KOW BUILDING CONSULTANTS

NATIONAL REACH
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CONSTRUCTION CONSULTING

Chief Engineer Review

100 Example Avenue

Sample City, NC 00000

KOW JOB #	REPORT DATE
2026-KOW	Apr 16, 2026
PREPARED FOR	**PROJECT NAME**
Sample Client	Sample Garden Apartments

PREPARED BY

KOW Building Consultants

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- CONSTRUCTION CONSULTING
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  - ENVIRONMENTAL
  - SUSTAINABILITY

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Chief Engineer Review

Sample Garden Apartments
100 Example Avenue
Sample City, NC 00000



Prepared For:
Sample Lender, 1 Example Plaza
Sample City, MA 00000

Reliant Parties:
Sample Lender, Freddie Mac, and their respective successors, assigns, auditors, accountants, attorneys, governmental agencies, prospective purchasers of the Mortgage, and parties involved in any related securitization or financing.

Original Issue Date: April 16, 2026
Client Job ID: Source Consultant Project SAMPLE-REVIEW-001

SAMPLE REPORT — Adapted from a completed KOW report for illustration of report format and scope. Names and property identifiers are fictitious. Historical findings and figures are retained as examples; this is not an assessment of the Sample Project address or a current lending recommendation.
KOW Building Consultants has performed a Chief Engineer Review of the Pre-Construction Analysis Report (prepared by others). KOW Building Consultants was retained to provide a Chief Engineer Review of that report (the "Report"), which included a review of a portion of the documents used to prepare the Report and a general assessment of the proposed moderate rehabilitation. We were retained to determine whether the Report meets the applicable Agency's requirements and whether the Report is generally complete and accurate. KOW Building Consultants did not visit the Subject Property as part of this review.

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This report is for the exclusive use of the client and the reliant parties listed above. No other use or third-party is intended, either by the client or KOW Building Consultants.

Project Overview

Agency	Freddie Mac
Project Type	Moderate Rehabilitation
Project Name	Sample Garden Apartments
Property Address	100 Example Avenue, Sample City, NC 00000
Owner / Borrower	Sample Owner, Inc.
Lender	Sample Lender
Preparer Firm	Sample Review Consultant (Source Consultant)
Preparer Report Date	April 10, 2026
Building Description	The subject consists of two 2-story garden-style apartment buildings with a total of 72 units (64 efficiency/studio units and 8 one-bedroom units) and a gross square footage of 49,572 GSF and 37,816 RSF. Building construction is wood-frame with brick veneer and manufactured wood siding. Roofs are pitched asphalt shingles. Buildings include two passenger elevators. HVAC systems consist of individual electric forced air furnace split systems with pad-mounted heat pumps. Water distribution includes copper piping in Building 1 and problematic polybutylene piping in Building 2. Property amenities include a leasing office, community rooms, and common laundry rooms. Three maintenance sheds are also present.
Year Built	1985 and 1989
Unit Count / Type	72 Efficiency (studio) and 1-Bedroom Garden Apartments
Affordability	
Contract Type	Proprietary GC Contract (draft, unsigned by Owner) – referenced AIA G702/G703 Schedule of Values; contract language suggests cost-plus-fee structure
Budget	$1,939,349.02
Cost / Unit	$26,935.00
Cost / SF Net	$51.28
Cost / SF Gross	
Schedule Duration	476 calendar days / 323 workdays (approximately 16 months)
Completion Date	August 20, 2027

Project Overview

Project Narrative

KOW Building Consultants has been engaged by Sample Lender to perform a Chief Engineer Review (CER) of the Pre-Construction Document Review and Cost Analysis prepared by Sample Review Consultant (Source Consultant) for Sample Garden Apartments, located at 100 Example Avenue, Sample City, NC 00000 (Sample County). Source Consultant's report is dated April 10, 2026, with a site inspection date of February 19, 2026. This CER is being prepared in accordance with Freddie Mac requirements for a proposed Moderate Rehabilitation transaction.

Sample Garden Apartments is a 72-unit garden-style multifamily complex constructed in 1985 and 1989, consisting of two 2-story residential buildings. The unit mix comprises 64 efficiency (studio) units and 8 one-bedroom units across 37,816 RSF (49,572 GSF). The owner/borrower is Sample Owner, Inc., and the development consultant is Sample Development Consultant

A moderate renovation is proposed with a total construction budget of $1,939,349.02 ($26,935 per unit / $51.28 per RSF). The proposed scope includes site improvements, building exterior upgrades (vinyl siding, window replacement), common area renovations, dwelling unit interior improvements (flooring, paint, cabinets, fixtures), plumbing fixture replacement, electrical upgrades, and fire alarm system improvements. Construction is anticipated to commence May 1, 2026, with a projected completion date of August 20, 2027, for a duration of approximately 16 months. The general contractor is Sample General Contractor and the architect of record is Sample Architect Firm.

