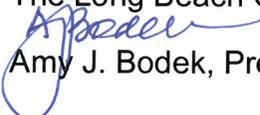


M E M O R A N D U M

DATE: September 17, 2014

TO: Board of Directors
The Long Beach Community Investment Company

FROM: 
Amy J. Bodek, President

SUBJECT: Multi-Family Rehabilitation Loan – 718 Chestnut (CD 1)

RECOMMENDATION:

Approve a Multi-Family Rehabilitation Loan in the amount of \$856,000 to Ocean Structure for the partial rehabilitation of the property at 718 Chestnut Ave.

PROPERTY DESCRIPTION AND SCOPE OF PROPOSED REHABILITATION

The property includes a 14-unit apartment building on a 6,488 square foot lot in the Wilmore Historic District. The rehabilitation of eight units and some common area improvements will be funded with HOME funds and the rehabilitation of the other six units will be funded by the owner at an estimated cost of \$635,250. A site map and a photograph of the property are attached (Attachment A).

The property was inspected by Comprehensive Housing Services (CHS) and a work write-up was prepared for the eight HOME units and certain common area elements (Attachment B). The proposed scope of rehabilitation for the building and all units includes the following (subject to approval of a Certificate of Appropriateness as required by the Planning Bureau):

- Electrical rewire, service panel replacement.
- Replace kitchen cabinets, countertops, sinks, faucets, disposals.
- Replace kitchen appliances, all water lines, bathroom fixtures, tubs, sinks, vanities, faucets.
- Install new ABS drain / waste line systems.
- Install new gas lines.
- Install new commercial water heaters.
- Install new high efficiency gas heaters and thermostats.
- Install new tile throughout.
- Install new interior doors, jambs, door casings.
- Install new pre-hung, solid core doors with new thresholds, deadbolts, lock-sets, strike-places, door stops and weather stripping.

- Install new retrofit Title 24 energy compliant windows. Repair any damage to interior or exterior walls and texture to match the existing surfaces.
- Pressure wash and paint the building exterior.
- Remove the existing plaster or other wall covering from all walls and ceiling in all rooms. Replace any deteriorated framing with new studs or joists as necessary. Install insulation in all exterior walls and install drywall on walls and ceilings. Paint all interior surfaces.
- Repair roof.
- Install new mailboxes.
- Install new security cameras. Install access control with a callbox. Install new fire alarms.
- Install new closets with closet shelves and rods.
- Install window blinds.
- Rehabilitate laundry room.
- Remove and dispose of existing concrete, provide finishes to newly poured concrete, place control crack joints.
- Install new landscape and irrigation system throughout common areas.
- Remove existing entry gates and replace with new code compliant gate doors with closer and latch-set.

PROPOSED RENTS

The HOME Program requires that in projects with five or more HOME-assisted units, at least 20% of the HOME units must be restricted at very low-income, or Low HOME rents. Since the project contains eight HOME-assisted units this rule applies. Therefore, two units must be restricted at the Low HOME rent, and the remaining six units will be restricted at the low-income, or High HOME rents for a minimum of 15 years.

The following chart provides a summary of the proposed rents (less utility allowance):

No. of Units	Bedrooms	Requirements	Proposed Rents
2	0	Low HOME	\$674
5	0	High HOME	\$870
1	1	High HOME	\$948
6	1	Market	\$1000
Total Units: 14		Total Bedrooms: 12	

PROPERTY INDEBTEDNESS AND PROJECTED CASH FLOW

The applicant currently owns the property and carries existing mortgage debt in the amount of \$600,000. The total debt including the HOME loan is \$1,456,000. The after-rehabilitation value is estimated at \$1,820,000 and the resulting debt to value is 80%. The following chart provides details of the property indebtedness and proposed debt to value, and an appraisal report is attached (Attachment C):

Pre-loan Costs	\$2,373
Contingency	\$6,627
Rehabilitation Loan Amount	\$847,000
Total HOME Loan	\$856,000
Existing Mortgage Debt	\$600,000
Total Proposed Debt	\$1,456,000
Appraised Value After Rehabilitation	\$1,820,000
Debt to Value	80%

The projected annual gross rents are estimated at \$151,752 and the effective gross income after a vacancy rate of 3% is applied is \$147,199. Annual operating expenses are estimated at \$42,035 resulting in a net operating income of \$105,164. The annual debt service on existing loans totals \$34,788 and the net cash flow is estimated at \$70,376. There are no payments on the HOME loan for the first five years, then the loan is repaid over 15 years with no interest. The resulting annual debt service on the HOME loan is \$57,066 beginning in year six. The estimated net cash flow of \$70,376 is ample to repay the HOME loan. A detailed cash flow is attached (Attachment D).

The project will result in the rehabilitation of 14 units, eight of which will be restricted to very low or low-income tenants. This proposal also supports implementation of Program 3.1 (Home Rehabilitation) of the City's certified Housing Element. For these reasons, staff supports this proposal.

SUGGESTED ACTION:

