

**Real Estate Acquisition
Due Diligence Report and Approvals Report**
(Completed by Norfolk Housing Staff)

Date:	August 7, 2018
Last Update:	August 21, 2018
Project Name:	Riley Park Place
Address:	806 10 Street NW
Community:	Sunnyside
Project Lead:	Maya Kambeitz, Executive Director @ NHA
Lead Agency / Assignee (if applicable):	
Realtor:	Brad Kroeker @ Cushman Wakefield (originally rep. vendor)
Condition Removal Date:	~ September 6th 2018
Closing Date:	~ October 22 2018
Purchase Price:	\$4,280,000

PROJECT TIMELINE

	Person Responsible	Consultant / Contractor	Description / Findings / Notes	Due Date	Completion Status
REAL ESTATE INFORMATION					
Property type	Maya	NA	Residential Purpose Built Rental 4 story with elevator		COMPLETE
Suite mix	Maya	CUSHMAN	15 two bedroom units 1 bachelor 8 one bedroom		COMPLETE
Year of construction	"	CUSHMAN	1970		COMPLETE
Total living area (net)	Maya	CUSHMAN	Approximately 17,250 SF – not including hallways and common areas.		COMPLETE
Total building area (gross)	Maya	CUSHMAN	TBD		Requires Follow Up
Total lot area	Maya	CUSHMAN	16,470 SF		COMPLETE
Current real estate	Maya	CUSHMAN	One owner – rental property		COMPLETE
Land use designation	Maya	NA	M-C2 Confirm what the ARP would allow on site.		Requires Follow Up
City of Calgary property assessment	Maya	NA	\$4,010,000 as per notice in due diligence materials		COMPLETE

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REAL ESTATE PURCHASE CONTRACT					
Purchase contract review and signing	Maya & Finance Committee	NA	COMPLETE – Have PSA in place as of August 1, 2018 Contract was reviewed by DBH Law	Aug. 2	COMPLETE
Cheque requisition for 1 st deposit	Maya	NA	DBH confirmed receipt and deposit in trust on Aug. 9	Aug. 9	COMPLETE
Condition date	Maya	NA	Anticipated Condition Waiver Date is SEPTEMBER 6 2018	Sept. 6	In progress
Cheque requisition for 2 nd deposit	Maya	NA	DUE - SEPTEMBER 10th	Sept. 10	Not started
Closing date	Maya & Board	NA	Currently OCTOBER 22nd	Oct. 22	NA
Cheque requisition for cash to close	Maya	NA	Confirm with Mark the process here – Talk to First National as well.	Oct. 5 th	Need confirmation
Legal review of purchase contract	Maya & Finance Committee	NA	Reviewed by DBH Law Reviewed by Finance Committee Approved by Finance committee via email Process re-approved by BoD at July 2018 meeting	Aug 2	COMPLETE
Legal review of amendments and waivers	Maya & DBH Law	DBH	Part of PSA	July 31	COMPLETE
Notices by Seller to Tenants to vacate	Vendor	NA	We will not be asking for tenants to vacate – NHA will assume the leases and then ask each resident to sign a new agreement with NHA. Residents will be allowed to transition out of the building as they wish.	NA	NA
REAL ESTATE REPORTS / INSPECTIONS					
Legal title search	Maya & DBH	DBH	DBH already completed and nothing on title was found. Property is clear – shows one owner Raymond Tharp. Copy is with Due Diligence Materials	July 31	COMPLETE
Corporation search	DBH	DBH	DBH completed this – nothing of note was found. Standard info available. Property owned by Rainy Chief Investments	July 31	COMPLETE
Off-title search	Maya	DBH	Need to confirm ABSA (re. Boiler) safety certificates – may be too small and not need ABSA inspections. Annual Fire Inspections are booked for Sept. 12 th AEDERSA (elevator) inspectors are aware of the required elevator upgrades.	Aug. 17	In progress

