only	\$89,130	\$0	\$4,500	\$0	N/A
Assumption ("yes" or "no")	No	No			

**Partnership Structure**

	Preferred Return Rate	9%
Total Class A capital needed	\$900,000	LP Invested Capital 94%
Total Class B capital needed	\$6,640,000	TriPro Invested Capital 6%
Total LP Class B Capital	\$6,240,000	LP Oper Dist. Cash Flow 80%
Total TriPro Class B Capital	\$400,000	TriPro Oper Dist. Cash Flow 20%
Share amount	\$100,000	Waterfall #1 60%
# of shares sold	62.40	Waterfall #1 40%
Investment interest/share	1.60256%	Waterfall #2 60%
		Waterfall #2 40%

**Refinancing Scenario**

Is there a refinancing scenario (1=yes, 0=no)	0
Refinance at end of year (put 0 if no refi)	0
New Debt amount from refinancing	\$0
Cash to Partnership	N/A
New Class B Invested Partnership Capital	N/A
New Class B Invested LP Capital	N/A
New Invested TriPro Capital	N/A

**Operating Pro Forma**

	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Revenues</b>	\$1.13	\$1.22	\$1.24	\$1.27	\$1.30
Gross Revenue	\$3,238,920	\$3,482,040	\$3,560,386	\$3,640,495	\$3,722,406
Less loss to Vacancy/delinq/lease	11.3%	8.4%	7.3%	7.3%	7.3%
Net Revenue	\$2,874,284	\$3,190,254	\$3,302,258	\$3,376,559	\$3,452,531
Other revenue	\$1,037 per unit	\$327,627	\$343,620	\$351,352	\$359,257
<b>Total Revenue</b>	\$3,201,911	\$3,533,874	\$3,653,610	\$3,735,816	\$3,819,872
<b>Operating expenses</b>	\$4,701 per unit	\$1,485,576	\$1,594,708	\$1,642,908	\$1,667,552
<b>NOI</b>	\$1,716,335	\$1,939,166	\$2,034,981	\$2,092,907	\$2,152,320
Debt Service		\$980,419	\$1,120,164	\$1,123,558	\$1,463,512
Repl Reserves	\$250 per unit	\$79,000	\$79,000	\$79,000	\$79,000
<b>Annual Cash Flow</b>	\$656,915	\$740,002	\$832,423	\$550,396	\$609,808
<b>Monthly Cash Flow</b>	\$54,743	\$61,667	\$69,369	\$45,866	\$50,817
Cap rate on Acq cost (using NOI)	6.2%	7.0%	7.4%	7.6%	7.8%
Cap rate on basis (using NOI)	5.4%	6.2%	6.5%	6.7%	6.9%
Annual cash on cash return - Partnership	9.9%	11.1%	12.5%	8.3%	9.2%
Annual cash on cash return - LP's	9.8%	10.8%	12.0%	8.3%	9.2%