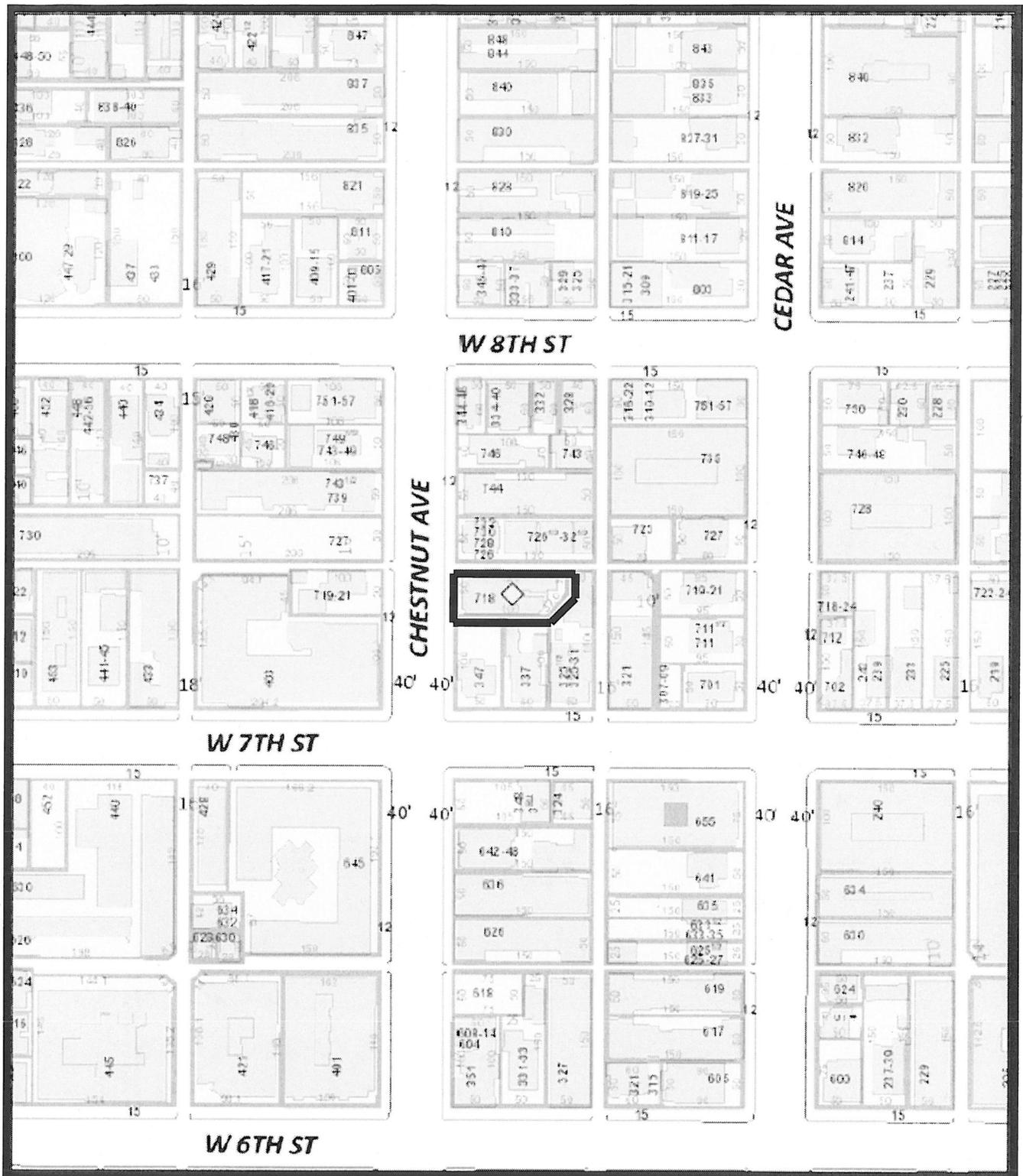
Approve Recommendation.

Attachments:

- A. Site Map and Photographs
- B. Work Write-Up
- C. Appraisal
- D. Cash Flow

AJB:PU:mn

718 Chestnut Avenue



718 Chestnut Avenue



Long Beach Housing Development Company

333 W Ocean Blvd. 3rd Floor - Long Beach, CA 90802
(562) 570-6040 - (562)-570-6215 Fax

WORK SPECIFICATION- CONTRACTOR BID PROPOSAL

Property Owner: Ocean Structure, Inc
Address of Property: 718 Chestnut Avenue
Zip Code: 90813
Owner's Phone Number: (818) 625-2853

Inspection Date: 7/16/2014
Inspected by: Bob Levin
Charge Point:
Loan Officer

Year Built:
Contractor: Pacific Coast Alarms
Address: 9919 Canoga Ave
Chatsworth, CA 91311
Telephone: 818-625-2853

State Contractor License Number: 696693
Expiration Date: 9/30/2014
Tax ID # or Social Security #: 95-4361967
Ethnicity: White

The undersigned Contractor hereby submits a lump sum bid in the amount of:

\$ \$ 847,000.00

Acceptance of attached Work Specification and Bid Proposal


Owner _____ Date 8-21-14

Owner _____ Date _____


Contractor _____ Date 8-21-14

Contractor Push da _____ Date _____
Reviewed and Approved _____ Date 8/14/2014

All work to be performed shall be in conformance with Long Beach City Codes and Ordinances. Contractor is responsible for property line designation, property designed plans, securing building permits, certifications and paying fees, if applicable. Contractor shall verify all dimensions on the job site. Owner shall select colors and patterns of materials where applicable. All lead inspection and controls to be performed by State certified company or individual and it is the responsibility of the contractor to provide all documentation to satisfy this requirement from initial inspection through clearance.
* NOTE: The unit # 19 is not in compliance with building code and health and safety codes not meeting minimum size requirements for studio apt. The kitchen does not have the required 30 inches of clear working space in front of each appliance and sink and the total size of the unit is less than the required 220 Sq ft. Also the hallway is 22 inches in width not complying with the required 30 inch minimum width. Residential use of this unit must be discontinued or bring it into compliance with current code.

THE SCOPE OF WORK LISTED BELOW SHALL APPLY TO ALL 10 UNITS IN THE REAR BUILDING PROVIDED UNIT #19 IS BROUGHT INTO COMPLIANCE. NUMBERS 9, 10, 11, 12, 14, 15, 16, 17, 18, AND SHALL ALSO INCLUDE # 19 IF IT IS BROUGHT INTO COMPLIANCE. THE NUMBER 13 IS NOT USED.

