

## EXECUTIVE SUMMARY

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### Extension of Reliance

This report has been prepared for the immediate and exclusive use of Ten-X, LLC.

Any and all reliance on this report shall expire after 90-days immediately following the date of the report. If additional reliance beyond 90-days is required by Ten-X, LLC, then AEI Consultants may extend reliance to Ten-X, LLC in writing, for additional fees. Reliance by Ten-X, LLC is subject to our Master Services Agreement executed by AEI Consultants and Ten-X, LLC.

Any unauthorized reliance on this report is in contravention of the agreement between AEI and Ten-X, LLC and is strictly prohibited under the terms of the MSA. AEI's report has no other purpose and may not be relied upon by any other person or entity without the specific written consent of AEI. Either verbally or in writing, third parties may come into possession of this report or all or part of the information generated as a result of this work. In the absence of a written agreement with AEI granting such rights, no third parties shall have rights of recourse or recovery whatsoever under any course of action against AEI, its officers, employees, vendors, successors or assigns.

In the event you would like to renew reliance on this report or have it extended to a party not a signatory to the MSA between AEI and Ten-X, and obtain reliance upon the report's contents, you must fill out the request below and return to AEI via email to [khurd@aeiconsultants.com](mailto:khurd@aeiconsultants.com). Upon receipt of the request you will be contacted by a representative of AEI.

Company Name: \_\_\_\_\_

Contact Name: \_\_\_\_\_

Telephone Number: \_\_\_\_\_

Email Address: \_\_\_\_\_

Subject Property Address: \_\_\_\_\_

Subject Property City: \_\_\_\_\_ State: \_\_\_\_\_

AEI Project Number: \_\_\_\_\_



# AEI Consultants

Report Date: March 23, 2022  
Field Assessment Date: March 11, 2022

## Property Condition Report

### Property Information:

1612 Frazier St  
Conroe, Montgomery County, Texas 77301

### Project Information:

AEI Project No. 458021  
Client Reference No. NA  
Client Reference Name: Frazier

### Prepared For:

Ten-X, LLC  
15295 Alton Parkway  
Irvine, CA 92618

### Prepared By:

AEI Consultants  
112 Water Street, 5th Floor  
Boston, MA 02129

### Purpose:

Baseline Property Condition Assessment only

Environmental  
Due Diligence

Building Assessments

Site Investigation  
& Remediation

Energy Performance  
& Benchmarking

Industrial Hygiene

Construction  
Risk Management

Zoning Analysis  
Reports & ALTA  
Surveys

National Presence  
Regional Focus  
Local Solutions



March 23, 2022

Thomas Servantes  
Ten-X, LLC  
15295 Alton Parkway  
Irvine, California 92618

**Subject:**

**Property Condition Report**

1612 Frazier St  
Conroe, Texas 77301  
AEI Project No. 458021  
Client Reference No. NA  
Client Reference Name: Frazier

Dear Thomas Servantes:

AEI Consultants is pleased to provide this *Property Condition Report* of the above referenced property. This assessment was authorized and performed in accordance with the scope of services engaged under the terms of the Master Service Agreement between Ten-X, LLC and AEI Consultants.

The purpose of this assessment is to provide information to evaluate the condition of the subject property in order to facilitate completion of due diligence by the addressee. The purpose is accomplished by describing the primary systems and components of the subject property, identifying conspicuous defects or material deferred maintenance, and presenting an opinion of cost to remedy the observed conditions. In addition, this report identifies systems or components that are anticipated to reach the end of their expected useful life during the specified evaluation period and includes an opinion of cost for future capital replacements. This report provides a baseline property condition assessment.

We appreciate the opportunity to provide services to you. If you have any questions concerning this report, or if we can assist you in any other matter, please contact me at (857) 350-3519 or [khurd@aeiconsultants.com](mailto:khurd@aeiconsultants.com).



**AEI**  
Consultants

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Sincerely,  
DRAFT  
Karen Hurd  
Senior Business Development Manager  
AEI Consultants

DRAFT

## Project Summary

Construction System	Good	Fair	Poor	Action	Immediate	Short Term	Over Term Years 1-12
<u>3.1.1</u> Topography, Storm Water Drainage, and Retaining Walls		X	X	Repair	\$3,000		
<u>3.1.2</u> Site Access, Parking, Pavement		X	X	Repair		\$25,000	\$4,800
<u>3.1.3</u> Sidewalks, Curbing, Site Steps, and Ramps	X			None			
<u>3.1.4</u> Landscaping, Fencing, Signage, Site Lighting		X		Replace		\$1,000	
<u>3.1.5</u> Site Amenities		NA		None			
<u>3.1.6</u> Utilities	X			None			
<u>3.1.7</u> Other Site Structures	X			None			
<u>3.2.1</u> Foundations	X	X		None			
<u>3.2.2</u> Framing	X	X		Repair	\$10,000		
<u>3.2.3</u> Cladding	X	X		Repair	\$5,000		\$6,500
<u>3.2.4</u> Roof Systems		X	X	Repair	\$5,800	\$2,158	
<u>3.2.5</u> Appurtenances		NA		None			
<u>3.2.6</u> Doors and Windows	X			None			
<u>3.2.7</u> Common Area Amenities		NA		None			
<u>3.2.8</u> Common Area Finishes		NA		None			
<u>3.3.1</u> Plumbing Systems and Domestic Hot Water	X	X		None			
<u>3.3.2</u> Heating, Cooling, and Ventilation	X			Replace			\$27,000
<u>3.3.3</u> Electrical Systems	X	X		None			
<u>3.3.4</u> Vertical Transportation		NA		None			
<u>3.3.5</u> Security	X			None			
<u>3.3.6</u> Fire Protection and Life Safety Systems		X	X	Install fire devices and extinguishers	\$500		
<u>3.4.1</u> Down Units			X	Repair			
<u>3.4.3</u> Tenant Unit Finishes			X	Repair	\$6,000		\$6,000
<u>3.4.4</u> Tenant Kitchens and Bathrooms		NA		None			
<u>4.1</u> Moisture and Microbial Growth			X	Repair	\$3,000		



<b>Construction System</b>	<b>Good</b>	<b>Fair</b>	<b>Poor</b>	<b>Action</b>	<b>Immediate</b>	<b>Short Term</b>	<b>Over Term Years 1-12</b>
6.1 Building Code Violations		NA		None			
6.2 Fire Code Violations		NA		None			
7.0 Accessibility	X	X		Install signage and access aisle		\$600	
Totals					\$33,300	\$28,758	\$44,300

<b>Summary</b>	<b>Today's Dollars</b>	<b>\$/SF</b>
Immediate Repairs	\$33,300	\$7.94

<b>Summary</b>	<b>Today's Dollars</b>	<b>\$/SF</b>
Short Term Repairs	\$28,758	\$6.86

	<b>Today's Dollars</b>	<b>\$/SF</b>	<b>\$/SF/Year</b>
Replacement Reserves, today's dollars	\$44,300.00	\$10.57	\$0.88
Replacement Reserves, w/12, 2.5% escalation	\$48,295.73	\$11.52	\$0.96



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## EXECUTIVE SUMMARY AND PROPERTY DESCRIPTION

AEI Consultants (AEI) was retained by Ten-X, LLC on March 3, 2022 to conduct a Property Condition Assessment (PCA) and prepare this report at the Frazier property located at 1612 Frazier St in Conroe, Texas.

The Property is a retail and commercial office facility comprised of two buildings reportedly originally constructed in 1972. The Property is located on the east side of Frazier Street.

Parking for the Property is provided primarily within asphalt paved parking areas at grade. The balance of the site consists primarily of pedestrian walkways and minimal landscaping.

It should be noted that the Property was vacant at the time of the site assessment, and some systems and components were not operational due to lack of utilities service.

A summary of the Property improvements is provided in the following table.

Item	Description
Property Type	Mixed-Use (Office and Retail)
Site Area	0.61 acres
Number of Buildings	Two
Year of Construction	1972
Year of Substantial Renovation	Not Applicable
Number of Floors	One
Number of Tenants	2
Ancillary Buildings	Not Applicable
Gross Floor Area	4,192 SF per Appraisal
Net Rentable Floor Area	4,192 SF per Appraisal
Foundation Type	Concrete slab-on-grade
Frame Construction	Wood framing and steel framing
Facade	Painted masonry brick and steel metal panels
Roof Type	Corrugated metal panels
Parking Surface	Asphalt
Number of Parking Spaces	36
Number of ADA Parking Spaces	1
Heating Type	Roof Top Package units (RTUs) - electric, Split system - electric
Cooling Type	Individual Roof Top Package Units (RTU), Split system - electric
Hot Water Source	Individual small, electric, tank-type water heaters
Electrical Wiring Type	Copper branch wiring
Plumbing Piping Type	Copper pipe
Elevator Type	None
Fire Protection Type	Not applicable
Flood Zone	X (Non-shaded)
Seismic Zone	0
Wind Zone	III
Visibility From Street	Good





## Photographs



Bldg 1 west elevation



Bldg 2 west elevation

### OVERALL CONDITION OF THE PROPERTY AND RECOMMENDATIONS

Based on AEI's observation of the Property and improvements, the Property appears to be in overall fair condition.