The purpose of this Chief Engineer Review is to independently evaluate the adequacy, completeness, and reasonableness of the third-party Pre-Construction Analysis prepared by Source Consultant, including an assessment of the project scope, construction documents, cost and schedule, project team qualifications, and environmental findings, consistent with Freddie Mac multifamily requirements.

Documents Reviewed

1. Pre-Construction Document Review and Cost Analysis – Sample Review Consultant, dated April 10, 2026 (Source Consultant Project SAMPLE-REVIEW-001)
2. Final Plans & Specifications – Sample Architect Firm, issued September 2025 as 'Revised Complete Set'; Specifications dated February 2024; no Issued for Construction date noted
3. Owner-Contractor Agreement – Proprietary GC contract by Sample General Contractor, originally dated 11/20/2025, revised 02/15/2026; unsigned by Owner; AIA G702/G703 Schedule of Values attached (contract sum $1,939,349.02)
4. Phase I Environmental Site Assessment – Sample Review Consultant, dated May 19, 2025; Radon Test Report – Sample Environmental Consultant, dated November 12, 2022
5. Capital Needs Assessment / Property Condition Report – performed May 2025 and February 19, 2026 (incorporated within the Source Consultant Pre-Construction Report and Freddie Mac Form 1105)
6. ALTA/ACSM Land Title Survey – Sample Surveyor, dated February 11, 2022; marked Preliminary, sealed but not signed
7. Geotechnical Report – Not provided; seismic waiver applicable (PGA 0.02g, below 0.15g threshold); no geotechnical report was required or provided
8. Project Team Qualifications – Qualifications packages provided for Sample Architect Firm, Sample General Contractor (GC), and Sample Development Consultant (Development Consultant); Owner qualifications not provided
9. Additional documentation: Zoning Report (Sample Zoning Consultant, June 2, 2025); Tenant Relocation Plan (March 12, 2026); Gantt Chart construction schedule; Freddie Mac Multifamily Form 1105; AIA Document B108-2009 Owner-Architect Agreement (executed by Architect, December 28, 2022); AIA Payment and Performance Bond (A312, draft); GC License and Certificate of Insurance; FEMA Flood Map; Zoning and code violation correspondence (February–March 2026)

Checklist Review

Review Item	Preparer's Finding	KOW Concurrence	KOW Notes	Status
Project description, transaction type, and construction classification are clearly stated.	Source Consultant clearly identifies Sample Garden Apartments as a 72-unit garden-style apartment complex undergoing a Moderate Rehabilitation. Project type, unit mix (64 efficiency, 8 one-bedroom), gross and net square footage, and Freddie Mac transaction context are stated in the Executive Summary and Section 2.	Yes	The Source Consultant report adequately identifies the project classification and transaction context. KOW concurs that the Moderate Rehabilitation designation is appropriate given the scope.	Complete
The purpose and scope of the Pre-Construction Analysis Report are clearly defined.	Source Consultant states the report was prepared consistent with a Freddie Mac scope of work and certifies it meets all required minimum protocols and standards. The scope includes review of construction documents, cost, schedule, qualifications, environmental reports, and site geography.	Yes	The report purpose and scope are clearly articulated. KOW concurs.	Complete
Building design and plans appear functional, adequate, and complete.	Source Consultant states the plans and specifications are generally functional and appropriate for the intended scope, and that the level of rehabilitation is adequate given property condition. However, Source Consultant flags that the drawings are labeled 'Revised Complete Set' with no issue date, and numerous scope items are crossed out with inconsistent application across disciplines. Source Consultant recommends a final Issued for Construction set be published.	Conditional	KOW concurs that the design appears functionally adequate, but concurs with Source Consultant that the construction documents must be finalized and issued with a clear IFC date before construction commences. The crossed-out scope items and lack of coordination across disciplines present material risk. KOW recommends this be resolved as a pre-closing condition.	Needs Follow-Up
Specified building materials appear appropriate in quality, functionality, and adequacy.	Source Consultant finds specified materials to be of suitable quality and functionality. However, Source Consultant identifies	Conditional	KOW concurs that specified replacement materials are generally appropriate. However, the retention of polybutylene piping in	Needs Follow-Up