**Investment Summary**

	Year 1	Year 2	Year 3	Year 4	Year 5
Cap Rate at sale	6.10%	6.10%	6.10%	6.10%	6.10%
Sales Price per Unit	\$84,942	\$96,502	\$101,472	\$104,477	\$107,560
Sales Price	\$26,841,554	\$30,494,522	\$32,065,258	\$33,014,877	\$33,988,848
Sale Transaction Costs	(\$1,145,237)	(\$983,994)	(\$786,312)	(\$799,456)	(\$812,857)
Less Debt balance	(\$23,417,000)	(\$23,417,000)	(\$23,417,000)	(\$23,069,546)	(\$22,705,224)
Net Proceeds	\$2,279,317	\$6,093,527	\$7,861,946	\$9,145,875	\$10,470,767
<b>Investor IRR</b>	N/A	6.6%	14.7%	15.6%	16.1%
<b>Investor NPV</b>	N/A	\$60,018	\$1,460,369	\$2,158,076	\$2,842,776
<b>Investor CF Multiple</b>	N/A	1.12	1.44	1.65	1.87
<b>Investor Cash Flows</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
Investment Amount	(\$6,240,000)	(\$6,240,000)	(\$6,240,000)	(\$6,240,000)	(\$6,240,000)
CF, Yr 1	\$2,751,754	\$609,196	\$609,196	\$609,196	\$609,196
CF, Yr 2		\$6,403,581	\$675,665	\$675,665	\$675,665
CF, Yr 3			\$7,722,770	\$749,603	\$749,603
CF, Yr 4				\$8,260,897	\$517,372
CF, Yr 5					\$9,111,679
<b>TriPro Cash Flows</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
Investment Amount	(\$400,000)	(\$400,000)	(\$400,000)	(\$400,000)	(\$400,000)
CF, Yr 1	\$184,478	\$47,719	\$47,719	\$47,719	\$47,719
CF, Yr 2		\$429,948	\$64,336	\$64,336	\$64,336
CF, Yr 3			\$971,599	\$82,821	\$82,821
CF, Yr 4				\$1,435,374	\$33,024
CF, Yr 5					\$1,968,895

# SOURCES & USES ANALYSIS

## Steeplechase PRELIMINARY

<u>Source of Funds</u>	<u>Percent of Total Capital</u>	<u>Amount</u>
Debt Financing (1st Lien)	74.9%	\$22,517,000
Debt Financing (2nd Lien)	0.0%	\$0
Limited Partner Equity - Class A	3.0%	\$900,000
Limited Partner Equity - Class B	20.8%	\$6,240,000
General Partner & TriPro Affiliates Equity	1.3%	<u>\$400,000</u>
<b>Total Source of Funds:</b>		<b>\$30,057,000</b>

<i>Loan to Acquisition Price Ratio:</i>	85%
<i>Loan to Acquisition Plus Capex Ratio:</i>	76%
<i>Loan to Total Capitalization Ratio:</i>	75%

<u>Use of Funds</u>	<u>Amount</u>
Acquisition Price	\$26,600,000
Loan Acquisition Costs	
- Bank Origination Fees	\$225,170
- Other Underwriting Fees	\$13,500
- Interest Reserves	<u>\$0</u>
	\$238,670
Other Transaction Costs	
- Closing Costs (title endorsements)	\$6,514
- Partnership Costs	\$60,000
- Legal Costs	<u>\$24,999</u>
	\$91,513
Operating Costs	
- Up-front Cap. Expenditures	\$3,023,317
- Working Capital	\$100,000
- System Costs/Deposits	<u>\$3,500</u>
	<u>\$3,126,817</u>
<b>Total Use of Funds:</b>	
<b>\$30,057,000</b>	