AEI recommends addressing any observed deficiencies that require immediate action as a result of existing or potentially unsafe (health and safety) conditions, obvious material building code violations, or conditions that have the potential to result in, or contribute to, the failure of a critical element of system failure within one year, or a significant escalation in repair costs if left uncorrected. Opinions of Costs for Immediate Repairs are provided in the Immediate Repair Cost Table.

Capital Reserves are for recurring probable expenditures that are not classified as operation or maintenance expenses. The Capital Reserves should be budgeted for in advance on an annual basis. Capital Reserves are reasonably predictable both in terms of frequency and cost. However, Capital Reserves may also include components or systems that have an indeterminable life but nonetheless have a potential liability for failure within an estimated time period. Opinions of Costs for Capital Reserves are provided in a Capital Reserve Cost Schedule.

### REMAINING USEFUL LIFE

Based on the general condition of the Property reported above, it is AEI's opinion that the Remaining Useful Life (RUL) of the Property is estimated to be not less than 40 years barring any natural disasters. This opinion is based on its current condition and maintenance status, assuming any recommended Immediate Repairs or Replacement Reserves are completed and appropriate routine maintenance and replacement items are performed on an annual or as-needed basis. The opinion regarding RUL does not pertain to the Property's marketability.



## 1.0 INTRODUCTION

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AEI Consultants, (AEI) was retained by Ten-X, LLC ("Client") to perform a Property Condition Assessment (PCA) of Frazier located at 1612 Frazier St in Conroe, Texas (the "Property"). This PCA was performed in accordance with the Proposal between AEI Consultants and Ten-X, LLC, authorized on March 3, 2022.

### 1.1 PURPOSE

The purpose of this PCA is to assist our client in understanding and assessing the condition of the Property and to make recommendations for the expected capital repair and replacement cost that the property may reasonably encounter during the projection period covered by this report. Assessments and recommendations are based upon a review of readily available public and private documents pertaining to the property as well as a walk-through survey of the site and buildings. The survey is intended to identify and describe the building and site systems, to assess the overall condition of the systems compared to industry standards, to identify conspicuous deficiencies, and to project a reasonable estimate of life-cycle cost and remaining useful life for site and building systems.

No assessment can wholly eliminate the uncertainty regarding the presence of physical deficiencies and performances of the building systems. According to the ASTM guidelines, a PCA is intended to reduce the risk regarding potential building systems and component failure. The ASTM standard recognizes the inherent subjective nature of the assessment regarding such issues as workmanship, quality of care during installation, maintenance of building systems and remaining useful life of the building system. Assessments, analysis and opinions expressed within this report are not representations regarding either the design integrity or the structural soundness of the property or components.

Factors that may affect our recommendations include the ready availability of historical records, the potential change in management and maintenance practices, and the availability of reliable disclosure of property conditions. The property assessment and related report are intended to assist our client in the evaluation of the physical aspects of the subject property and how its condition may affect the soundness of their financial decisions over time.

This PCA follows the client scope, industry standards, and purpose and process outlined in the ASTM E2018-15 Standard Guide for Property Condition Assessments: Baseline Property Condition Assessment Process. Deviations or Limitations from the ASTM Guide are discussed in Section 1.3. Assessment methodology and limitations encountered at the property are further discussed in Section 8 of this report.

The findings of this PCA are not intended for use for design and engineering of remodeling, upgrades or change of use for the Property. The proposed scope of work is not a comprehensive equity investment scope of work, nor does it provide individual experts to assess separate building components (i.e., roof, facades, garage, paving, fire safety, mechanical, electrical, etc.), and therefore should not be relied upon for buyer-Seller negotiations. AEI would be pleased to discuss a more comprehensive scope and proposal should an equity investment scope be required.



## 1.2 SCOPE OF WORK

The PCA was performed in general conformance with ASTM E2018-15 "Standard Guide for Property Condition Assessments: Baseline Property Condition Assessment Process" and is subject to the limitations and scope considerations contained within these Standards.

The scope of this assessment is to:

- Develop a general property description;
- Identify major existing components;
- Perform a visual assessment of the physical condition of the components;
- Evaluate by a limited visual assessment for the Americans with Disabilities Act (ADA) accessibility;
- Approximate costs for repairs and/or capital reserve items based upon a reserve term provided by the Client; and
- Prepare this Property Condition Report (PCR).

Physical condition, as defined by ASTM E2018-15 is the physical state of a property, system, component or piece of equipment. Within the context of the assessment, the consultant may offer opinions of the physical condition of the property, or of systems, components and equipment observed. Such opinions commonly employ terms such as good, fair and poor; though additional terms such as excellent, satisfactory and unsatisfactory may also be used.

- Good condition—in working condition and does not require immediate or short term repairs above an agreed threshold.
- Fair condition—in working condition, but may require immediate or short term repairs above an agreed threshold.
- Poor condition—not in working condition or requires immediate or short term repairs substantially above an agreed threshold.

## 1.3 DEVIATIONS FROM THE GUIDE

This PCA includes the following deviations from ASTM E2018-15 "Standard Guide for Property Condition Assessments: Baseline Property Condition Assessment Process":

- Opinions of Costs for Capital Reserves are provided in the Capital Reserve Cost Schedule. Capital Reserves are intended to represent anticipated expenditures that are not classified as operation or maintenance expenses. These Capital Reserves are expressed on an annual basis over the evaluation period requested by the Client. Capital Reserves may include costs for items expected to reach the end of their useful life span before the end of the evaluation period, as well as ongoing costs for incremental or phased component replacement during the evaluation period.



- AEI estimated a Remaining Useful Life (RUL) for the Property.
- AEI provided the Seismic Zone, based on 1997 Uniform Building Code, in which the Property is located.
- AEI provided the Flood Zone(s) of the Property, based on the FIRM published by FEMA.
- AEI provided the Wind Zone, based on FEMA's map titled "Wind Zones in the United States", in which the Property is located.
- AEI provided a limited visual survey for the presence of microbial growth at the Property. Destructive sampling was not included in the scope of the work for this survey.
- AEI's cost threshold limitation for deficiency items is \$1,000, reduced from the ASTM E2018 Guide's \$3,000 threshold for reporting probable cost items for maintenance and repair. This lower threshold provides a more complete assessment for the client. Opinions of Costs that are individually less than this threshold amount of \$1,000 are generally not included in this PCA. However, costs regarding identified deficiencies relating to life, safety or accessibility items are included regardless of this cost threshold.
- AEI's ADA assessment sets forth a conclusion based upon the most current ADA Standards for Accessible Design (2010), the summary provided does not provide an abbreviated ADA checklist as required by ASTM Standard E 2018-15. The information provided in the checklist format would not be consistent with the narrative character of this report.

#### 1.4 SITE VISIT INFORMATION

Date of Site Visit	March 11, 2022
Time of Site Visit	11:00 AM
Weather Conditions	50 degrees and Clear
Site Assessor	John Eggert
Site Escorts	Firas Rahman
Point of Contact	Evan Ballew



## 1.5 INTERVIEWS

During the course of our assessment, the following individuals provided information that was used by our field assessor and reviewer to inform the descriptions and recommendations contained in this report.

Firas Rahman, the on-site escort or "Point of Contact" (POC), appeared to be very knowledgeable about the property's building systems, history of capital replacements and maintenance, and current conditions. AEI's questions regarding the property's building systems, history of capital replacements and maintenance, and current conditions were not partially answered.

<b>Summary of Interviews</b>			
<b>Contact Name, Title</b>	<b>Entity</b>	<b>Contact Phone</b>	<b>Information Source Provided</b>
Firas Rahman, Owner	Owner	281.389.4269	Conducted tour
Evan Ballew, Realtor	The Evan Ballew Group	936.581.9959	Conducted Tour

## 1.6 DOCUMENTS REVIEWED

AEI submitted a Pre-Survey Questionnaire (PSQ) to Firas Rahman. The Pre-Survey Questionnaire is designed to provide AEI with historical maintenance information regarding the site, including any known specific damage and/or corrective action taken.

The questionnaire as completed is included in the Appendices.

