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'As Is' Appraisal Guidelines[1]

The following "as-is" appraisal guidelines must be followed for any appraisal commissioned to support acquisition costs in a private site preservation transaction financed by HPD. For transactions with acquisition costs exceeding $20 million, the lower of two independent "as-is" appraisals will be utilized.

Overall Guidelines:

1. Reports should utilize acceptable appraisal methodology in compliance with the Uniform Standards of Professional Appraisal Practice.
2. 'As Is' appraisals should be performed based on the existing conditions of the subject property as of the effective date of the appraisal.
3. If Low Income Housing Tax Credits are being considered, include both land and building appraised values separately.

Income Capitalization:

4. The existing rent roll as of the effective date of the report should be utilized unless otherwise specified with rationale.
5. Vacancy and collection losses should reflect actual rates which typically run from 3%-5% in New York City.
6. If historical expenses are available they should be utilized in forming the projected expenses in the operating statement.
7. Actual real estate taxes as of the effective date of the report should be utilized.
8. If expenses are projected, expense comparables should be included to bracket the projected expense factors.
9. If expenses have been projected for HPD loan underwriting purposes these expenses should be consistent with expenses utilized in estimating the property's net operating income for appraisal purposes.
10. Capitalization rates should reflect market expectations and be within the range of national (PwC Real Estate Investor Survey) or regional (Cushman Wakefield Reports) surveys, which should be cited in the reports as support for the utilized rates.
11. Capitalization rates should reflect reliability as well as the encumbered nature of a below market income stream as appropriate.
12. Projected holding periods should be consistent with expectations of market participants.

Comparable Sales:

13. If comparable sales are utilized the analysis should include the average rent of the comparable property as compared to the average rent of the subject. In addition an adjustment should be considered for the subject's restricted rental income over the regulatory period as compared to the comparable sale.
14. Affordable housing that creates tangible benefits for other properties should not be used as comparable sales. For example, sales of properties that generate inclusionary housing floor area bonus which can be sold off-site will lead to significantly inflated property values.

[1] From the Appraisal Unit within HPD's Office of Development, as of April 21, 2016.

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