			Health Order Search Conducted – no active orders since 2016 (information prior not provided on public site) City of Calgary Site Search – No outstanding permits		
Authorization letter for searches	Maya	DBH	Received	July 31	COMPLETE
Real property report with compliance	Maya	CUSHMAN	Received as part of due diligence materials. Confirmed that the RPR is current and has compliance stamp from the City of Calgary. Two items noted – concrete at front of the building extends onto city sidewalk and portion of concrete by parking lot and next to the condominium extends to the condo property line.	Sept. 6	COMPLETE
Condominium plans (if any)	NA	NA	NA	NA	NA
Building plans from seller (if any)	Maya	CUSHMAN	No plans are available via Vendor.	Sept. 6	COMPLETE
CASH TO CLOSE AND CONSTRUCTION FUNDING					
Project cost (purchase, due diligence, renos)	Maya		Purchase Price \$4,280,000 Building Condition Report \$4000 Phase I ESA – completed by vendor and will be assigned Appraisal – waived by CMHC & First National Possible Renovation Projects: Windows & Exterior \$300,000 Accessibility \$25,000 Energy Efficiency/Lighting - \$10,000 Interior - \$100,000	Aug. 28	Requires Decision
Project funding (grants / donations / financing)	Maya	NA	None – self financed About \$2M from refinance of Norfolk House About \$280,000 cash/investments \$2M through new mortgage on Riley Park Place	Aug. 28	Requires Decision
Funding	Maya	NA	Conventional mortgage and CMHC Flex Financing for Affordable Housing – applying through First National	Aug. 17	COMPLETE
Fundraising	NA	NA	NA	NA	NA

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Financing: Letter of Interest	Maya	First National Damir Jesic	Have a letter of interest for the conventional mortgage Applying concurrently to CMHC Flex Financing	Aug. 10	On File
Financing: Letter of Commitment	Maya	First National Damir Jesic	Copies are on portal. Emailed to Finance Committee	Aug. 17	On File
PROJECT OVERSIGHT					
Ad-hoc Advisory Committee to the NHA Board	Finance Committee & Maya	Finance Committee	Updates along with documents related to the purchase will be posted to the board portal. Board will meet on Aug. 28 th to discuss waiving conditions and the Finance committee recommendation.	Aug. 27	In progress Meetings are booked with Board.
SITE ASSESSMENT					
Appraisal	Maya	NA	Appraisal not required by CMHC for financing.	NA	NA
Environmental site assessment (ESA)	Maya	TEC	Completed in April 2018 – Vendor will assign to NHA ESA for Norfolk House Refinance is in progress.	Aug. 10	In progress
Authorization letter for ESA	Maya	NA	NA	NA	NA
Site survey	NA	NA	NA	NA	NA

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City of Calgary permit files (Development and building permits and plans)	NA	NA	NA	NA	NA
BUILDING ASSESSMENT					
City of Calgary tax notice for current year	Maya	CUSHMAN	Part of due diligence materials. Paid and up to date.	Aug. 7	COMPLETE
Insurance quote	Maya	John Rowe @BFL	Confirmed Loss Summary and Type of Construction. Estimate is \$3800/year for insurance premium.	Aug. 10	In progress

Viewing	Maya & Jon	NA	Maya and Jon attended a preliminary viewing and saw 3 units which were in decent condition – most of the units inspected were vacant. No major work has been completed on the units – some flooring upgrades and paint of cabinets etc.	NA	COMPLETE
Suite inspections	Maya & Jon	NA	<p>Completed inspections of entire building and all units on Aug. 3 with two NHA staff, vendor's broker, and NHA's lender present for some units.</p> <p>Noted that units have received minimal upgrades over time. Major capital work includes the roof and minor mechanical upgrades but no details on mechanical available other than standard inspections.</p> <p>Furnace is original Boiler is from the 90's</p> <p>Cross Connection inspections are up to date. Fire safety inspections are up to date. Sinks have accessible shut off valves. Bathtubs do not seem to have easily accessible shut offs.</p> <p>Most of the 1 bedroom units have two storage areas. Two bedroom units are a great layout with plenty of storage.</p> <p>Residents vary in terms of their care of the premises – some are very clean, some moderate, and others would not meet NHA standard.</p> <p>Residents are mostly long term and average 3 years or so. Many residents who were home noted maintenance issues such as:</p> <ul style="list-style-type: none"> - Sinks backing up (could just need a stack flush) - Brown water from taps after water-main break on the property which was repaired and paid for by vendor - Inoperable windows especially in winter (they are original) - Patch work in bathrooms - Fans in bathrooms not working well - Ant problems on main floor <p>In general, people seem to love the location but don't appear too happy with the current management.</p> <p>We noted that there would be a number of projects to complete to ensure we get the most out of the property:</p> <ul style="list-style-type: none"> - Windows & Balcony doors - Evaluate exterior – there's some crumbling on balconies but brick appears to be in good condition so could just require a sealant on balconies - Lighting could be improved in common areas 	Aug. 3	Requires Follow Up