AEI was provided with relevant documents as listed in the following table. In addition, despite attempts to receive requested documentation/information, drawings; permits; prior reports; Certificate of Occupancy (COO); warranties; appraisals, safety inspection reports; outstanding citations for building, fire, and zoning code violations; rent rolls and other site related documentation were requested as noted on the PSQ were not made available for our review. AEI shall have no obligation to retrieve or review any information or documentation that was not provided to AEI as requested, in a reasonable time to formulate an opinion and to complete this Report.

Pertinent information obtained from these materials has been reviewed and considered in the formation of opinions and recommendations discussed in the appropriate sections of this report.

## 1.7 RELIANCE

This assessment was conducted on behalf of and for the exclusive use of Ten-X (Client) solely for use in a baseline property condition evaluation of the subject property. The report has been prepared only for the purpose of providing a baseline property condition assessment. This report and findings contained herein shall not, in whole or in part, be disseminated or conveyed to any other party, nor used by any other party, in whole or in part without prior written consent of AEI. AEI acknowledges and agrees that the report may be conveyed to and relied upon by the Client.

AEI's report has no other purpose and may not be relied upon by any other person or entity without the specific written consent of AEI. Either verbally or in writing, third parties may come into possession of this report or all or part of the information generated as a result of this work.



In the absence of a written agreement with AEI granting such rights, no third parties shall have rights of recourse or recovery whatsoever under any course of action against AEI, its officers, employees, vendors, successors or assigns.

Reliance is provided in accordance with AEI's Proposal and Terms and Conditions executed by Ten-X on March 3, 2022. The limitation of liability defined in the Terms and Conditions is the aggregate limit of AEI's liability to the client and all relying parties.

DRAFT



## 2.0 OPINIONS OF COST

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### 2.1 METHODOLOGY

Recommendations in this report are based upon observations during our site visit and information received from our interviews with building management and service personnel, which for the purpose of the PCA was deemed reliable, AEI prepared general-scope Opinions of Cost, based on appropriate remedies for the deficiencies noted. Such remedies and their associated costs were considered commensurate with the Property's position in the market and prudent expenditures. These opinions are for components of systems exhibiting significant deferred maintenance, and existing deficiencies requiring major repairs or replacement.

Deferred maintenance is the practice of postponing routine maintenance activities such as repairs on both real property (i.e. infrastructure and personal property (i.e. machinery) in order to save costs, meet budget funding levels, or realign available budget monies.

Repairs or improvements that could be classified solely as (i) cosmetic, (ii) decorative, (iii) part or parcel of a building's renovation program or to reposition the asset in the marketplace, (iv) routine or normal preventative maintenance, or (v) that are the responsibility of the tenants were not included.

Opinions of costs included in this report should be construed as preliminary estimates. Actual costs will vary from the consultant's opinions of costs due to a variety of factors including design, quality of materials, contractor selected, market conditions, and competitive solicitation. Based on observations of readily apparent conditions, there may be a number of immediate and capital reserve costs that are recommended over the evaluation period. These needs are identified in the various sections of this report and are summarized in the attached cost tables. Where management's budget for the repair or capital replacement appear reasonable, AEI included the budget in the Repair and Reserve Cost Tables; however, please note that this PCA does not constitute an in-depth budget analysis.

**Immediate repairs** are repairs that require immediate action as a result of: material existing or potential unsafe conditions, material building or fire code violations, or conditions that, if left uncorrected, have the potential to result in or contribute to critical element or system failure within one year or will most probably result in a significant escalation of its remedial cost.

**Short term repairs** are repairs such as deferred maintenance, that may not warrant immediate attention, but require repairs or replacements that should be undertaken on a priority basis in addition to routine maintenance.

Based on observations of readily apparent conditions, an **Immediate & Short Term Repair Cost** list was developed addressing areas found to require replacement, repairs, or significant maintenance to help the Client evaluate the property.

Other items that are not immediate or short term, or are not driven by immediate repair needs are listed in the **Capital Reserve Schedule**. These items were observed by the assessor or based on comments by current tenant. Capital reserves are for recurring probable expenditures



that are not classified as operation or maintenance expenses. The capital reserves should be budgeted for in advance on an annual basis. Capital Reserves are reasonably predictable both in terms of frequency and cost. However, capital reserves may also include components or systems that have an indeterminable life but nonetheless have a potential liability for failure within an estimated time period. Capital reserves exclude systems or components that are estimated to expire after the reserve term and that are not considered material to the structural and mechanical integrity of the subject property. Systems and components that are not deemed to have a material effect on the use are also excluded. Replacement costs were solicited from ownership / property management, AEI's discussions with service companies, manufacturers' representatives, and previous experience in preparing such schedules for other similar facilities. Costs for work performed by the owner's or property management's maintenance staff were also considered.

AEI's reserve methodology involves identification and quantification of those systems or components that may require capital reserves within the evaluation period. The evaluation period is defined as the effective age plus the reserve term. Additional information concerning system's or component's respective replacement costs (in today's dollars), typical expected useful lives, and remaining useful lives were estimated so that a Capital Reserve Schedule could be prepared. The Capital Reserve Schedule, presupposes that all required remedial work has been performed or that monies for remediation have been budgeted for items recommended in the Immediate Repair Cost Estimate.

The Effective Useful Life (EUL) is the average amount of time in years that a system, component or structure is estimated to function when installed new and assuming that routine maintenance is practiced. It is based upon site observations, research, and judgment, along with referencing EUL tables from various industry sources, including, but not limited to, Life Expectancy Guidelines published by Marshall & Swift and United States Department of Housing and Urban Development guidelines. Accurate historical replacement records, if provided, are typically the best source of information. Exposure to the elements, initial quality and installation, extent of use, the quality and amount of preventive maintenance exercised, etc., are all factors that impact the effective age of a system or component. As a result, a system or component may have an effective age that is greater or less than its actual chronological age. The Remaining Useful Life (RUL) of a component or system equals the EUL less its effective age.

The Remaining Useful Life (RUL) is a subjective estimate based upon observations, or average estimates of similar items, components, or systems, or a combination thereof, of the number of remaining years that it is estimated to be able to function in accordance with its intended purpose before requiring replacement. Such period of time is affected by the initial quality of the system or component, the quality of the initial installation, the quality and amount of preventive maintenance, climatic conditions, extent of use and other factors.

The RUL estimate is an expression of a professional opinion and is not a guarantee or warranty, expressed or implied. This estimate is based upon the observed physical condition of the property at the time of the visit and is subject to the possible effect of concealed conditions or the occurrence of extraordinary events such as natural disasters or other unforeseen events that may occur subsequent to the date of the site visit. The RUL estimate is made only with regard to the expected physical or structural integrity of the improvements on the Property. Based upon observations during our site visit and information received from our interviews with





building management and service personnel, which for the purpose of the PCA was deemed reliable, AEI prepared general-scope, Opinions of Cost based on appropriate remedies for the deficiencies noted. Such remedies and their associated costs were considered commensurate with the Property's position in the market and prudent expenditures. These opinions are for components of systems exhibiting significant deferred maintenance, and existing deficiencies requiring major repairs or replacement. Repairs or improvements that could be classified as (i) cosmetic, (ii) decorative, (iii) part or parcel of a building's renovation program or to reposition the asset in the marketplace, (iv) routine or normal preventative maintenance, or (v) that are the responsibility of the tenants were not included.

This report excludes costs for systems or components that are reported to be a tenant responsibility to maintain and replace, that are generally associated with the normal operation of the subject property, that are part and parcel of a building renovation program, for enhancements to reposition the subject property within the marketplace, for work that is cosmetic or decorative, for work that is being conducted for warranty transfer purposes, and routine maintenance activities. This report also excludes costs that are below the reporting threshold established by the engagement agreement

The observed or reported condition of the reviewed systems, any recommended actions and the associated Opinions of Cost of repair or replacements are presented in the following Sections of this report. A summary of Opinions of Costs is presented in the Executive Summary. The Opinions of Costs for Immediate Repairs and Capital Reserves are summarized in the following tables:



## Immediate Repair Cost

Frazier  
1612 Frazier St  
Conroe, Texas 77301  
March 23, 2022

Item	Quantity	Unit	Unit Cost	Replacement Percent	Immediate Total	Short Term Total	Comments
<b>3.1.1 Topography, Storm Water Drainage, and Retaining Walls</b>							
Drainage Assessment, Perform	1	Allow	\$3,000.00	100%	\$3,000		AEI recommends that the overall site drainage system be reviewed by a Professional Engineer to determine the best course of action to prevent continued chronic ponding and determine estimated costs to resolve the observed problems. Please note that this estimate does not include an opinion of cost for the repairs, which are contingent on the results of the recommended study.
<b>3.1.2 Site Access, Parking, Pavement</b>							
Asphalt Pavement, Mill and Overlay	20,000	SF	\$1.25	100%	\$0	\$25,000	The asphalt paving has reached it's EUL.
<b>3.1.4 Landscaping, Fencing, Signage, Site Lighting</b>							
Trash and debris removal	1	LS	\$500.00	100%	\$0	\$500	
Wood landscaping borders, Replace	1	LS	\$500.00	100%	\$0	\$500	
<b>3.2.2 Framing</b>							
Wood framing, Repair	1	Allow	\$10,000.00	100%	\$10,000		Based on observation.
<b>3.2.3 Cladding</b>							
Damaged/missing exterior soffits and trim. Repair	1	EA	\$5,000.00	100%	\$5,000		Based on observation.
<b>3.2.4 Roof Systems</b>							
Roof leak, Repair	1	LS	\$3,500.00	100%	\$3,500		AEI observed an active roof leak.
Parapet Coping, Replace	200	LF	\$6.50	100%	\$1,300		Based on observation.
Gutters. Replace	250	LF	\$8.63	100%	\$0	\$2,158	AEI observed damaged gutters.

