

# PURAS LANZA

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## APPRAISAL GROUP

November 22, 2021

Mr. William O. Rodríguez  
Secretary  
Puerto Rico Department of Housing  
606 Barbosa Avenue  
Juan C. Cordero Building  
San Juan, PR 00918

Dear Mr. Rodríguez:

We are currently working on an appraisal report of the proposed rehabilitation of the Mirador Las Casas Apartments project which is located south and at the end of Eduardo Conde Avenue between Norte Sur and E Streets in the Cantera Sector of the Santurce Ward in the San Juan Municipality of Puerto Rico. The LIHTC and CDBG-DR programs will fund this rehabilitation project. It is currently being operated under a Section 8 housing assistance payments (HAP) contract sponsored by the United States Department of Housing and Urban Development (HUD) identified as Section 8 project number RQ46L000034.

Reportedly, based on the fact that the subject property lies within an established radius of the Luis Muñoz Marín International Airport, the Code of Federal Regulations (CFR) apply. Thus, as per Chapter 24 of the CFR titled Housing and Urban Development, the Section that applies to the subject's proposed rehabilitation project is §8.23(a) which states the following:

**§8.23 Alterations of existing facilities, (a) Substantial Alteration** – If alterations are undertaken to a project (including a public housing project as required by §8.25(a)(2)) that has 15 or more units and the cost of the alterations is 75 percent or more of the replacement cost of the completed facility, then the provisions of §8.22 shall apply.

Based on the foregoing, and considering that the subject's proposed rehabilitation is a substantial alteration project having more than 15 units, you are requesting that we provide a Replacement Cost New (RCN) of the subject improvements in order to test this 75% rule as per §8.23.

As per market evidence gathered, constructions costs for newly proposed LIHTC projects currently range from approximately \$225 to \$275 per square foot including both single family and condominium type projects. Thus, considering that construction have significantly increased during the past years, a figure in the upper end of the range is suggested. As such, a \$270 per square foot figure is comfortably concluded providing for a rounded RCN figure of \$73,800,000 (273,383 sq. ft. x \$270 per sq. ft. = \$73,810,410).



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The most recent sources of funds prepared for the Mirador Las Casas rehabilitation project provide for a total construction cost of \$53,471,233, excluding land and buildings. When compared to the subject's previously concluded RCN amount, this results in a 72.5% figure which lies just below 75% mark. In summary,

Project Construction Costs (Substantial Alteration)	\$53,471,233
RCN	\$73,800,000
Alterations Amount Divided by RCN	0.7245
<b>PERCENTAGE OF RCN</b>	<b>72.5%</b>

Based on the foregoing, since cost of alterations to RCN does not exceed the 75% mark, the provisions of §8.22 do not apply.

We hope that the foregoing satisfies with your request. Please feel free to contact us if you require further assistance.

Respectfully Submitted,



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Real Estate Appraiser  
EPA 798 / GC 233



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Real Estate Appraiser  
EPA 698 / GC 152