Work categorized in priority as:

- Priority Code A – Enforced/Mandatory
- Priority Code B – Incipient Condition
- Priority Code C – Home Improvement
- Priority Code GPI – General Property Improvement

1. Contractor hereby agrees to comply with all conditions and requirements of the Bid and Contract documents. If so requested by the City of Long Beach (City) or Owner, the Contractor further agrees to submit additional information regarding the Contractor's qualifications and financial status.
2. The City will deliver a copy of the Owner and Contractor Rehabilitation Contract containing the effective date, which shall serve as the Notice to Proceed.
3. Contractor shall procure and maintain at Contractor's expense, for the duration of this Contract, from an insurance company that is authorized to write insurance in the State of California or that is an eligible surplus lines insurer in the State of California with a minimum rating of or equivalent to an A: VIII by A.M. Best Company, the following insurance:
 - a. Commercial general liability insurance (equivalent in coverage scope to ISO CGL CG 00 01) naming the City of Long Beach, its officials, employees, and agents as additional insureds (equivalent in coverage scope to ISO CG 20 10 11 85) from and against claims, demands, causes of action, expenses, costs, or liability for injury to or death of persons, or damage to or loss of property rising out of activities performed by or on behalf of the Contractor in an amount not less than One Million Dollars (US \$1,000,000) per occurrence and Two Million Dollars (US \$2,000,000) in aggregate.
 - b. Workers' compensation coverage as required by the Labor Code of the State of California and Employer's liability insurance with minimum limits of One Million Dollars (US \$1,000,000) per accident.
 - c. Automobile liability insurance (equivalent in coverage scope to ISO CA 00 01) in an amount not less than Five Hundred Thousand Dollars (US \$500,000) combined single limit (CSL) per accident for bodily injury and property damage covering owned, non-owned, and hired automobiles.

Any self-insurance program or self-insurance retention must be approved separately in writing by City and shall protect the City of Long Beach, its officials, employees, and agents in the same manner and to the same extent as they would have been protected had the policy or policies not contained retention provisions. Each insurance policy shall be endorsed to state that coverage shall not be suspended, voided, or canceled by either party except after thirty (30) days prior written notice to City (ten (10) days for nonpayment of premium), and shall be primary and not contributing to any other insurance or self-insurance maintained by City.

Any subcontractor which Contractor may use in the performance of this Contract shall be required to maintain insurance in compliance with the provisions of this section.
- Contractor shall deliver to City certificates of insurance and original endorsements for approval as to sufficiency and form prior to the start of performance hereunder. The certificates and endorsements for each insurance policy shall contain the original signature of a person authorized by that insurer to bind coverage on its behalf.

"Claims-made" policies are not acceptable unless City Risk Manager determines that "Occurrence" policies are not available in the market for the risk being insured. If a "Claims-made" policy is accepted, it must provide for an extended reporting period of not less than one hundred eighty (180) days.

Such insurance as required herein shall not be deemed to limit Contractor's liability relating to performance under this Contract. City reserves the right to require complete certified copies of all said policies at any time. Any modification or waiver to the insurance requirements herein shall be made only with the approval of City Risk Manager.

The procuring of insurance shall not be construed as a limitation on liability or as full performance of the indemnification provisions of the Contract.
4. Owner shall select within "Builder's Line" (standard) quality, all colors, patterns and styles of material not already specified by this Work Specification, with exception of plumbing fixtures, which shall be in all cases white.
5. All measurements whether supplied or not shall be verified or obtained by the contractor. Where a discrepancy of supplied measurement differs from that of the Contractor, the Contractor shall indicate their own measurement on the applicable Work Specification item and base the item bid amount on their own measurement.
6. All work as described by this Work Specification shall be completed by the Contractor in accordance with standard building practices and shall comply with all Long Beach building Codes and Ordinances.
7. All items whether installed or replaced shall be provided by the Contractor and be unused prior to installation. Items removed for replacement, unless specified in writing, shall become the property of the Contractor.
8. The only additions to this Work Specification, which may be considered, are those, which are necessary due to an unforeseen condition at the time of initial inspection of this property by the City representative. Additional work items, or changes, require a fully executed "CHANGE ORDER" or "ADDENDUM" and must be approved by the City representative prior to the implementation of the requested addition or change.

THE USE OF LEAD BASED PAINT IS PROHIBITED

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Code	718 Chestnut Avenue: SCOPE OF WORK	IN-HOUSE Estimate	% complete	Payment	Init.	% complete	Payment	Init.	Paid to date	Balance Due	Ret. 15%
*1)	A ELECTRICAL REWIRE (UNITS: 5,6,7,8,9,10,11 and 12) Remove and properly dispose of all existing electrical wiring and fixtures from above referenced units and rewire to current code in same units. Provide and install a new sub panel, all new light fixtures including light at each entry, switches, receptacles and verify circuits are correctly, balanced, and conductors and breakers are properly sized. Ensure that GFCI receptacles and arc fault breakers are installed where required and ensure panel is accurately labeled. All electrical parts, fixtures, devices, and material are to be U.L. listed, and installed according to current code and manufacturer's specifications. Note: Hard wire in all required smoke alarms. PERMIT REQUIRED	\$ 45,000.00	0%	\$0		0%	\$0		\$0	\$ -	\$ -
*2)	A ELECTRICAL SERVICE PANEL Remove and dispose of the existing main electric service panel of the rear building. Provide and install a new minimum 400 amp service panel With a new meter for each of the above referenced units. Install all new wiring and grounding system per electric code. Ensure that the new panel is accurately labeled per code. All materials and installation of all materials to be according to current code and manufacturer's specifications. PERMIT REQUIRED	\$ 33,000.00	0%	\$0		0%	\$0		\$0	\$ -	\$ -
*3)	A KITCHEN CABINETS (UNITS: 5,6,7,8,9,10,11 and 12) Remove and dispose of all of the existing wall and base cabinets in the kitchen of above referenced units. Provide and install new cabinets in the same locations as near as possible. Ensure cabinet doors will open and close freely and close flush against cabinet box. New cabinets to be approved by owner prior to ordering and installation. Install according to manufacturer's specifications.	\$ 40,500.00	0%	\$0		0%	\$0		\$0	\$ -	\$ -