Review Item	Preparer's Finding	KOW Concurrence	KOW Notes	Status
	polybutylene water piping in Building 2 as a problematic material that has caused approximately 4–5 leaks annually. Replacement of this piping was removed from the project scope. Source Consultant recommends it be included.		Building 2 is a significant concern. Its continued use will likely result in ongoing leaks that will damage newly renovated work and accelerate deterioration. KOW concurs with Source Consultant's recommendation that polybutylene replacement be added to the scope or addressed under a separate concurrent contract.	
The reviewed scope appears to address the physical needs of the subject property.	Source Consultant states the scope addresses most issues of concern identified in the Capital Needs Assessments, but notes significant items were removed: retaining wall replacement, Building 2 paving, polybutylene piping replacement, water heater and HVAC replacement, ceiling fans and light fixtures, central internet system, and unit circuit breaker panels. Source Consultant recommends the owner include or separately contract several of these items.	Conditional	KOW concurs that the scope addresses core renovation needs. However, the removal of the retaining wall (safety concern), polybutylene piping (maintenance risk), Building 2 repaving, and HVAC/water heater replacements creates meaningful gaps relative to the physical needs of the property. KOW recommends lender require the borrower to address the retaining wall and polybutylene piping prior to or concurrent with construction, and confirm post-renovation reserve funding adequately covers deferred items.	Needs Follow-Up
Final plans and specifications reviewed by the preparer are identified and current.	Source Consultant reviewed architectural, mechanical, plumbing, and electrical drawings issued September 2025 as a 'Revised Complete Set,' all stamped and signed by respective design professionals. Specifications were issued February 2024, approximately 18 months prior to the drawings. No issue date is noted on the drawings. Numerous scope revisions are marked by hand with inconsistent application across disciplines.	Conditional	KOW concurs that the plan set requires finalization. The absence of a formal IFC designation and issue date, combined with the 18-month gap between the specifications and drawings, introduces significant coordination risk. A final coordinated IFC set with a specific date should be required prior to loan closing or construction commencement.	Needs Follow-Up

Review Item	Preparer's Finding	KOW Concurrence	KOW Notes	Status
Construction contract type, status, and key delivery terms are identified.	Source Consultant was provided a draft proprietary Owner-Contractor Agreement written by the GC (Sample General Contractor), originally dated 11/20/2025 and revised 02/15/2026. The contract is unsigned by the Owner and does not stipulate a contract sum on its face; the sum of $1,939,349.02 is reflected in attached AIA G702/G703 forms. Source Consultant identified multiple contract provisions inconsistent with industry standards, including cost-plus language, a 10-day payment period, 25% overhead/profit on change orders, no defined project schedule, and warranty limitations. Source Consultant recommends the contract be reconciled with the other AIA documents in the project before execution.	Conditional	KOW concurs that the draft contract presents significant risk. The cost-plus structure without an owner contingency, the 10-day payment requirement, and conflict with AIA A201 General Conditions and the B108 Owner-Architect Agreement are material concerns. An executed, lump-sum contract reconciled with all AIA project documents should be a condition of loan closing. KOW also recommends a construction contingency of at least 10–15% be established in the owner's budget.	Needs Follow-Up
Construction schedule, milestones, and completion timing appear reasonable.	Source Consultant reviewed a Gantt Chart schedule showing construction start May 1, 2026 and completion August 20, 2027 (476 calendar days, approximately 16 months). Dwelling unit renovations are phased in 9 phases of 6 units, each requiring approximately 5 weeks. Source Consultant notes a significant discrepancy between the contractor's 5-week per phase duration and the owner's Tenant Relocation Plan, which anticipates 10 working days (2 weeks) per phase. Source Consultant recommends reconciliation.	Conditional	KOW concurs that the overall construction timeline is reasonable for a project of this scope. However, the 5-week vs. 2-week discrepancy between the contractor's construction schedule and the owner's tenant relocation plan is a significant inconsistency that must be reconciled before construction commences. If the contractor's schedule controls, relocation costs and logistics will be materially different than assumed. KOW recommends resolution of this discrepancy as a pre-construction requirement.	Needs Follow-Up
Development budget is presented in a	Source Consultant reviewed AIA G702 Application for	Conditional	KOW concurs that the budget is presented in a	Needs Follow-Up