**Operating Assumption - Summary**  
**Comparison: Seller to TriPro**  
**PRELIMINARY**

	<u>Actual</u> <u>trailing 12</u>	<u>Actual</u> <u>tri 3</u>	<u>Tri 3</u> <u>AJE expense *</u>	<u>Broker</u>	<u>TriPro</u> <u>Year 1</u>	<u>TriPro</u> <u>Year 2</u>
<b>Revenue</b>						
Rental	\$2,742,691	\$2,720,072	\$2,720,072	\$3,149,809	\$2,874,284	\$3,190,254
Utilities	\$217,026	\$217,026	\$217,026	\$204,295	\$219,578	\$223,571
Other	<u>\$91,731</u>	<u>\$91,731</u>	<u>\$91,731</u>	<u>\$111,649</u>	<u>\$108,050</u>	<u>\$120,050</u>
<b>Total Revenue</b>	\$3,051,448	\$3,028,829	\$3,028,829	\$3,465,753	\$3,201,911	\$3,533,874
<b>Expenses</b>						
Operational Fees	\$160,117	\$160,117	\$160,117	\$168,194	\$217,042	\$237,676
Payroll	\$261,371	\$261,371	\$261,371	\$267,524	\$325,800	\$330,687
Contract Services	\$62,378	\$62,378	\$62,378	\$53,648	\$50,362	\$51,118
Utilities	\$346,844	\$346,844	\$346,844	\$337,895	\$315,244	\$319,973
Property Taxes	\$388,705	\$388,705	\$480,614	\$392,051	\$405,068	\$480,614
Insurance	\$76,406	\$76,406	\$76,406	\$79,000	\$88,678	\$90,008
Repairs & Maintenance	<u>\$182,923</u>	<u>\$182,923</u>	<u>\$182,923</u>	<u>\$205,793</u>	<u>\$83,383</u>	<u>\$84,634</u>
<b>Total Expenses</b>	\$1,478,744	\$1,478,744	\$1,570,653	\$1,504,105	\$1,485,576	\$1,594,708
(\$ per unit)	\$4,680	\$4,680	\$4,970	\$4,760	\$4,701	\$5,047
<b>Net Operating Income</b>	\$1,572,704	\$1,550,085	\$1,458,176	\$1,961,648	\$1,716,335	\$1,939,166
<b>Reserves</b>	\$79,000	\$79,000	\$79,000	\$79,000	\$79,000	\$79,000
<b>NOI after reserves</b>	\$1,493,704	\$1,471,085	\$1,379,176	\$1,882,648	\$1,637,335	\$1,860,166
<b>Cap rate on acq cost</b>	5.62%	5.53%	5.18%	7.08%	6.16%	6.99%
(Using NOI before reserves)						
Cap rate on basis					5.45%	6.19%
(includes capex + trans costs)						

**PROPOSED CAPITAL EXPENDITURE SUMMARY \***

**Steeplechase  
PRELIMINARY**

<u>Item</u>	<u>Detail</u>	<u>Amount</u>	<u>Sub-Total</u>	<u>Comments</u>
<b>Office/Amenities Upgrades</b>	Pergola + grills	\$15,000		Build pergola and grill area
	Information Center Upgrades	\$10,000		General updates
	Pool amenities	\$10,000		Update furniture/tables
	Add Package Center	\$7,500		Utilize current maintenance office in Info center, add back entrance
	Pool code upgrades	\$5,000		Minor updates
	Office/maint Equipment	\$4,000		Copies, computers, tools
	Other	\$0		
				<u>\$51,500</u>
<b>Exterior Upgrades</b>	Hardi upgrades	\$630,000		New siding on 70% of property + 6,700 lf of fascia
	Front Door + Hware	\$173,800		New doors + hardware
	Horizontal wrap on 1st floor units	\$150,000		Wrap 1st floor fences
	Exterior paint	\$142,200		Three tone scheme on exterior
	Carports	\$110,000		Construct 100 new spots
	Gutters	\$84,000		Repair/replace all missing gutters and downspouts, improve drainage
	Remodel street entrance	\$75,000		Make entrance more inviting and show piece, remove existing fence
	Foundation/Drainage	\$55,000		Foundation work and drainage corrections
	Carpentry	\$50,000		Picket repairs on 2nd floor patios and landing
	Signage	\$45,000		New signage package
	Parking Lot Upgrades	\$40,000		Allowance for lot improvements
	Exterior lights	\$37,920		New front foor and patio lights
	New electric utility doors	\$32,400		Replace utility doors (double doors)
	Irrigation/Landscaping	\$25,000		General Beautification
	Iron work	\$15,000		General work throughout
	Exterior wall packs	\$15,000		Replace two prong lights
	Tree trimming	\$10,000		General trimming
	Screens	\$6,000		New screens as needed
	Extended Yards	\$0		N/A
	Roofs	\$0		new 2015
			<u>\$1,696,320</u>	
<b>Interior Upgrades</b>	Upgrade units	\$1,275,497		New flooring, backspash, s/s appliances, etc.
	Other electrical	\$39,500		Allowance
			<u>\$1,275,497</u>	
<b>Total Capital Expenditures</b>			<b>\$3,023,317</b>	