Item	Quantity	Unit	Unit Cost	Replacement Percent	Immediate Total	Short Term Total	Comments
Modified Bitumen Roof, Replace	200	SF	\$5.00	100%	\$1,000		The roof has reached it's EUL.
<b>3.3.6 Fire Protection and Life Safety Systems</b>							
Fire Extinguishers and smoke detectors. Install	1	LS	\$500.00	100%	\$500		
<b>3.4.3 Tenant Unit Finishes</b>							
Down Unit Renovation	1	Allow	\$12,000.00	50%	\$6,000		Based on observation.
<b>4.1 Moisture and Microbial Growth</b>							
Mold Assessment	1	Allow	\$3,000.00	100%	\$3,000		AEI recommends a mold assessment to be completed to determine the full extent and scope of suspect mold remediation repairs. AEI has also included a repair allowance to replace the visibly damaged ceiling, wall and flooring finishes. The mold assessment should provide costs for repair.
<b>7.0 Accessibility</b>							
Parking, Provide Adequate number of handicapped-accessible parking stalls for vans	2	EA	\$300.00	100%	\$0	\$600	Based on observation.
<b>Total Repair Cost</b>					<b>\$33,300.00</b>	<b>\$28,758.00</b>	

## Capital Reserve Schedule

Frazier  
1612 Frazier St  
Conroe, Texas 77301  
March 23, 2022

Item	EUL	EFF AGE	RUL	Quantity	Unit	Unit Cost	Cycle Replace	Replace Percent	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Total Cost
<b>3.1.2 SITE ACCESS, PARKING, PAVEMENT</b>																					
Asphalt Pavement, Seal Coat and Restripe	5	0	5	20,000	SF	\$0.12	\$2,400	200%					\$2,400					\$2,400			\$4,800
<b>3.2.3 CLADDING</b>																					
Exterior walls, Repaint	8	7	1	5,000	SF	\$0.65	\$3,250	200%	\$3,250								\$3,250				\$6,500
<b>3.3.2 HEATING, COOLING, AND VENTILATION</b>																					
Packaged rooftop unit, Replace	15	10	5	15	TON	\$1,800.00	\$27,000	100%				\$13,500	\$13,500								\$27,000
<b>3.4.3 TENANT UNIT FINISHES</b>																					
Down Unit Renovation				1	Allow	\$12,000.00	\$12,000	50%	\$6,000												\$6,000
Total (Uninflated)									\$9,250.00	\$0.00	\$0.00	\$13,500.00	\$15,900.00	\$0.00	\$0.00	\$0.00	\$3,250.00	\$2,400.00	\$0.00	\$0.00	\$44,300.00
Inflation Factor (2.5%)									1.0	1.025	1.051	1.077	1.104	1.131	1.16	1.189	1.218	1.249	1.28	1.312	
Total (inflated)									\$9,250.00	\$0.00	\$0.00	\$14,538.02	\$17,550.62	\$0.00	\$0.00	\$0.00	\$3,959.81	\$2,997.27	\$0.00	\$0.00	\$48,295.73
Evaluation Period:									12												
# of SFs:									4,192												
Reserve per SF per year (Uninflated)									\$0.88												
Reserve per SF per year (Inflated)									\$0.96												

## **2.2 RECENT, IN PROGRESS AND PLANNED CAPITAL IMPROVEMENTS**

In 2022, roof repairs were completed at both buildings.

In 2022, building framing repairs and bracing work was completed at the soffits and wall framing.

In 2021, building 1 interior electrical, plumbing and finishes were demolished and additional wood framing bracings were installed.

In 2021, building 1 electrical circuit breaker panels were replaced.

At the time of our site assessment, no capital projects were in progress.

Management personnel reports that no capital expenditure projects are currently planned for the property.

## **2.3 INCURRED MAINTENANCE COSTS**

The scope of work of this PCR does not include a legal summary, interpretation or commentary on leases associated with the Property. If provided, AEI performed only a cursory review of the leases.

According to property management personnel, based on the typical lease agreement, the interior components within each tenant space are to be maintained, repaired, or replaced by the tenant at the tenant's own expense. This responsibility also extends to any exterior mechanical, electrical, or plumbing equipment that services the tenant space, such as rooftop HVAC units and wall-mounted electrical equipment.

The landlord is responsible for the maintenance or replacement costs of the building structure and envelope including the roof and exterior walls. The landlord is also responsible for any mechanical, electrical, or plumbing equipment that serves the entire building as well as for the parking lot.



## 3.0 SYSTEM DESCRIPTIONS AND OBSERVATIONS

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### 3.1 SITE COMPONENTS

#### 3.1.1 TOPOGRAPHY, STORM WATER DRAINAGE, AND RETAINING WALLS

##### ASSESSMENT / RECOMMENDATION

The south adjacent properties are generally located up-gradient to the subject Property; and therefore, some surface storm waters may drain onto the subject Property. A concrete retaining wall is provided along the south property line.

Evidence of significant or unusual ponding of storm water was reported along the southeast elevation of building two. Water does not drain away from the foundation in this area and is entering the building. Damaged floor and wall finishes were observed due to the water intrusion and suspect mold growth was observed. Approximately 200 SF of moisture damaged floor and wall finishes were observed. The ponding appears to be related to poor drainage patterns in the topography.

AEI recommends that the overall site drainage system be reviewed by a Professional Engineer to determine the best course of action to prevent continued chronic ponding and determine estimated costs to resolve the observed problems. An opinion of cost for this work is included in the Tables.

Please note that this estimate does not include an opinion of cost for the repairs, which are contingent on the results of the recommended study.

No other material deficiencies or indications of deferred maintenance of topography, drainage or retaining wall features were observed or reported. The RULs of these features are expected to exceed the evaluation period.

##### Photographs



Moisture damage bldg 2



Mold damage bldg 2





Poor drainage along southeast

### Cost Summary

Cost Recommendation	EUL	EFF AGE	RUL	Year	Cost
Drainage Assessment, Perform	-	-	-	Immediate	\$3,000
Total					\$3,000

### 3.1.2 SITE ACCESS, PARKING, PAVEMENT

#### ASSESSMENT / RECOMMENDATION

Asphalt paving is provided throughout the site. The paving is not provided with curbing. Approximately 36 parking spaces are provided.

AEI observed widespread asphalt pavement deficiencies including alligator cracking, cracks supporting weed growth, edge crumbling, and loose aggregate. Due to the severity of the deficiencies it appears that full-depth replacement is warranted. An opinion of cost for this work is included in the Tables.

No other material deficiencies or indications of deferred maintenance of pavement were observed or reported.

AEI recommends periodic crack-filling, seal coating and re-striping of the asphalt paving during the evaluation period. An opinion of cost is included in the Tables.



## Photographs



Fair asphalt paving

## Cost Summary

Cost Recommendation	EUL	EFF AGE	RUL	Year	Cost
Asphalt Pavement, Mill and Overlay	-	-	-	Short Term	\$25,000
Asphalt Pavement, Seal Coat and Restripe	5	0	5	5 10	\$2,400 \$2,400
Total					\$29,800

### 3.1.3 SIDEWALKS, CURBING, SITE STEPS, AND RAMPS

#### ASSESSMENT / RECOMMENDATION

The flatwork, stairs and railings appeared to be generally in good condition. No significant problems or concerns were observed.

No material deficiencies or indications of deferred maintenance of sidewalks, curbing, site steps or ramps were observed or reported. The RULs of these features are expected to exceed the evaluation period.

### 3.1.4 LANDSCAPING, FENCING, SIGNAGE, SITE LIGHTING

#### ASSESSMENT / RECOMMENDATION

Trash, debris and stored materials were observed throughout the site. AEI recommends the trash and debris be removed from the site and building interiors. An opinion of cost for this work is included in the Tables.