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Code	718 Chestnut Avenue: SCOPE OF WORK	IN-HOUSE Estimate	% complete	Payment	Init.	% complete	Payment	Init.	Paid to date	Balance Due	Ret. 15%
(4) A	<p>COUNTERTOP, SINK, FAUCET, & WASTE DISPOSER (UNITS: 5,6,7,8,9,10,11 and 12)</p> <p>Remove and dispose of the existing countertop, sink, faucet, and garbage disposal in kitchens of above referenced units. Provide and install new countertops in the same locations. In each unit provide and install new 7" Stainless Steel under mount sinks, new faucets, new under sink plumbing, including flex lines, angle stops, drain assemblies and waste disposals in the same locations. Owner to approve of countertop, sink, faucet and waste disposal before installation. Installation to be according to manufacturer's specifications. Repair any damage to cabinets as a result of this line item.</p>	\$ 39,000.00	0%	\$0		0%	\$0		\$0	\$ -	\$ -
(5) A	<p>KITCHEN APPLIANCES (UNITS: 5,6,7,8,9,10,11 and 12)</p> <p>Remove and properly dispose of the existing appliances in the kitchens. Provide a new energy star built in gas range, oven, microwave, and exhaust hood combo in above referenced units. Any damage to cabinets as a result of this line item is to be repaired by the contractor and restored to current condition. Make any adjustments to the existing electrical or gas lines as necessary. Install according to applicable codes and manufacturer's specifications.</p>	\$ 29,000.00	0%	\$0		0%	\$0		\$0	\$ -	\$ -
(6) A	<p>REPLACE ALL WATER LINES (UNITS: 5,6,7,8,9,10,11 and 12)</p> <p>Remove and dispose of the existing water lines of the units. Provide and install new piping to all fixtures of above referenced the units and laundry room. Replace all under sink plumbing in bathrooms and kitchens to include drain lines, flex lines, and shut off valves. Install collars at all pipes penetrating floors or walls and ensure a full seal is achieved. Provide and install hose bib at convenient locations at the exterior of the building. Owner to approve of PEX or copper water lines. All materials and installation of all materials are to be installed according to any and all applicable current codes. PERMIT REQUIRED</p>	\$ 49,500.00	0%	\$0		0%	\$0		\$0	\$ -	\$ -

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(7) A	BATHROOMS (UNITS: 5,6,7,8,9,10,11 and 12) Remove and properly dispose of the existing bathroom fixtures including tubs and showers in the units. Provide and install new sink, vanity, faucets, toilets, medicine cabinets, towel bars and toilet tissue holders in above referenced the units. Install one piece fiberglass tub shower enclosures where space permits. Otherwise install one piece showers. Owner to approve of all fixtures prior to ordering and installation. All parts and materials are to be installed according to all applicable current codes and manufacturer's specifications.	\$ 45,000.00	0%	\$0		0%	\$0		\$0	\$0	\$ -
(8) B	PLUMBING, DRAIN LINES, WASTE LINES (UNITS: 5,6,7,8,9,10,11 and 12) Remove and properly dispose of all existing drain lines in the units and laundry room. Provide and install new ABS drain line systems in above referenced the units to main line. Replace all soil piping (waste pipe) to the street connection. Ensure all connections are made complete and a positive flow is achieved from all units to main line to street. Ensure a secure connection and seal at all joints. All material and installation to be according to current code and manufacturer's specifications. PERMIT REQUIRED	\$ 49,000.00	0%	\$0		0%	\$0		\$0	\$0	\$ -
(9) B	GAS LINES, PIPING (UNITS: 5,6,7,8,9,10,11 and 12) Remove and properly dispose of all existing gas lines in the units. Provide and install new gas lines to gas meter in above referenced the units. Ensure that all gas lines are installed inside walls. Ensure a secure connection and seal at all joints. All material and installation to be according to current code and manufacturer's specifications. PERMIT REQUIRED	\$ 35,000.00	0%	\$0		0%	\$0		\$0	\$0	\$ -
(10) A	WATER HEATER Remove and dispose of existing commercial water heater located in laundry room. Provide and install new commercial water heater of equal size or above with new earthquake straps, discharge line, TP relief valve, flex lines. Ensure proper venting. Installation to be according to current UPC and manufacturer's specifications. PERMIT REQUIRED	\$ 6,500.00	0%	\$0		0%	\$0		\$0	\$0	\$ -

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(11)	<p>A SPACE HEATING (UNITS: 5,6,7,8,9,10,11 and 12)</p> <p>Remove and dispose of the existing wall heaters in the units. Provide and install new high efficiency gas heaters and thermostats in above referenced the units. Rework gas lines and electric if necessary for a complete installation. Ensure proper venting. Owner to approve of heating units before ordering and installation. All work to be done according to current code and manufacturer's specifications. PERMIT REQUIRED</p>	\$ 22,000.00	0%	\$0		0%	\$0		\$0	\$ -	\$ -
(12)	<p>A FLOOR, CERAMIC TILE (UNITS: 5,6,7,8,9,10,11 and 12)</p> <p>Remove and dispose of the existing flooring material and base boards from all the units. Install cement board as necessary to prevent joint cracking and to ensure an even and flat surface when complete. Provide and install new tile and grout over entire floor surface of all rooms of above referenced the units including closets. Install new baseboard throughout. Owner to select tile and grout colors and baseboard. Ensure all courses are even and consistent and measure floor before installation to ensure cut pieces are kept to a minimum, and to ensure any cut pieces are in a location that is the least noticeable. All materials are to be installed according to manufacturer's specifications.</p>	\$ 49,000.00	0%	\$0		0%	\$0		\$0	\$ -	\$ -
(13)	<p>B INTERIOR DOORS, JAMS, CASINGS (UNITS: 5,6,7,8,9,10,11 and 12)</p> <p>Remove and dispose of all of the existing interior doors including closet doors of the units. Provide and install new interior doors, jambs, door casings in above referenced the units. Make any necessary adjustments to the door opening for the installation of the new door. Ensure new door will open and close freely and latch securely. Include all new hardware (knobs, catches, hinges). Owner to approve of doors before purchase and installation. Install according to manufacturer's specification.</p>	\$ 16,000.00	0%	\$0		0%	\$0		\$0	\$ -	\$ -