			<ul style="list-style-type: none"> - Ramps to access landing as you enter and exit the property at the back (not required but would be great for accessibility) - Lever style door handles and fixtures - Updates to entrance systems for improved security and accessibility - Bathroom upgrades - Stack flushing to prevent backups on main floor units <p>There is possibly other work but we need the results of the building condition report to comment.</p>		
General building inspection	Maya	Pinchin	Overall the building is in decent shape but it is obvious that it is at a critical point where many of its components (mostly cosmetic as far as we can see) are at the end of their useful life.	Aug. 24	In progress
Structural engineering inspection	Maya	Pinchin	Building Condition Report will indicate whether there are any concerns that require a structural engineering inspection. Report is due on Aug. 24th	Aug. 24	In progress
Building envelope inspection	Maya	Pinchin	Part of building condition report – initial assessment is that the balconies may require sealant and we may need to address the outdoor “shelter/porch” as you come into the building. This was an addition after the property was built and as it has settled the slope has changed and brings water towards the interior of the lobby. Looks as though some patching was attempted.	Aug. 14	In progress
Elevator inspection	Maya	Pinchin	<p>Hayes Elevator is the contracted to provide maintenance and complete a cylinder replacement.</p> <p>\$100K is on holdback if we proceed with the purchase and the elevator work is quoted at \$45K. Scheduled for completion by Dec. 31 2018.</p> <p>Confirmed with NHA's elevator rep – this type of work can take time and the most he's ever seen in cost is \$63K</p> <p>Pinchin will look at elevator as part of building condition report.</p> <p>There aren't any residents that the vendor is aware of who have challenges with accessibility. Residents have not been notified of the elevator work yet.</p>	Aug. 14	In progress
Electrical inspection	Maya	Pinchin	Building Condition Report will outline any concerns. Same system as in NHA's other properties.	Aug. 14	In progress

Mechanical, plumbing/heating, HVAC inspection	Maya	Pinchin	<p>Boiler System – from the 90's Furnace – original HWT – confirming with our contractors</p> <p>Maintenance logs are in boiler room but the building is not serviced monthly.</p> <p>Building has glycol but no storage tank could be located.</p> <p>Make-up air unit – different system from what we have now as it comes from the mechanical room and the furnace acts as the unit.</p>	Aug. 14	Requires Follow Up
Roofing inspection	Maya	Pinchin	<p>Part of Building Condition Report – infrared scan and inspection was completed – access to the roof is challenging and it appears that no frequent efforts have been made to remove debris. A couple of soft spots were noted. Vendor was notified of this and encouraged to contact the roofing company to see if repairs are needed before warranty expires in Oct.</p> <p>Roof replaced in 2012 – Has 5 year commercial warranty (on file) Completed by Central Roofing</p>	Aug. 24	In progress
Property management inspection	Maya	Maya & Jon	<p>Completed – Emerald management is current PM. Tenants do not seem overly satisfied.</p> <p>Upon condition waiver the vendor will cancel the contract with Emerald. The contract requires 90 days' notice so we will have Emerald until mid-Dec. NHA is ok with this as it will be helpful while we transition residents.</p>	Aug. 3	COMPLETE
Safety and security inspection	Maya	Maya & Jon	<p>Fake cameras are installed in the lobby – we would eventually remove them.</p> <p>Residents note that there's been an increase in mail theft and mailbox break-ins – this is common in the area and something we struggle with at other properties.</p> <p>It is suggested we change the buzzer system to something more accessible and possibly outside of the first lobby area where mailboxes are located – this would prevent people from sleeping in the lobby or obtaining easy access to the mailboxes and the old buzzer system. Upgrade to this would be about \$6000</p>	Aug. 3	COMPLETE