Exterior Lighting was observed to be in overall good condition. The quantity, location, and general intensity of the fixtures and lamps are considered to be generally adequate for the property. No unusual problems or concerns were observed or reported. Although not observed after dark, lighting appears adequate. The RUL of the exterior lighting is expected to exceed the evaluation period.





A pole mounted sign is provided at the west entrance. A drive thru order sign is provided along the front elevation of building one. The signs are reported to be fully operational. The signs can be painted and maintained through routine maintenance.

AEI observed deteriorated wood landscaping borders surrounding the drive thru sign. The landscaping borders appear to be at or near the end of its EUL, and replacement is recommended. An opinion of cost for this work is included in the Tables.

The POC reported that the signage is in working order. Repairs and exterior refinishing can be completed through routine maintenance.

The landscaping components appeared to be generally in good condition with no significant observed or reported deficiencies. Routine maintenance of the landscaping is expected to be sufficient to maintain the landscaping in good condition over the evaluation period.

No other material deficiencies or indications of deferred maintenance of landscaping, signage, exterior lighting, or fencing systems were observed or reported. The RULs of these features are expected to exceed the evaluation period.

### Photographs



Trash and debris to be removed



Fair landscape borders

### Cost Summary

Cost Recommendation	EUL	EFF AGE	RUL	Year	Cost
Trash and debris removal	-	-	-	Short Term	\$500
Wood landscaping borders, Replace	-	-	-	Short Term	\$500
Total					\$1,000

### 3.1.5 SITE AMENITIES

#### ASSESSMENT / RECOMMENDATION

The property does not include notable exterior amenities.



### 3.1.6 UTILITIES

According to the ASTM guidelines, visual inspection and comments on municipal, underground services lines are outside of the scope of our PCA.

Utility Provider	Provider
Natural Gas	Centerpoint Energy
Electricity	Centerpoint Energy
Potable Water	City of Conroe Water Department
Sanitary Sewerage	City of Conroe Water Department
Storm Sewer	Municipal

#### ASSESSMENT / RECOMMENDATION

No unusual problems or concerns were observed or reported. According to Firas Rahman, the utilities provided are adequate for the Property. According to the ASTM guidelines, visual inspection and comments on municipal, underground services lines are outside of the scope of our property assessment.

No unusual problems or concerns were observed or reported with the gas piping. The RUL of the gas piping is expected to exceed the evaluation period.

No material deficiencies or indications of deferred maintenance of utilities were observed or reported. The RULs of these features are expected to exceed the evaluation period.

### 3.1.7 OTHER SITE STRUCTURES

#### ASSESSMENT / RECOMMENDATION

A large billboard sign is provided at west entrance at the property. The billboard is owned by others but the placement space at the property is being leased. The maintenance of billboard is the responsibility of the owner.

No material deficiencies or indications of deferred maintenance of ancillary structures were observed or reported. The RULs of these features are expected to exceed the evaluation period.

## 3.2 ARCHITECTURAL COMPONENTS

### 3.2.1 FOUNDATIONS

Although requested, plans showing the foundation were not provided. The foundation and footing construction could not be verified while on-site due to hidden conditions. The top of the concrete slab was observable in building one. Therefore, based on our limited site observations, the buildings appear to be constructed as noted below.

Of note, movement in foundation systems can occur over time and create slight stress cracking in the above grade structure. Minor cracking, if noted, appeared to fall within the scope of acceptable tolerances for buildings of this type unless otherwise noted below.



## **ASSESSMENT / RECOMMENDATION**

The foundations are assumed to be of concrete slab on grade with spread footings. The substructure is considered to be generally adequate and in overall good condition.

Observations of exterior walls revealed no apparent signs of movement that would indicate excessive settlement or an improperly installed foundation system.

No material deficiencies or indications of deferred maintenance of foundations were observed or reported. The RUL of these features is expected to exceed the evaluation period.

### **3.2.2 FRAMING**

Although requested, building plans showing the structural systems was not provided for our review.

Visual access to the structural elements of the building was limited due to hidden conditions. The superstructure was exposed in some locations, specifically exposed ceiling areas, allowing for limited observation. Other structural elements were concealed by interior finishes and exterior finishes. Therefore, based on our limited site observations, the buildings appear to be constructed as noted below.

## **ASSESSMENT / RECOMMENDATION**

Building one has a conventional, wood-framed structure with wood stud-framed exterior and interior bearing walls that support the roof diaphragm. The roof diaphragms are constructed of wood joists sheathed with plywood.

Building two has structural steel columns that support the roof diaphragms. The roof is constructed of corrugated metal decks attached directly to the steel frame.

AEI observed areas of previous wood framing replacements and repairs within building one. Areas of rotten wood framing within the soffits was observed to have areas of repairs and bracing installations. Additional interior wall framing and layout work was previously being completed. However, Firas Rahman reported that construction currently stopped due to not having proper permitting. The prospective tenant no longer is associated with the property and no further work is planned. Firas Rahman reported that the permitting violations issued from the city have been resolved. AEI recommends that the framing be repaired. An opinion for these costs are included in the Tables.

Minor areas of cracking was observed at the north brick wall of building one. The cracking on the exterior is considered to fall within acceptable tolerances for generally acceptable movement and settlement. Routine maintenance is considered to be adequate to monitor the slight cracks and to make repairs as conditions warrant.

No other material deficiencies or indications of deferred maintenance of framing were observed or reported. The RUL of these features is expected to exceed the evaluation period.



## Cost Summary

Cost Recommendation	EUL	EFF AGE	RUL	Year	Cost
Wood framing, Repair	-	-	-	Immediate	\$10,000
Total					\$10,000

### 3.2.3 CLADDING

#### ASSESSMENT / RECOMMENDATION

Building one exterior is provided with painted brick exterior walls. Building two is provided with unpainted brick and metal panel exterior walls.

AEI observed damaged exterior finishes at building 1 in the form of missing soffit boards, damaged and missing trim and aged paint finishes. Building 2 damaged finishes include areas of peeling paint and dented metal panel walls. Repair of the damage is recommended. An opinion of cost for this work is included in the Tables.

Based on the condition and estimated RUL of exterior paint, repainting is recommended during the evaluation period. An opinion of cost for this work is included in the Tables.

No other material deficiencies or indications of deferred maintenance of cladding systems were observed or reported.

#### Photographs



Fair to poor finishes



Damaged soffits





Roof parapet wall



Soffits exposed

### Cost Summary

Cost Recommendation	EUL	EFF AGE	RUL	Year	Cost
Damaged/missing exterior soffits and trim. Repair	-	-	-	Immediate	\$5,000
Exterior walls, Repaint	8	7	1	1 9	\$3,250 \$3,250
Total					\$11,500

### 3.2.4 ROOF SYSTEMS

#### ASSESSMENT / RECOMMENDATION

The roof age was estimated by the appearance. The roofs are estimated to be over 25 years of age. The buildings are provided with corrugated metal panel roofing. Building one is provided with a metal panel mansard roof along the perimeter.

Recent roof repairs due to leaks have recently been completed. Additional roof leaks still may be present due to current roof conditions at building two. AEI observed inadequate installations and repairs to the northeast section of building two. The ridges of the existing metal roof do not meet the profile of the new roofing repair sections. AEI recommends that the roof repairs be professionally completed and that possible additional roof leaks be repaired. An opinion of cost for this work is included in the Tables.

AEI observed the coping along the perimeter of building one to be aged and leaking in numerous areas. AEI recommends that coping along the perimeter of building one be replaced. An opinion of cost for this work is included in the Tables.

AEI observed damaged gutter systems in the form of widespread sagging, deteriorated metal, and missing downspout segments throughout the exteriors of the buildings. Repairs are recommended to address the observed damage. An opinion of cost for this work is included in the Tables.



The walk in cooler is provided with a modified bitumen roofing membrane. This roofing area reportedly has current roof leaks. This roof appears to be past the expected useful life of the roofing system and is recommended to be replaced. An opinion of cost for this work is included in the Tables.

No other material deficiencies or indications of deferred maintenance of roofing systems were observed or reported.

**Photographs**



Roof surface rust bldg 1



Roof leak bldg 1



Roof coping poor



Damaged gutter areas

**Cost Summary**

Cost Recommendation	EUL	EFF AGE	RUL	Year	Cost
Roof leak, Repair	-	-	-	Immediate	\$3,500
Parapet Coping, Replace	-	-	-	Immediate	\$1,300
Gutters. Replace	-	-	-	Short Term	\$2,158
Modified Bitumen Roof, Replace	-	-	-	Immediate	\$1,000
Total					\$7,958

### **3.2.5 APPURTENANCES**

#### **ASSESSMENT / RECOMMENDATION**

No notable architectural appurtenances are provided at the property, such as balconies, terraces, fire escapes, elevated walkways, or exterior stairs.