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Code	718 Chestnut Avenue: SCOPE OF WORK	IN-HOUSE Estimate	% complete	Payment	Init.	% complete	Payment	Init.	Paid to date	Balance Due	Ret. 15%
(14)	<p>B ENTRY DOORS-ALL EXTERIOR DOORS (UNITS: 5,6,7,8,9,10,11 and 12)</p> <p>Remove and dispose of the existing front entry doors to the units. Rework openings if necessary and provide and install new pre-hung, solid core, doors in above referenced the units in same locations complete with new thresholds, deadbolts, lock-sets, strike-plates, door stops, and weather stripping. New doors to be mounted plumb, and to open and close freely and latch securely. Installation to be according to manufacturer's specifications. New doors to be selected by owner</p>	\$ 12,500.00	0%	\$0		0%	\$0		\$0	\$ -	\$ -
(15)	<p>B WINDOWS (UNITS: 5,6,7,8,9,10,11 and 12)</p> <p>Remove and dispose of the existing windows found in the above referenced the units. Provide and install new retrofit title 24 energy compliant windows in above referenced the units in same locations. Repair any damage to interior or exterior walls and texture to match the existing surfaces. Ensure windows meet egress where required, and the glass is tempered where required. All windows to be factory weather-stripped, open and close freely and latch securely. Owner to approve of style and color of windows before installation. All work to be according to manufacturer's specifications, and current code requirements. PERMIT REQUIRED</p>	\$ 65,000.00	0%	\$0		0%	\$0		\$0	\$ -	\$ -

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Code	718 Chestnut Avenue: SCOPE OF WORK	IN-HOUSE Estimate	% complete	Payment	Init.	% complete	Payment	Init.	Paid to date	Balance Due	Ret. 15%
(16) B	EXTERIOR PAINT Remove all removable exterior attachments, such as downspouts, shutters, building numbers, cable runs etc. of rear building to allow for paint preparation and painting behind removable surfaces. Repair and replace balconies and railings. Pressure wash all wood siding, and all other surfaces to remove all loose and peeling paint and debris. Protect all openings to building from water penetration into structure. Let dry completely prior to patch and repair. V-out all cracks in wood siding and remove and replace any crumbling wood siding. Fill with an approved wood siding patch material to match existing surrounding surfaces. Apply primer and three coats of paint over all patched areas. Ensure full and consistent coverage over all surfaces. All wood siding to be painted with flat paint or other as directed by owner. All paint to be exterior grade, premium highest quality approved by owner. Reinstall any removed attachments after painting of building is complete. Contractor to ensure a full and even coverage over all surfaces. NOTE: The scope of work outlined in this line item is prep and paint the entire building including stairwells and all other previously painted visible surfaces, all wood trim including but not limited to entry doors and jambs (unless doors are factory painted etc. Owner to approve the color and sheen of paint before application.	\$ 92,250.00	0%	\$0		0%	\$0		\$0	\$	\$
(17) A	INTERIOR WALLS, DRYWALL & PAINT (UNITS: 5,6,7,8,9,10,11 and 12) Remove the existing plaster or other wall covering from all walls and ceilings in all rooms in above referenced the units. Replace any deteriorated framing with new studs or joists as necessary. Install insulation in all exterior walls and in 2nd floor ceilings. Install drywall on walls and ceilings making sure other trades have finished installing all plumbing and electrical. Tape texture and paint walls and ceilings making sure to obtain owners approval of type of texture and color and sheen level of paint.	\$ 48,000.00									

NOTE: Each line item below must be filled in for this bid to be valid. Line items are not to be grouped together. Each line item is subject to deletion as necessary to fit in the project budget. Any questions about the individual line item should be directed to the owner and should be addressed before bid submission. By submitting this bid, the contractor certifies an understanding of each specific line item as intended by the spec writer. Suggestions for more efficient use of funds with equal satisfactory results are welcome but should be submitted on a separate sheet complete with price for completion. Suggestions submitted by the contractor do not relieve the contractor from the responsibility of filling out this entire scope of work completely. Substandard materials are not acceptable on this project and materials and products such as appliances, fixtures, flooring, paint etc. that meet only the minimum standards may be subject to replacement or cost adjustment. All visible materials shall have owner's approval before installation. Any items in the below work specification marked with asterisks * are either a violation of building codes or health and safety codes and are not to be removed from this scope of work unless corrected before contract signing.