Fire department inspection	Maya	Pinchin?	Inspection reports are part of due diligence materials – need to confirm whether we can obtain any other reports or incidents of violations etc.	Aug. 29	Requires Follow Up
Other	Maya	NA	Other Regulators to Contact re. Compliance: <ul style="list-style-type: none"> - Alberta OH&S – checked public site and no active files for this address. - ABSA (Boiler) – will confirm with Brad if certificate is required - AEDERSA (elevator – certificate is expired) - City of Calgary – DBA – permits etc. – checked city site and not permits other than DP relating to relaxation as per RPR 	Aug. 29	Requires Follow Up
CURRENT OPERATIONS (SELLER) – EXISTING PROPERTY					
Current operating proformas for the last 2 years (income and expense statement)	Maya	CUSHMAN	2016 & 2017 plus YTD June 2018 provided as part of due diligence. Requires some clarification on Property Management and Upkeep expenses. There was a significant expense related to the water-main repairs that were completed and paid for by vendor in Oct. 2017. Stein Excavation completed the work and residents were without water in the building for 3 days but potable water provided. Residents received \$300 off of rent for the inconvenience. We requested a detailed summary of the work that was completed and proof that the city approved.	Aug. 17	Requires follow up
Current rent roll (suite #s, tenant names, rents, lease terms, security deposits)	Maya	CUSHMAN	Leases in place for all units – most have been allowed to roll into a month-to-month which is not something NHA allows. NHA has cross referenced what is in the leases and the rent roll to ensure correctness – no major discrepancies have been found but we need to ensure security deposit amounts on leases match rent roll as there are a couple of discrepancies. NHA would have to encourage residents to sign new leases or provide some sort of incentive. Leases are standard form but not consistent in format. Move In inspection reports are available for each unit.	Aug. 24	Requires follow up

			Emerald Management has verbal agreement with some residents regarding rent reductions – this is not best practice. What is to be done with residents who have last month of their lease agreements as free rent? Parking list is also available but no map provided.		
Tenant leases	Maya	CUSHMAN	Reviewed all lease agreements – standard. Some are from Calgary Residential Rental Association and others are Emerald's format. Basics are covered.	Aug. 10	COMPLETE

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Utility bills for the last 2 years	Maya	CUSHMAN	Bills provided for 2016 and 2017. Compared to one of our similar properties and Riley Park has about \$3000 in utility and waste removal expenses than NHA property. Fairly on par with what we would expect.	Aug. 17	COMPLETE
Building manager contract	Maya	Emerald	Contract is in place for property management and includes an offsite building manager - but will be terminated if NHA waives conditions and will expire mid-December.	Sept. 6	COMPLETE
Waste contract	Maya	City of Calgary	Part of Enmax Billing Pricing is consistent with NHA's current provider	Aug. 17	COMPLETE
Laundry contract	Maya	NA	Machines are owned by Vendor and part of sale. They are at least 10 years old. NHA would need to transition to a non-coin system which would increase monthly maintenance costs slightly.	Aug. 10	COMPLETE
Elevator contract	Maya	Hayes	Contract expires on March 1 2023 Hayes Elevator – monthly maintenance at \$345/month Comparable to expense at Norfolk House	Aug. 10	COMPLETE
Cable contract	Maya	None	Charges on operating pro-forma provided were for the old property manager who resided in the building. She is no longer there.	NA	COMPLETE