### **3.2.6 DOORS AND WINDOWS**

#### **ASSESSMENT / RECOMMENDATION**

The windows consist of fixed single panels set in wood and aluminum frames. Entry doors consist of glass doors in metal frames. Steel service doors are provided.

A metal overhead door is provided along the west elevation of building two. The entry door along the east elevation of building two is currently boarded up to prevent theft.

No other material deficiencies or indications of deferred maintenance of door and window systems were observed or reported. The RULs of these features are expected to exceed the evaluation period.

### **3.2.7 COMMON AREA AMENITIES**

#### **ASSESSMENT / RECOMMENDATION**

The property does not have common area amenities.

### **3.2.8 COMMON AREA FINISHES**

#### **ASSESSMENT / RECOMMENDATION**

The property does not have interior common areas. Each tenant space is accessed directly from the exterior.

## **3.3 MECHANICAL, ELECTRICAL, AND PLUMBING SYSTEMS**

### **3.3.1 PLUMBING SYSTEMS AND DOMESTIC HOT WATER**

#### **ASSESSMENT / RECOMMENDATION**

The domestic water plumbing was observed to consist of CPVC and copper. The sanitary plumbing was observed to be PVC.

The domestic water plumbing systems and sewer systems appeared to be good and well maintained, and, according to site contact, are in good condition. According to site contact, the water pressure is adequate. No items of deferred maintenance were observed or reported. The RULs of the piping systems should exceed the evaluation period.



Of note, the plumbing systems within building one were previously removed to make way for a previous tenant build-out. The prospective tenant did not replace the interior plumbing systems and the building remains gutted. The interior plumbing systems are reportedly to be installed to fit the future tenants needs during the tenant build-out process. No costs will be provided in the tables as the obligation for payment of these expenses under the typical lease is to be borne by the future tenant.

AEI observed a corroded water heater in building two. Replacement is recommended. This work can be completed through routine maintenance.

Tenants are responsible for repair, replacement and refurbishment of plumbing systems, including water heaters, within their suites.

No other material deficiencies or indications of deferred maintenance of distribution piping or water heater systems were observed or reported. The RULs of these features are expected to exceed the evaluation period.

No costs will be provided in the tables as the obligation for payment of these expenses under the triple net lease is to be borne by the tenant.

### **3.3.2 HEATING, COOLING, AND VENTILATION**

The report contents are based on our limited site observations, interviews, and document review. No testing of the mechanical equipment or systems was conducted.

#### **ASSESSMENT / RECOMMENDATION**

The HVAC systems for building one consist of three packaged HVAC units with a capacity of five tons each. The packaged units were installed in 2008 and 2014. The HVAC system provided for building two consists of one split system unit with a pad mounted condensing unit and an electric fan coil unit located above the ceiling. The HVAC unit has a capacity of three tons and was installed in 2012. Firas Rahman reported that all HVAC are fully operational.

No other material deficiencies or indications of deferred maintenance of HVAC systems were observed or reported.

Older (typically older than 2010 manufacture date) split system, heat pump, PTACs and package HVAC units use R-22 refrigerant. The newer models use R-410A. Because R-22 is a greenhouse gas that is believed to contribute to the depletion of the Earth's ozone layer, after 2020, R-22 will not be manufactured or imported; only recovered, recycled, or reclaimed supplies of R-22 will be available. This is in accordance with the U.S. Clean Air Act and the Montreal Protocol on Substances that Deplete the Ozone Layer. R-22-charged HVAC units are not compatible with R-410 refrigerant; using the wrong refrigerant can result in failure.

No notable deficiencies or indications of deferred maintenance of HVAC systems were observed or reported.

Tenants are responsible for repair, replacement and refurbishment of HVAC systems within their suites.





## Cost Summary

Cost Recommendation	EUL	EFF AGE	RUL	Year	Cost
Packaged rooftop unit, Replace	15	10	5	4 5	\$13,500 \$13,500
Total					\$27,000

### 3.3.3 ELECTRICAL SYSTEMS

#### ASSESSMENT / RECOMMENDATION

AEI observed that the electrical components within building one were observed to be removed during the recent interior demo work. New electrical installations will be required during the future interior build-out of the tenant space. Tenants are reportedly responsible for the installations, repair, replacement and refurbishment of electrical systems within their suites.

Newer electrical circuit breaker panels were observed to be installed at the rear exterior of building one. This work was completed within the past three years.

In general, the electrical systems for the Property, including switchboards, panel boards, lighting and wiring systems appeared in good condition and adequately sized for the intended use of the facilities.

The electric system to the Property appears to consist of 200-ampere, 120/240 volt, single phase, three wire alternating current (AC).

Electric consumption is individually metered. Meters are mounted to the exteriors.

Ground Fault Circuit Interrupter (GFCI) receptacles were observed in kitchens and bathrooms in building two. Branch wiring observed by AEI was copper. No aluminum branch wiring was observed or reported.

No other material deficiencies or indications of deferred maintenance of electrical systems were observed or reported. The RULs of these features are expected to exceed the evaluation period.

No costs will be provided in the tables as the obligation for payment of these expenses under the typical lease is to be borne by the tenant.

### 3.3.4 VERTICAL TRANSPORTATION

#### ASSESSMENT / RECOMMENDATION

This property does not have elevators.

### 3.3.5 SECURITY

Evaluation and recommendations of the security system are beyond the scope of work of this PCA as per ASTM.



As a courtesy, AEI's comments below are based on cursory observations of existing readily visible equipment for obvious material deficiencies. AEI did not operate the systems or assess any security system in its entirety. This PCA does not include evaluation the effectiveness of any security system.

**ASSESSMENT / RECOMMENDATION**

No visible deficiencies or indications of deferred maintenance of the readily observable security system equipment were noted or reported.

**3.3.6 FIRE PROTECTION AND LIFE SAFETY SYSTEMS**

**ASSESSMENT / RECOMMENDATION**

Minimal fire protection devices were observed within the interior spaces of both buildings. Building one interior has been demolished and no fire protection devices are currently provided. Fire protection devices should be provided. An opinion of cost for this work is included in the Tables.

No other notable deficiencies or indications of deferred maintenance of fire protection and life safety systems were observed or reported.

The other fire safety equipment should typically replaced on as part of good preventative maintenance.

**Cost Summary**

<b>Cost Recommendation</b>	<b>EUL</b>	<b>EFF AGE</b>	<b>RUL</b>	<b>Year</b>	<b>Cost</b>
Fire Extinguishers and smoke detectors. Install	-	-	-	Immediate	\$500
<b>Total</b>					<b>\$500</b>

**3.4 TENANT UNITS**

**3.4.1 DOWN UNITS**

A "down" commercial unit is one that is unrentable due to an existing or reoccurring physical deficiency, such as fire or water damage, infestation. It is not a commercial unit that is only "vacant" or has not had a tenant fit-out.

The following units were observed to be "down":

- Building one unit: Down due to roof leaks, missing soffits, and damaged areas of trim. The interior walls, mechanical, electrical and plumbing equipment has also been removed.
- Building two unit: Water damage and suspect mold on drywall throughout the southeast portion of the building. Past roof leaks have also damaged many areas of the ceiling and wall finishes.



Refer to Section 3.1.1, 3.2.4 and 4.1 for additional discussion and recommendations regarding the water infiltration.

### Photographs



Interior overview bldg 1



Moisture damage bldg 2



Mold damage bldg 2



Past roof leaks bldg2

### Cost Summary

Cost Recommendation	EUL	EFF AGE	RUL	Year	Cost
Down Unit, Repair	-	-	-		
Total					\$0

### 3.4.2 TENANT MIX

#### Suites Observed

Suite Number	Tenant Name	Status	Comments
Building One 1612 Frazier Street	Vacant	Vacant	Poor condition. Renovation required.
Building Two 1617 Oddfellow Street	Vacant	Vacant	Poor condition. Renovation required.



### 3.4.3 TENANT UNIT FINISHES

#### ASSESSMENT / RECOMMENDATION

AEI observed the interiors of both buildings to be in poor condition. The interior walls and finishes of building one were previously removed to make way for a prospective tenant build-out. The interior build-out was stopped by the local municipality at the beginning stages of the renovation. The interior of the building remains gutted.

Building two is provided with acoustic ceiling tile ceilings, painted drywall finished walls, and commercial grade carpet finishes. Building two was observed to be in poor condition due to numerous past roof leaks and water intrusion along the southeast wall. Approximately 200 SF of suspect mold growth was observed in the southeast section of the building. AEI recommends a repair allowance to replace the moisture damaged ceiling, wall and floor finishes. Refer to Section 4.1 for further information and cost recommendations.