	Code	718 Chestnut Avenue: SCOPE OF WORK	IN-HOUSE Estimate	% complete	Payment	Init.	% complete	Payment	Init.	Paid to date	Balance Due	Ret. 15%
(18)	A	ROOF (COMP SHINGLES) Remove and dispose of all roofing down to sheathing on the subject apartment building and the detached building in rear. Inspect and replace any damaged sheathing with new plywood. Install two new layers of 15# felt over entire roof with a "bleeder" layer down all valleys, and a full lap of felt across valley from both directions. Install a new 30 year dimensional, Class A fire rated composition shingle roof to current U.B.C. Code Chapter 15 and manufacturer's specifications. Install ridge caps along all ridges, hips and gable ends. Include new flashing, roof jacks, edge-metal, and vent caps and paint to match color of shingles as close as possible. Ensure new drip-edge fully covers existing fascia paint, or prime and paint exposed unpainted fascia as necessary. Owner to approve of roof shingles prior to installation. PERMIT REQUIRED	\$ 53,500.00									
(19)	C	MAIL BOXES (UNITS: 5,6,7,8,9,10,11 and 12) Remove and properly dispose of the mailboxes. Install new mailboxes on the west side of the building. Repair damage to concrete resulting from removal of existing mailboxes. Match existing adjacent concrete as near as possible. Owner to approve of mailboxes before ordering and installing.	\$ 8,000.00									
(20)	C	SECURITY - CAMERAS Provide and install new security cameras (location of the cameras is at owner discretion in the rear building). Security cameras are to be installed according to current code and manufacturer's specifications.	\$ 43,750.00									
(21)	B	SECURITY - SECURITY GATES & ACCESS CONTROL w/ CALLBOX Provide and install access control with a callbox to the rear of the building. Access Control with callbox are to be installed according to current code and manufacturer's specifications.										
(22)	B	SECURITY - FIRE ALARM Provide and install new fire alarms to the building. Fire Alarms are to be listed and installed according to current code and manufacturer's specifications.										

718 Chestnut Avenue

NOTE: Each line item below must be filled in for this bid to be valid. Line items are not to be grouped together. Each line item is subject to deletion as necessary to fit in the project budget. Any questions about the individual line item should be directed to the owner and should be addressed before bid submission. By submitting this bid, the contractor certifies an understanding of each specific line item as intended by the spec writer. Suggestions for more efficient use of funds with equal satisfactory results are welcome but should be submitted on a separate sheet complete with price for completion. Suggestions submitted by the contractor do not relieve the contractor from the responsibility of filling out this entire scope of work completely. Substandard materials are not acceptable on this project and materials and products such as appliances, fixtures, flooring, paint etc. that meet only the minimum standards may be subject to replacement or cost adjustment. All visible materials shall have owner's approval before installation. Any items in the below work specification marked with asterisks * are either a violation of building codes or health and safety codes and are not to be removed from this scope of work unless corrected before contract signing.

	Code	718 Chestnut Avenue: SCOPE OF WORK	IN-HOUSE Estimate	% complete	Payment	Init.	% complete	Payment	Init.	Paid to date	Balance Due	Ret. 15%
(23)	A	CLOSET (UNITS: 5,6,7,8,9,10,11 and 12) Remove and dispose of the existing closets found in the above referenced the units. Provide and install new closets with closet shelves and rods in above referenced the units in same locations.	\$ 6,500.00									
(24)	B	WINDOWS BLINDS (UNITS: 5,6,7,8,9,10,11 and 12) Remove and dispose of the existing windows blinds found in the above referenced the units. Provide and install new windows blinds in above referenced the units in same locations.	\$ 9,500.00									
(25)	B	LAUNDRY ROOM Remove and properly dispose of all existing floors, drywall, doors, plumbing, electrical & lighting. Install all new drywall, prime and paint. Owner to approve the color and sheen of paint before application. Install new door, hardware, flooring, lighting and folding tables.	\$ 21,000.00									
(26)	C	FRONT ENTRY CONCRETE Remove and dispose of the existing concrete and foundation repair. Grade, form and pour new concrete at a minimum of 2000 psi. Provide finishes to newly poured concrete. Place control crack joints if necessary. All work to be done according to manufacture's specifications.	\$ 17,000.00									
(27)	B	LANDSCAPE & IRRIGATION Supply & install new landscape & irrigation system throughout common areas.	\$ 6,500.00									
(28)	C	ENTRY GATES Remove existing entry gates and replace new code compliance gate doors with a closer and latch-set.	\$ 5,000.00	0%	\$0		0%	\$0		\$0	\$ -	\$ -
PROJECT TOTAL			\$ 847,000.00	\$ -	\$ -	\$ -						

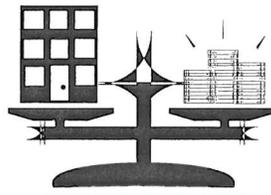
APPRAISAL REPORT

For:

**718 Chestnut Avenue
Long Beach, California
*Existing 14-unit Apartment Complex***

As of:

July 15, 2014



For:

**Ocean Structure Inc.
Chatsworth, CA**

By:

**Apartment Building
Appraisers & Analysts, Inc.
440 Redondo Avenue, Suite 105, Long Beach, CA 90814**

July 22, 2014

Ocean Structure Inc.
9919 Canoga Avenue
Chatsworth, CA 91311
rodrosenstein@sbcglobal.net

RE: Appraisal of existing 14-unit apartment building:
718 Chestnut Avenue, Long Beach, CA
Date of Appraisal: July 15, 2013

I have completed and hereunder submit my appraisal of the captioned property. The opinion of value rendered is of the leased fee interest of the subject property. As of the date of the appraisal, the **Stabilized Value** of the subject property is estimated to be:

ONE MILLION EIGHT HUNDRED TWENTY THOUSAND DOLLARS
*******\$1,820,000*******

Sincerely,



Joseph G. Queen
CA State Certified General
RE Appraiser No. AG013578
Expiration Date: 11/1/2016



APPRAISAL INTRODUCTION

PURPOSE & INTENDED USE & INTENDED USERS

The purpose of the appraisal is to estimate the market value of the leased fee interest in the subject property.

DEFINITION OF MARKET VALUE

For purposes of this appraisal, the definition of market value is:

The most probable price which 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, knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised, and each acting in what they consider their own best interest;
3. A reasonable time is allowed for exposure in the open market;
4. payment is made in terms of cash in US dollars or in terms of financial arrangements comparable thereto; and
5. 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.

EXPOSURE PERIOD

The estimated exposure period for the above definition of market value is three months. This is based on the exposure period for comparable sales.