Snow removal contract	Maya	Emerald	Peter Gill is landscaping contractor and has verbal agreement with Emerald. Peter is known to NHA and has indicated he would likely stay on and continue to provide the landscaping and snow removal service. NHA needs to determine if this existing arrangement will fit our needs.	Aug. 30	Requires Follow Up
Landscaping contract	Maya	Emerald	SEE comments in snow removal.	NA	NA
Pest control contract	Maya	CUSHMAN	No contract in place	NA	NA
Alarm company contract	Maya	CUSHMAN	No contract in place – cameras at front lobby are fake.	NA	NA
Annual life and safety certificate	Maya		Requires follow up	Aug. 17	Requires Follow Up
Property management agreement	Maya	EMERALD	See notes re. Building Manager Contract Confirm termination at Condition Waiver	Sept 6	COMPLETE
Boiler inspection certificate	Maya	Jon	Confirm with NHA's contractor if the boiler type would require and inspection certificate.	Aug. 14	Requires Follow Up
Backflow testing certificate	Maya	CUSHMAN	Passed and up to date.	Aug. 3	COMPLETE
City of Calgary Business License	Maya	CUSHMAN	Part of due diligence materials – up to date and copy is on file.	Aug. 3	COMPLETE
OPERATIONS					
Operating proforma	Maya	CUSHMAN	Part of due diligence material – needs follow up Cross reference to rent roll and lease agreements to ensure rents are correct.	Aug. 24	Requires Review
Rent levels	Maya	CUSHMAN	In process of cross referencing with rent roll and lease agreements. Some units are slightly more than what they are worth given condition but it seems vendor has been able to get away with this given the location of the property. Relatively reasonable rents but with some upgrades residents would be happier and could be paying a little more. Verbal agreements for rent reductions are not best practice and so we will need to confirm and cross reference with what is reported by vendor.	Aug. 17	Requires Follow Up

			A handful of new residents have agreements for free rent at the end of their terms in 2019 – need to confirm what that means for NHA if we take on. Do we simply absorb this cost?		
HOUSING PROGRAM REQUIREMENTS					
Agency partnership(s)	Maya	NA	For the 2 bedroom units we will likely partner with IFTC and Highbanks society as the units are a good fit for their families. Families would be comfortable in the 2 bedroom units as they are spacious. Rental rates for 2 bedroom (below market) would be about \$800/month vs. market rent of \$1200 Rental rate for 1 bedroom (below market) would be \$500 - \$600/month vs. market rent of \$950	NA	COMPLETE
Office space requirement	Maya	NA	No office requirement at the property as NHA offices are currently less than a 10 min walk.	NA	NA
Programs space requirements	Maya	NA	No specific requirements although the lobby is quite spacious and we could incorporate a small seating area/community hub etc. Unit 103 is a bachelor and could be turned into a community space or office as it is quite small.	NA	Future Discussion
Other	NA	NA	NA	NA	NA

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RENOVATIONS – EXISTING HOUSE					
Renovations program - general	Maya & Jon	TBD	Overall upgrades to the property have been minimal. Some units have resurfaced tubs, new toilets, upgraded countertops, painted cabinets, and some newer flooring. Approximately half of the units would need some cosmetic upgrades and the others are in decent shape – upgrades would be mostly to bathrooms. New windows needed.	Aug. 17	Requires Decision

			<p>Assessment on balconies and exterior needed.</p> <p>Light cosmetic upgrades – paint, lighting etc.</p>		
Renovations – safety and security	Maya & Jon	TBD	<p>Front foyer houses mailboxes and buzzer. Very front door is always locked – so there’s no easy access to buzzer for visitors to the building. Residents have to come down to let visitors in – if we had residents with mobility issues or those who require home care services this would present a significant challenge. We would need to upgrade the buzzer system as in other buildings or home care workers must obtain keys from their clients – this again could be a challenge as sometimes care workers change.</p> <p>We could possibly upgrade the entrance systems to align with existing properties. Residents are notorious at letting people in when there is an old buzzer style system. Less likely to let strangers into the building if the entrance system is connected via a telephone line. Approximate cost is \$5000</p> <p>Fake cameras would need to be removed from the lobby.</p> <p>Better lighting would improve overall feeling of safety. Approximate cost would be \$3000</p> <p>Unsure of the unit keys and whether residents are able to make copies on their own – will need to confirm.</p> <p>Some leases are not robust in addressing resident responsibility in safety – NHA would get all residents to sign new lease agreements.</p>	Aug. 17	Requires Decision
Renovations – accessibility	Maya & Jon	TBD	<p>Improvements could be made:</p> <ul style="list-style-type: none"> - Lever style fixtures in units - Ramp at entrance and back exits - Lighting - Fob entry system - New windows that are easily operable <p>Approximate cost \$25,000 - \$35,000 (not including windows)</p>	Aug. 17	Requires Decision
Renovations budget	Maya & Jon	TBD	<p>To complete all of the upgrades proposed we need approximately \$350-500K which could be added to the mortgage or covered by refinancing of Norfolk House.</p> <p>Completing this work would significantly extend the life of the property and generate slightly more revenue.</p>	Aug. 17	Requires Follow Up and Decision