Tenants are responsible for repair, replacement and refurbishment of the other areas interior finishes within their suites.

AEI recommends repair of the Down Units. An opinion for these costs are included in the Tables.

#### Photographs



Interior overview bldg 1



Bldg 2 interior poor

#### Cost Summary

Cost Recommendation	EUL	EFF AGE	RUL	Year	Cost
Down Unit Renovation	-	-	-	Immediate 1	\$6,000 \$6,000
Total					\$12,000



### **3.4.4 TENANT KITCHENS AND BATHROOMS**

#### **ASSESSMENT / RECOMMENDATION**

The bathroom finishes within and fixtures within building two were in fair overall condition and should be repaired as part of the down unit work from Section 3.4.3.

Tenants are responsible for repair, replacement and refurbishment of fixtures within their suites.

DRAFT



## 4.0 MOISTURE AND MICROBIAL GROWTH

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### 4.1 MOISTURE AND MICROBIAL GROWTH

Microbial growth (e.g., mold or fungus) may occur when excess moisture is present. Porous building materials such as gypsum board, insulation in walls and ceilings, and carpeting retain moisture and become microbial growth sites if moisture sources are not controlled or mitigated. Potential sources of moisture include rainwater intrusion, groundwater intrusion, condensation on cold surfaces, and water leaks from building systems (e.g., plumbing leaks, HVAC system leaks, overflowing drains, etc.). Inadequate ventilation of clothes dryers and shower stalls may also result in excess moisture conditions. Microbial growth may be clearly visible (e.g., ceramic tile mortar in shower stalls) or may be concealed with no visible evidence of its existence (e.g., inside wall cavities); however, without proper tests, the existence of mold cannot be verified. Testing for mold is outside the scope of a base-line PCA.

AEI conducted a limited visual survey for the presence of microbial growth at the Property. Sampling or testing was not included in the scope of work for this survey. The assessment consisted of gaining entry to interior spaces, and visually evaluating the accessible areas.

#### ASSESSMENT / RECOMMENDATION

Firas Rahman reported that he was aware of suspected mold or microbial growth at the Property. Firas Rahman indicated that no formal indoor air quality management plan currently exists at the Property.

AEI identified no documents regarding indoor air quality or microbial concerns.

Firas Rahman was aware of numerous past and present roof leaks and water infiltration and associated damage from the poor storm drainage at the southeast wall of building two. Approximately 200 SF of suspect mold growth was observed. Additional areas of current coping roof leaks at building one appear to be present.

AEI recommends a mold assessment to be completed to determine the full extent and scope of suspect mold remediation repairs. AEI has also included a repair allowance to replace the visibly damaged ceiling, wall and flooring finishes. The mold assessment should provide costs for repair.



**Photographs**



Bldg 2 interior poor



Moisture damage bldg 2



Mold damage bldg 2



Past roof leaks bldg2

**Cost Summary**

Cost Recommendation	EUL	EFF AGE	RUL	Year	Cost
Mold Assessment	-	-	-	Immediate	\$3,000
Total					\$3,000



## 5.0 NATURAL HAZARDS

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### 5.1 SEISMIC ZONE

AEI reviewed the property location in order to determine the seismic zone in which the property is located. According to the 1997 Uniform Building Code, the property is located in Seismic Zone 0.

Seismic Zones are defined as follows:

**Seismic Zone 0:** an area of very low probability of damaging ground motion.

**Seismic Zone 1:** an area of low probability of damaging ground motion.

**Seismic Zone 2A:** an area of low to moderate probability of damaging ground motion.

**Seismic Zone 2B:** an area of moderate risk of damaging seismic activity.

**Seismic Zone 3:** an area with a moderate to high probability of damaging ground motion.

**Seismic Zone 4:** an area with a high probability of damaging ground motion.

#### ASSESSMENT / RECOMMENDATION

The propensity of natural hazards to adversely affect this property is designated above.

AEI offers SEL (Scenario Estimated Loss) and SUL (Scenario Upper Limit) analysis.

Further Study may be undertaken at the discretion of our client.

### 5.2 WIND ZONE

AEI reviewed the property location in order to determine the wind zone in which the property is located. The Design Wind Speed measuring criteria are consistent with ASCE 7-05. Our judgement is that the property is located in Wind Zone III. This map also indicates that the Property is also located in a Hurricane Susceptible Region.

Wind Zones are defined as follows:

- **Zone I** (130 MPH)
- **Zone II** (160 MPH)
- **Zone III** (200 MPH)
- **Zone IV** (250 MPH)
- **Special Wind Zone**
- **Hurricane Susceptible Zone**





## ASSESSMENT / RECOMMENDATION

The propensity of wind events to adversely affect this property is designated in the discussion above.

Further Study may be undertaken at the discretion of our client.

### 5.3 FLOOD ZONE

AEI reviewed FEMA flood zone maps to identify the flood zone in which the property is located. According to Panel No. 48339C0380G, dated 08/18/2014, this property is located within Flood Zone X (Non-shaded).

Flood Zones are described as follows:

- **Flood Zone A**, defined as an area of 100-year flood; base flood elevations and flood hazard factors not determined.
- **Flood Zone AE**, defined as an area of 100-year flood; base flood elevation determined.
- **Flood Zone B**, defined as an area between limits of the 100-year flood and 500-year flood; an area subject to 100-year flooding with average depths less than one foot or where the contributing drainage area is less than one square mile; or an area protected by levees from the base flood.
- **Flood Zone C**, defined as an area of minimal flooding.
- **Flood Zone D**, defined as an area of undetermined, but possible flood hazards.
- **Flood Zone V**, defined as an area of 100-year flood with velocity (wave action); base flood elevations and flood hazard factors not determined.
- **Flood Zone X (shaded area)**, defined as an area of 500-year flood; an area of 100-year flood with average depths of less than one foot or with drainage areas less than one square mile; or an area protected by levees from 100-year flood.
- **Flood Zone X (non-shaded area)**, defined as an area outside the 500-year flood plain.

This information is provided for reference purposes only. Further Study may be undertaken at the discretion of our client.

NOTE: FEMA flood maps do not always show all streets, do not show property lines and do not show locations of buildings. The above Flood Zone designation is not to be relied upon to determine if the property and improvements are subject to flooding. A land survey with structures and other improvement shown along with a flood zone designation should be obtained by the client.



## **6.0 REGULATORY FINDINGS**

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### **6.1 BUILDING CODE VIOLATIONS**

AEI requested a record of open violations on file for the Property from the City of Conroe Building Department via written request.

#### **ASSESSMENT / RECOMMENDATION**

At the time of the issuance of this report, a reply to our request has not been provided.

Firas Rahman reported that the local Building Department stopped interior buildout work of building one due to lack of permitting. He reported that all violations have been rectified.

This information is provided for reference purposes only. Further Study may be undertaken at the discretion of our client.

### **6.2 FIRE CODE VIOLATIONS**

AEI requested a record of open violations on file for the Property from the City of Conroe Fire Department via written request.

#### **ASSESSMENT / RECOMMENDATION**

At the time of the issuance of this report, a reply to our request has not been provided.

This information is provided for reference purposes only. Further Study may be undertaken at the discretion of our client.

### **6.3 ZONING**

The property is located in a "No Zoning Area"..

This information is provided for reference purposes only. AEI can perform a zoning review of the property for an additional fee.



## 7.0 ACCESSIBILITY

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The American with Disabilities Act (ADA) is a civil rights law that was enacted in 1990 to provide persons with disabilities with accommodations and access equal to, or similar to, that available to the general public. Title III of the ADA requires that owners of buildings that are considered to be places of public accommodations remove those architectural barriers and communications barriers that are considered readily-achievable in accordance with the resources available to building ownership to allow use of the facility by the disabled.

As required by the ADA, the U.S. Architectural and Transportation Barriers Compliance Board promulgated the ADA Accessibility Guidelines (ADAAG). ADAAG provided guidelines for implementation of the ADA by providing specifications for design, construction, and alteration of facilities in accordance with the ADA. The ADAAG was superseded by the 2010 ADA Standards for Accessible Design. These guidelines specify quantities, sizes, dimensions, spacing, and locations of various components of a facility so as to be in compliance with the ADA.

The determination as to whether removal of a barrier or an implementation of a component or system is readily achievable is often a business decision, which is based on the resources available to the owner or tenants and contingent upon the timing of implementation. Determination of whether barrier removal is readily-achievable is on a case-by-case basis; the United States Department of Justice did not provide numerical formulas or thresholds of any kind to determine whether an action is readily achievable.