Review Item	Preparer's Finding	KOW Concurrence	KOW Notes	Status
complete and understandable format.	Payment and G703 Continuation Sheet (Schedule of Values) as the primary cost documents, attached to the draft construction contract. The Schedule of Values is organized by CSI division and identifies subcontractor and GC costs. Source Consultant noted numerous line items in the Schedule of Values that are crossed out in the construction drawings but may still appear in the budget, creating scope discrepancies requiring reconciliation.		generally understandable format via the AIA G703 Schedule of Values. However, the discrepancies between crossed-out scope items in the construction documents and the Schedule of Values require reconciliation. KOW also notes that no construction contingency is included in the budget, which is a material omission for a renovation project of this complexity. Source Consultant recommends a 15% contingency (~$291,000).	
Development budget appears generally reasonable for the proposed scope.	Source Consultant reviewed all line items against RS Means data, National Cost Estimator references, and industry experience. Source Consultant concludes costs are generally reasonable for the scope and location. A small number of line items were flagged as requiring clarification (tree removal at $27,000, two-tone paint labor, asphalt overlay scope). General Conditions, Overhead, and Profit total 13.4% of contract sum, within industry-standard range.	Yes	KOW concurs that the budget appears generally reasonable for a moderate rehabilitation of this type and location. The $26,935 per unit cost is within the range expected for a moderate rehab in a secondary North Carolina market. KOW notes the absence of a contingency is the primary budget concern, not the underlying cost figures.	Complete
Cost per unit and cost per square foot metrics appear appropriate for the project and market.	Source Consultant reports a construction cost of $26,935 per unit and $51.28 per RSF. Source Consultant concluded these metrics are appropriate for a moderate rehabilitation in the Sample City, NC market based on RS Means comparables.	Yes	KOW concurs that these cost metrics are consistent with expectations for a moderate rehabilitation of garden-style affordable housing in a secondary North Carolina market.	Complete
Contingency, soft cost, and reserve allowances appear appropriate.	The AIA G703 Schedule of Values does not include a construction contingency, and no contingency was shown in the owner's development budget. Source	Conditional	KOW concurs with Source Consultant's assessment. The absence of any construction contingency in both the contractor's Schedule of Values and the	Needs Follow-Up

Review Item	Preparer's Finding	KOW Concurrence	KOW Notes	Status
	Consultant recommends the owner carry a 15% contingency of approximately $291,000 to account for scope discrepancies, unforeseen conditions, and the cost-plus contract structure.		owner's development budget is a significant risk, particularly given the draft cost-plus contract structure, the scope discrepancies between the drawings and Schedule of Values, and the age and condition of the property. KOW concurs that a minimum 10–15% contingency should be established and required as a condition of lending.	
Sources / uses and underwriting assumptions are consistent with the proposed scope.	Source Consultant did not provide a standalone sources and uses statement. The construction budget is based on the AIA G702/G703 documents. No developer budget beyond the construction cost was provided to Source Consultant for review beyond what is reflected in the contractor's Schedule of Values.	Conditional	KOW notes that a complete sources and uses statement was not included in the Source Consultant report. KOW recommends the lender verify that the total development budget, including soft costs, reserves, and contingency, is consistent with the proposed scope and adequately capitalized.	Needs Follow-Up
Environmental report findings and mitigation responsibilities are adequately addressed.	Source Consultant reviewed the Phase I ESA (Source Consultant, May 2025) with no RECs identified. Source Consultant also reviewed a 2022 radon test report (Sample Environmental Consultant) in which 20 of 39 test locations exceeded EPA action levels. Source Consultant performed additional radon testing in 2025 in which 3 of 4 locations exceeded action levels. Long-term (91-day) radon testing was underway at the time of the report and is scheduled to complete before interior renovations begin. Post-renovation radon testing is recommended by Source Consultant. The specifications reference radon remediation (Section	Conditional	KOW concurs that the Phase I ESA findings are adequately addressed (no RECs). However, the radon findings represent a significant conditional concern. Multiple rounds of testing have shown levels exceeding EPA action levels of 4.0 pCi/L. Long-term testing is ongoing. KOW recommends the lender require: (1) completion of long-term radon testing with results provided prior to renovation commencement; (2) mitigation scope and budget be added to the project if results exceed action levels; and (3) post-renovation radon testing be performed and results documented for lender review.	Needs Follow-Up

