

Appendix H:

Statements of Work for Appraisal Services

Statement A: Rent Comparability Studies (Lite Transactions)

Statement B: Limited Scope Appraisals (Full Transactions)

General

1. HUD Notice. An element of both statements of work is HUD Handbook Section 8 Renewal Policy Guidance for the Renewal of Project-Based Section Contracts. The Handbook is available at: <http://www.hud.gov/offices/hsg/mfh/exp/guide/s8guide.cfm>.
2. Use of Work Product. Upon acceptance by the PAE, the work products will be made available for use by HUD, OAHP, and the Owner, and portions may be released for public inspection.

Qualifications (Applies to both Statements of Work A and B)

In addition to the Qualifications presented in Section 9-8 of the Handbook, the appraiser must be able to meet the PAE's time frame for delivery of appraisal services.

Statement of Work A -Rent Comparability Studies (RCS)

(For Lites - Loans Requiring Rent Restructuring only -- no Debt Restructuring)

Prepare a Rent Comparability Study (RCS) in accordance with the procedures set forth in Chapter 9, Sections 9-8 through 9-16 of the cited Section 8 Handbook and related appendices.

In addition, the following is applicable to M2M transactions:

1. Identify and briefly analyze the subject's submarket including the subject's position in the market, supply and demand factors, vacancy, units under construction, demographics, etc.
2. Develop "as repaired" Market Rents only if requested by the PAE. Otherwise, only the "as is" Market Rents are needed.
3. Review any rent study submitted by the owner, and visit any additional comparables provided in that study.

Work Products

- Two drafts of the work in Statement of Work A must be delivered to the PAE pursuant to the terms outlined in the executed letter of engagement with the PAE.
- After review and discussion with the PAE, four complete and final originals must be delivered to the PAE.

Statement of Work B - Limited Scope Appraisals

(For Fulls - loans requiring debt restructuring)

Estimate Market Value “as-repaired” and stabilized, based on the property’s existing use as a Section 8 apartment complex, as of the date of the report.

Incorporate the work in Statement A and:

- Employ both the income approach (direct capitalization process) and the sales comparison approach (GIM/EGIM and the physical unit of comparison analysis) to value. The appraiser will include two projected one-year pro forma by the Income approach -- one with a Section 8 subsidy (market rents and projected expenses operating as a Section 8 project) and one without Section 8 subsidy (market rents and projected market operating expenses).
- Use the historical and current operations of the property, as well as trends in the market to establish the vacancy, credit and collection loss figure. Provide brief written support.
- Review other income sources from the property’s historical operating statements, note trends), estimate other income, and provide brief written support.
- Estimate each operating expense. Review historical/actual expenses for the 3-year period, note trends, and provide expense comparables. Provide brief written support for each major expense category.
- Do not make special adjustments to the expense estimates to reflect owner expertise in managing or economies of scale associated with management or ownership of multiple properties.
- If the property contains special services or amenities, assume they will continue and estimate the associated expenses.
- Do not trend rents and expenses beyond the date of the appraisal. Income and expense estimates must reflect current market conditions.
- The Appraiser should review the draft PCA, if supplied in a timely manner, to assure the condition of the property is (or will be) as anticipated.
- Assume continued use as an apartment complex. Highest and best use analysis is not required.
- If applicable, include only commercial units that have been leased for the past year. Current comparable market rental leases will be used to support lease income. In the absence of comparables, the actual lease rent will be used.

Work Products

- Two drafts of the Limited Scope Appraisal Report will be delivered to the PAE pursuant to the terms outlined in the executed letter of engagement with the PAE.
- Three complete final Limited Scope Appraisal Reports will be delivered to the PAE after the appraisal report has been fully reviewed by the PAE. Additional reports will be provided upon request.

In addition to the above, the Appraisal Report will be made in compliance with USPAP's and the Appraisal Foundation's most recent updated Standards and Reporting requirements for Limited Scope Appraisals.