

Yost, Erich M

From: Saucedo, Rebecca
Sent: Friday, December 10, 2010 5:10 PM
To: Yost, Erich M
Subject: RE: Shores: RR Waiver

Erich

The Red Capital annual reserve for replace of \$705 per unit per year is acceptable.

Becky Saucedo
Multi Family Appraiser

From: Yost, Erich M
Sent: Friday, December 10, 2010 4:55 PM
To: Saucedo, Rebecca
Subject: Shores: RR Waiver

Below is the waiver request for the Shores. Can you let me know if this is acceptable.

Red Mortgage Capital is requesting a waiver that requires the calculation of the annual reserve for replacement deposit as 0.006 times the total structure cost. This waiver would allow for the total structures to be separated between the cost of the residential space improvements (\$12,262,917) and the parking improvements (\$3,992,223) and the annual reserve to be calculated as 0.006 times the residential space improvements only. Based on the final costs, the annual reserve would be \$584 per unit per year under this methodology, which is double the amount of acceptable industry standards (typically \$200 to \$300 per unit per year). The annual reserve that would be required if the amount were to be calculated on the total structures (residential and parking) would be \$774 per unit, which greatly exceeds industry standards. The parking structure will be constructed of materials that have long term lives and required minimal maintenance. However, in order to keep total underwritten expenses in-line with the HUD Invitation Letter of \$6,730 per unit per year, the Lender (Red Mortgage Capital, LLC) is requesting replacement reserves of \$88,870 or \$705 per unit per year.

- a. HUD Methodology per MAP Guide = \$16,255,150 (All Hard Costs) X 0.006 = \$97,531 or \$774 per unit per year.
- b. Waiver Methodology = \$12,262,917 (Residential Structures only) X 0.006 = \$73,578 or \$584 per unit per year.
- c. Red Mortgage Capital, LLC Underwritten = \$88,879 or \$705 per unit per year.

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