SCOPE OF THE APPRAISAL

I observed the condition of the exterior of the building. I was not provided access to the interiors of the units. **It is an assumption of this report that all of the units will be renovated with new tile flooring, new paint, new plumbing fixtures, new windows and window treatments, new appliances, and new cabinetry where needed. The exterior will be painted and the roof repaired where needed. The client requested that I appraise the property as if the renovation were complete and the units were rented at market value. I therefore assume for purposes of this report that the projected repairs and renovation are complete and the units are rented at market value.** Similar properties in the neighborhood were surveyed concerning their rents and vacancies. Comparable sales information was obtained and analyzed to derive value indicators. Sources of sale information include California Regional MLS, CoreLogic Win2Data, lenders and brokers. Based on the information gathered, an estimate has been



made of the market value of the subject. Two approaches to value—the Sales Comparison Approach and the Income Approach—have been applied for the valuation.

SALE HISTORY

The current owner per CoreLogic is Ocean Structure Inc. The last recorded transfer occurred 7/24/2014 by grant deed for \$830,000. The terms were all cash. The property was not listed in the MLS. It was an off-market sale. To the best of my knowledge it is not currently for sale.

DATE OF VALUE

The date of value of this report is July 15, 2014.

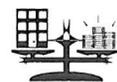
PROPERTY DESCRIPTION

The subject property address is 718 Chestnut Avenue, Long Beach, CA 90813. It is an existing 14-unit apartment building built in 1923. The building design consists of a two-story center court building. There is no on-site parking. The unit mix consists of 7 studio units and 7 one bedroom one bath units. The estimated building gross square footage per public records is 6,488 square feet. The lot size is 5,743 square feet.

Given the subject's assumed completely renovated condition, I select a market rent of \$900 for the subject's studio units and \$1,000 for the 1br/1ba units. The projected monthly income is therefore \$13,300 and the annual income is therefore \$159,600 (\$13,300 x 12).

MARKET APPROACH VALUE

The table below lists the most comparable sales for the subject:



Address	No. Units	Year Built	Sale Price	Sale Date	GIM	\$/Unit
2375 Chestnut	8	1937	\$1,200,000	5/23/2014	11.76	\$150,000
2425 Cedar Ave	5	1956	\$675,000	5/23/2014	11.04	\$135,000
235 Linden Ave	18	1913	\$2,720,000	6/4/2014	10.61	\$151,111
745 Gaviota Ave	6	1924	\$850,000	4/15/2014	10.86	\$141,667
1611 N. Stanton Pl	10	1922	\$1,300,000	2/26/2014	9.22	\$130,000
1320 E. Florida St	5	1920	\$816,000	2/24/2014	12.29	\$163,200
1249 E. 3rd St	6	1923	\$899,000	1/30/2014	11.89	\$149,833
320 Maine Ave	8	1919	\$900,000	2/28/2014	10.87	\$112,500
2094 Cedar Ave	7	1907	\$849,950	1/29/2014	8.63	\$121,421
1517 Junipero Ave	6	1924	\$765,000	7/12/2013	10.32	\$127,500
3622 E. 11th St	6	1950	\$745,000	9/4/2013	11.32	\$124,167
1351 Stanley Ave	6	1947	\$665,000	6/25/2013	10.25	\$110,833
Average					10.75	\$134,769

Given the subject's assumed renovated condition, unit mix of single and 1br units, I select a GIM of 11.40 and a dollar per unit of \$130,000:

\$159,600 gross income x 11.40 GIM = \$1,819,440

\$130,000 per unit x 14 units = \$1,820,000

I conclude to a market approach value of \$1,820,000.

INCOME APPROACH VALUE

The net income is estimated as follows:

Gross Income	\$159,600
Less vacancy at 5%	7,980
Effective gross income	\$151,620
Less estimated expenses at \$4,000/unit	\$56,000
Net operating income	\$95,620

Capitalization rates at the sale comparables range from 5.0% to 8.0%. Given the subject's renovated condition, unit mix of Singles and 1br units, a rate from the lower end of the range is appropriate. I select a capitalization rate of 5.25%:

\$95,620 net operating income / 0.0525 = \$1,821,333.

I give most weight to the market approach value. Given the subject's assumed renovated condition, I conclude to a final value estimate of \$1,820,000.



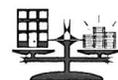
CERTIFICATION OF THE APPRAISER

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. I have performed no services, as an appraiser or in any other capacity, 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 the 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. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
10. I have made a personal inspection of the exterior only of the property that is the subject of this report.
11. No one provided significant real property appraisal assistance to the person signing this certification.
12. No one provided significant professional assistance to the person signing this report.

Joseph G. Queen

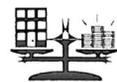
Joseph G. Queen
CA Cert. General AG013578
Expiration Date 11/1/2016



ASSUMPTIONS & LIMITING CONDITIONS

As further clarification of the appraisal problem, we offer the following explanation of the limiting conditions upon which the appraisal is based:

1. That no opinion as to title is rendered. The property is appraised assuming it to be under responsible ownership and competent management.
2. No survey, legal or engineering analysis of this property has been made by me. I assume the existing boundaries to be correct and assume no responsibility for any condition not readily observable from our inspection of the premises, which might affect the valuation, excepting those items specifically mentioned in this report.
3. That no opinion is expressed as to the value of any personal property or equipment located on the land.
4. That no opinion is intended to be expressed for matters which require legal expertise or specialized investigation of knowledge beyond that customarily employed by real estate appraisers. Unless otherwise stated in this report, the existence of hazardous material or underground storage tanks, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials or tanks on or in the property. The appraiser, however, is not qualified to detect such substances or tanks. The presence of substances such as asbestos, urea formaldehyde foam insulation, soil contaminants, or other potentially hazardous material may affect the value of the property. The value estimate is predicated on the assumption that there is no such material, contamination, or tanks on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.
5. That no detailed soils report was made available to the appraiser and it is therefore assumed that the soils native to the site are of adequate load-bearing capacity to support the current improvements as well as those typical of the site's highest and best use.
6. The information identified in this report as being furnished by others is believed to be reliable, but no responsibility for its accuracy is assumed.
7. The appraiser is not required to give testimony or attendance in court by reason of this appraisal unless arrangements have previously been made therefor.
8. The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific compliance survey and analysis of the property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property together with a detailed 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 property's value. Since we have no direct evidence relating to this issue, we did not consider possible non-compliance with the ADA in our value estimate.
9. In accordance with the Fair Housing Amendments Act, it is illegal for an appraiser to discriminate against any person because of race, color, religion, sex, hardship, familial status, or national origin. This appraisal complies with all rules and regulations prohibiting discrimination on the basis of race, color, religion, sex, national origin, and marital status.