It is important to understand that ADA is not a building code; it is a civil rights law. As a result, local building departments may not be responsible for compliance with ADA requirements and failure to meet ADA may not be considered to be a building code violation. Conformance with other accessibility standards is beyond the scope of this section.

### RECOMMENDATION

Based on our limited accessibility screening, the items of ADA non-conformance were noted.

- Of the total number of parking spaces provided, a total of one parking space is designated as handicap accessible of which is not "van accessible". According to the ADA Accessibility Guidelines (ADAAG), based upon the total number of parking spaces, a minimum of two handicap accessible parking spaces of which both are to be van accessible spaces. Minimum ADA requirements with regard to parking spaces are not provided. The current handicap accessible parking space should be converted and provided with proper signage and access aisle. An additional van accessible space with poled mounted signage and pavement markings should be provided at building two. An opinion of cost for this work is included in the Tables.

Building one will need a substantial renovation during the next tenant interior build-out. The tenant buildout will need to be completed according to current accessibility guidelines.

Further study may identify opportunities to improve accessibility performance and design



## Photographs



ADA signage needed

## Cost Summary

<b>Cost Recommendation</b>	<b>EUL</b>	<b>EFF AGE</b>	<b>RUL</b>	<b>Year</b>	<b>Cost</b>
Parking, Provide Adequate number of handicapped-accessible parking stalls for vans	-	-	-	Short Term	\$600
Total					\$600



## 8.0 REPORTING PROCEDURES AND LIMITATIONS

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### 8.1 ASSESSMENT METHODOLOGY

The PCA meets the specifications of the Client and has included the following:

#### Preliminary Due Diligence

Prior to the site visit by the Property Evaluator, the pre-survey questionnaire was provided to the managers of the Property with a request that the questionnaire be completed prior to the visit.

#### Site Reconnaissance

The PCA findings are based on the visual, non-intrusive and non-destructive evaluation of various external and internal site and building systems and components as noted during a site walk-through survey conducted by AEI representatives. The survey included access and observation of representative tenant spaces and common areas.

#### Interviews and Research

AEI representatives conducted limited research to identify and review available maintenance procedures, available drawings, and other readily available documentation concerning the property. AEI representatives also conducted interviews with available management and maintenance staff. As conditions warranted, contractors for the property were contacted for pertinent information. AEI requested readily available records with public agencies familiar with the property to gather historical property information. Summaries of findings have been included in the narrative sections of this report.

#### Report

The evaluation covered readily apparent conditions at the Property. Upon completion of the site reconnaissance, interviews, and research, AEI produced this summary report. This report includes a discussion of topics related to the property condition and outlines the costs to correct the deficiencies noted. AEI formulates and presents Opinion of Costs recommendations in two tables: Immediate Repairs Cost Table and a Capital Reserves Cost Schedule. Photographs of property conditions and related documents are included in the body and the appendices of this report.

Based upon observations during our site visit and information received from our interviews with building management and service personnel, which for the purpose of the PCA was deemed reliable, AEI prepared general-scope Opinions of Cost based on appropriate remedies for the deficiencies noted. Such remedies and their associated costs were considered commensurate with the Property's position in the market and prudent expenditures. These opinions are for components of systems exhibiting significant deferred maintenance, and existing deficiencies requiring major repairs or replacement. Repairs or improvements that could be classified as (i)



cosmetic, (ii) decorative, (iii) part or parcel of a building's renovation program or to reposition the asset in the marketplace, (iv) routine or normal preventative maintenance, or (v) that are the responsibility of the tenants were not included.

It is the intent of the PCA to reflect material physical deficiencies and the corresponding opinion of costs that are (i) commensurate with the complexity of the Property and (ii) not minor or insignificant. Opinion of costs that are either individually or in the aggregate less than a threshold amount set by industry standards are not included in the tables.

Opinions of costs included in this report should be construed as preliminary budgets. Actual costs most probably will vary from the consultant's opinions of costs due to a variety of factors including design, quality of materials, contractor selected, market conditions, and competitive solicitation. Based on observations of readily apparent conditions, there may be a number of immediate and capital reserve costs that are required over the evaluation period. These needs are identified in the various sections of this report and are summarized in the attached cost tables. Costs for routine or normal preventive maintenance, or a combination thereof, are not included. Where management's budget for the repair or capital replacement appeared reasonable, AEI included the budget in the tables; however, please note that this PCA does not constitute an in-depth budget analysis.

## **8.2 LIMITATIONS**

Property Condition Assessments performed by AEI are based upon, but not limited to, the scope of work outlined by ASTM Standard E2018-15. Our review of the subject property consisted of a visual screening of the site, the structure(s) and the interior spaces. Technical Assessments were made based on the appearance of the improvements at the time of this Assessment.

The recommendations and conclusions presented as a result of this Assessment apply strictly to the time the Assessment was performed. Available documentation has been analyzed using currently accepted Assessment techniques and AEI believes that the inferences made are reasonably representative of the property.

No warranty is expressed or implied, except that the services rendered have been performed in accordance with generally accepted Assessment practices applicable at the time and location of the study.

This report should not be construed as technically exhaustive. This report does not warranty or guarantee compliance with any Federal, state or local statute, ordinance or regulation including but not limited to, building codes, safety codes, environmental regulations, health codes or zoning ordinances or compliance with trade/design standards or the standards developed by the insurance industry. Local, state and federal regulations, and codes change significantly over time from when the Property was developed and the subject building was constructed. The Property and subject building may not meet all current regulations, and code requirements put forth on a local, state, or federal level.

The following are excluded from this Assessment for the Property as per ASTM scope of work:



- Subterranean conditions such as soil types and conditions, underground utilities, separate sewage disposal systems, wells, manholes, utility pits; systems that are either considered process-related or peculiar to a specific tenancy or use; or items or systems that are not permanently installed.
- Opinions on matters regarding security of the Property and protection of its occupants or users from unauthorized access.
- Operating or witnessing the operation of lighting, lawn irrigation, or other systems typically controlled by time clocks or that are normally operated by the building's operation staff or service companies.
- Evaluating systems or components that require specialized knowledge or equipment, including but not limited to: flue connections, interiors of chimneys, flues or boiler stacks; electromagnetic fields, electrical testing and operating of any electrical devices; examination of elevator and escalator cables, sheaves, controllers, motors, inspection tags; or tenant-owned or maintained equipment.
- Evaluation of process-related equipment or condition of tenant owned/maintained equipment.

AEI has made reasonable efforts to properly assess the property conditions within the contracted scope of services; however, limitations during the assessment may be encountered.

AEI's findings and conclusions were based primarily on the visual assessment of the Property at the time the site visit. In addition, the assessment value is based upon comparative judgments with similar properties in the Property observer's experience. The Client is herewith advised that the conditions observed by AEI are subject to change. AEI's Property observations included areas that were readily accessible without opening or dismantling secure areas or components. AEI's conclusions did not include any destructive or invasive testing, laboratory analysis, exploratory probing or engineering evaluations of structural, mechanical, electrical, or other systems with related calculations.

No assessment can wholly eliminate the uncertainty regarding the presence of physical deficiencies and performances of the building system. According to the ASTM guidelines, a PCA is intended to reduce the risk regarding potential building system and component failure. The ASTM standard recognizes the inherent subjective nature of the assessment regarding such issues as workmanship, quality of care during installation, maintenance of building systems and remaining useful of the building system or components.

Assessments, analysis and opinions expressed within this report are not representations regarding either the design integrity or the structural soundness of the project.

If any part of the Property was under construction or renovation at the time of our site visit, it should be noted that this PCA is not a construction progress report or a construction loan monitoring report. A review of the construction budget, plans and schedule was not performed,



and no comparison of our observations to these documents was made. A code review was not performed. AEI assumes that the construction will continue until completed and that a Certificate of Occupancy will be obtained.

Specific Limitations to AEI's Access to the subject Property were due to the following circumstances:

- Due to the COVID-19 pandemic, limitations were encountered as AEI practiced safe distancing per the CDC Guidelines. In spite of this limitation, AEI is able to adequately assess the property in accordance with ASTM guidelines.

Specific Limitations to AEI's standard site assessment protocol were encountered during the preparation of this report:

- Despite attempts to receive requested site related documentation/information, noted in Section 1.6 and on the PSQ, no documents or information were made available for our review. AEI shall have no obligation to retrieve or review any information or documentation that was not provided to AEI as requested in a reasonable time to formulate an opinion and to complete this Report.





## **9.0 MEMBERS OF THE CONSULTANT TEAM**

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A resume of the property evaluator and the senior reviewer are included in the appendix of this report.

DRAFT

John Eggert, Field Observer

DRAFT

Matthew Wagner, National Client Manager

DRAFT



# **APPENDIX A**

## **Photo Documentation**

DRAFT