			We need confirmation from Building Condition Report on any structural or exterior components – we estimate exterior work to be about \$150K. We mostly note this because of some balconies being in rough shape but it's uncertain if this is part of a larger structural issue.		
COMMUNITY CONSULTATIONS					
Community consultation/good neighbour agreement	Maya & Cynthia	NA	We will begin this process in the coming weeks. No community consultation at this point as it is not a new development. HSCA is aware that NHA is looking to expand in the neighbourhood. NHA residents who attended the Community Advisory Group meeting are also aware the association is looking to expand and they are very excited about this. No details on Riley Park Place were shared, however.	Aug. 24	Requires Follow Up
Councillor notification	Maya & Cynthia	NA	Will schedule meeting or call with Councillor Farrell to update her office of our plans to acquire.	Aug. 24	Requires Follow Up
MLA / MP notification	Maya & Cynthia	NA	Will schedule meeting or call with Len Webber (MP) and Dr. David Swann (MLA) in the coming weeks to update on plans to acquire.	Aug. 24	Requires Follow Up
APPROVALS					
Board Committee review	Maya & Finance Committee	NA	Board will review: - Financing and Commitment Letters - Building Condition Report - Operations Report & Recommendation Aug. 28 – board will decide whether to waive conditions.	Aug. 28	Requires Decision
Cashflow and project cost / financing	Maya & Finance Committee	First National	Cash flow analysis was completed for Norfolk House and Riley Park Place to ensure mortgages can be carried by both properties with reduced rents. We estimate that subsidized residents will pay a min. rent of: - \$500 for 1 bedroom - \$800 for 2 bedroom NHA will have to prioritize meeting debt obligations with rent discount amounts being secondary	Aug. 17	In Progress
Board recommendations	Maya	NA	No recommendations yet	Aug. 23	In progress

Board review: date + motion	Maya	NA	Aug. 28 th	Aug. 28	Requires Decision
Board financing approval + motion	Maya	NA	Aug. 28 th Commitment Letters have been provided by First National	Aug. 28	Requires Decision
LOCATION INFORMATION AND FIT					
Proximity to schools and employment	Maya	NA	Walking distance to downtown. In Sunnyside – Kensington District, SAIT, and 16 th Ave provide a great deal of employment opportunities. Sunnyside Elementary school is about 10 minute walk. Queen Elizabeth High School is a 20 minute walk. SAIT is a 10 minute walk.	Aug. 17	COMPLETE
Proximity to transportation	Maya	NA	Less than 5 minute walk to Sunnyside Train Station Bus stop outside of building going up to 16 th Ave.	Aug. 17	COMPLETE
Proximity to other affordable housing	Maya	NA	Very close to NHA's current properties. Walking distance to NHA offices. On the same block as HomeSpace Property (Aurora on the Park) which provides permanent supportive living. A resident mentioned that the neighbourhood is great but there's been a great deal of activity behind the building and along the McHugh Bluff Park (camping). Sunnyside and Hillhurst have the highest concentration of designated affordable housing in the city.	Aug. 17	COMPLETE
Proximity to shopping	Maya	NA	Walking distance to Safeway and all shopping amenities in Kensington	Aug. 17	COMPLETE
Proximity to Hillhurst/Sunnyside	Maya	NA	In Sunnyside	Aug. 17	COMPLETE