QUALIFICATIONS

Joseph G. Queen

State of California Certified General Real Estate Appraiser No. AG013578

Experience

1/97 to Present: President, Apartment Building Appraisers & Analysts, Inc.
5/94 to 12/96: Vice President, Apartment Building Appraisers & Analysts, Inc.
9/85 to 5/94: Appraiser, Apartment Building Appraisers & Analysts, Inc.
6/84 to 9/85: Real Estate Salesman, Century 21 Rayshire Realty

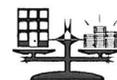
Education

Master of Arts in Linguistics,
University of California, San Diego
June 1983

Bachelor of Arts in Linguistics
The Pennsylvania State University
May 1980

Real Estate Coursework

Report Writing and Valuation Analysis, Appraisal Institute
Capitalization Theory & Techniques, Part A, Appraisal Institute
Capitalization Theory & Techniques, Part B, Appraisal Institute
Highest and Best Use & Market Analysis, Appraisal Institute
Advanced Sales Comparison Approach and Cost Approach, Appraisal Institute
Standards and Practices of Real Estate Appraisal, Part A, Appraisal Institute
Standards of Professional Appraisal Practice, Part B, Appraisal Institute
Dynamics of Office Building Valuation, Appraisal Institute
Partial Takings, Appraisal Institute
Appraising Land in Southern California, Appraisal Institute
Real Estate Appraisal, UCLA Extension
Real Estate Finance, UCLA Extension
Real Estate Investment Analysis, UCLA Extension
Advanced Real Estate Appraisal, UCLA Extension
Legal Aspects of Real Estate, Los Angeles Valley College



Miscellaneous

Co-authored 1986, 1987, 1988, 1989 *Apartment Building Operating Expense Guideline* published by Apartment Building Appraisers & Analysts, Inc.

Author 1997-2001 *Apartment Building Operating Expense Guideline* published by Apartment Building Appraisers & Analysts, Inc.

Co-authored *Completing the 4-Page & 8-Page Apartment Appraisal Forms* published by Apartment Building Appraisers & Analysts, Inc.

Presentation to Los Angeles County Chapter International Association of Assessing Officers: *The Effects of the Northridge Earthquake on the Apartment Market*, March 1995

Presentation to the California Assessor's Association: *Apartment Market Trends in 1996*, April 1996

Co-sponsor with the Appraisal Institute and instructor at the seminar *Appraising Apartments in Southern California*, May 1996

Presentation to the Pacific Chapter of the Appraisal Institute: *Dynamics of Price Differentiation: An Example of the Effect of Neighborhood Location on Apartment Building Prices in Long Beach*, November 1997

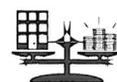
Presentation to the Southern California Chapter of the Appraisal Institute: *Dynamics of Price Differentiation: An Example of the Effect of Neighborhood Location on Apartment Building Prices in Long Beach* May 1998 (Appraising the Apartment Project Seminar)

Presentation at the Southern California Chapter of the Appraisal Institute's Small Income Property Seminar, April 2001: *The 71A and 71B Apartment Appraisal Forms and Apartment Building Operating Expenses*.

Presentation at the Southern California Chapter of the Appraisal Institute's Operating Expense Seminar, October 2003: *Apartment Building Operating Expenses*.

Presentation at the Southern California Chapter of the Appraisal Institute's Operating Expense Seminar, May 2005: *Apartment Building Operating Expenses*.

Presentation at the Southern California Chapter of the Appraisal Institute's Apartment Seminar, May 2005: *Apartment Building Operating Expenses*.





The front of the subject property

CASH FLOW FOR OCEAN STRUCTURE INC

718 Chestnut Ave - Long Beach, CA 90806

ATTACHMENT D

Projected Annual Gross Rents	<i>Estimated</i> \$151,752
Other Income:	
Less vacancy rate at 3%	(\$4,553)
Effective Gross Income	\$147,199
Less Annual Operating Expenses	(\$30,350)
Less Operating Reserve	(\$5,615)
Less Replacement Reserve	(\$6,070)
Net Operating Income	\$105,164
Less Annual Debt Service on Existing Loans	(\$34,788)
(0% APR, no payment in the first 5 years)	\$0
Net Cash Flow	\$70,376
Debt Service Coverage Ratio	3.0

Projected Annual Gross Rent Calculation

		HUD Monthly Rent		Projected GrossRent
Affordable Units at 50% of Median				
Studios	2 Rent Level	\$674	\$	16,176.00
1 Bed	Rent Level	\$716	\$	-
Two Bed	Rent Level	\$846	\$	-
Three Bed	Rent Level	\$961	\$	-
Affordable Units at 65% of Median				
Studios	5 Rent Level	\$870	\$	52,200.00
1 Bed	1 Rent Level	\$948	\$	11,376.00
Two Bed	Rent Level	\$1,126	\$	-
Three Bed	Rent Level	\$1,276	\$	-
Market Rate Units				
Studios	Rent Level	\$900	\$	-
1 Bed	6 Rent Level	\$1,000	\$	72,000.00
Two Bed	Rent Level	\$1,250	\$	-
Three Bed	Rent Level	\$1,450	\$	-
Annual Income From Any Commercial Units				
Total			\$	151,752.00