Review Item	Preparer's Finding	KOW Concurrence	KOW Notes	Status
	028000) but no radon mitigation scope is shown in the drawings.			
Geotechnical report or documented waiver basis is included and appears reasonable.	No geotechnical report was provided. Source Consultant notes the PGA for the subject property is 0.02g using USGS data, which does not exceed the 0.15g seismic threshold requiring a seismic risk analysis under Freddie Mac guidelines. The subject is not located in an Elevated Seismic Hazard Region per Freddie Mac Form 1105 Section I.	Yes	KOW concurs that the waiver basis for geotechnical and seismic review is documented and appropriate given the site location and project type. No issues noted.	Complete
Survey, title, zoning, and utility considerations are sufficiently addressed.	Source Consultant reviewed an ALTA/ACSM survey by Sample Surveyor (February 11, 2022), noted as Preliminary, sealed but not signed. No significant survey issues were noted. The subject is zoned B-2 Highway Business. No open zoning violations were confirmed by the Town of Sample City. However, the proposed parking count of 90 spaces falls below the zoning ordinance requirement of 144 spaces, and the subject is a legal nonconforming structure. No zoning approval for the parking reduction was provided. Utilities are already present at the property.	Conditional	KOW concurs that utilities and zoning compliance are generally addressed, but notes two issues: (1) the ALTA survey is marked Preliminary and is unsigned — a final executed survey should be required for closing; and (2) the reduction in parking from 95 to 90 spaces, in a jurisdiction requiring 144 spaces, requires a formal approval letter from the Town of Sample City Planning Department. This should be a pre-closing condition.	Needs Follow-Up
Reserve analysis / PNA findings are addressed and align with the proposed improvements.	Source Consultant prepared a pre-renovation Freddie Mac Form 1105 12-year reserve table estimating $297 (uninflated) / $328 (inflated) per unit annually. Post-renovation, Source Consultant estimates reserves at $213 (uninflated) / $256 (inflated) per unit annually. Post-	Conditional	KOW concurs with the post-renovation reserve analysis results. However, the four items identified as Priority Repairs in the 1105 ($38,000 total) are not included in the renovation scope. Lender should confirm these items will be addressed either as a separate concurrent contract or funded through	Needs Follow-Up

Review Item	Preparer's Finding	KOW Concurrence	KOW Notes	Status
	renovation remaining economic life is estimated at 30 years. The 1105 identifies Priority Repairs totaling $38,000 at site (asphalt paving Building 2, pedestrian walkway, fencing, retaining wall) — all items removed from the renovation scope.		the reserve account. Additionally, KOW notes that the deferred scope items (polybutylene piping, HVAC, water heaters) will likely accelerate reserve expenditures beyond the post-renovation estimates.	
Permits, approvals, and jurisdictional considerations appear identified.	Building permits were not provided to Source Consultant at the time of report. Source Consultant confirmed via correspondence that no open building code violations, fire code violations, or zoning violations exist at the subject property. Source Consultant notes two expired permits in the county's records (2022 and 2025) — both confirmed as not violations. Historic tax credits are not applicable. No zoning approval for the parking reduction was provided. Source Consultant recommends permits be submitted to Sample Lender prior to construction commencement.	Conditional	KOW concurs that the absence of current violations has been confirmed. However, building permits have not yet been issued and no formal zoning approval for the parking reduction has been obtained. Both should be conditions of closing or pre-construction requirements. KOW also notes that the MEP and structural permit requirements should be confirmed with Sample County given the building code correspondence indicating some scope items may not require county permits.	Needs Follow-Up
Architect qualifications and relevant experience appear adequate.	Source Consultant reviewed qualifications for Sample Architect Firm. Sample Architect Principal is licensed in North Carolina and has led his firm since 1974, completing over 900 projects including approximately 150 HUD facilities. The architect and consulting engineers have a prior working relationship. Source Consultant concludes the architect has adequate experience to complete the project.	Yes	KOW concurs that the architect has relevant and adequate qualifications. The firm's HUD multifamily experience is particularly relevant to this project type. The AIA B108 Owner-Architect Agreement (December 28, 2022) includes appropriate construction phase services including 36 site visits, pay application certification, submittal review, change order sign-off, and substantial completion determination.	Complete

Review Item	Preparer's Finding	KOW Concurrence	KOW Notes	Status
General contractor qualifications and relevant experience appear adequate.	Source Consultant reviewed qualifications for Sample General Contractor (Sample General Contractor). Sample General Contractor has held a North Carolina General Contractor license since 1999 (License SAMPLE-LICENSE-001, expires December 31, 2026). Sample Contractor Principal has 60+ years of construction experience. However, the qualifications package demonstrates experience primarily in churches, commercial, funeral homes, and small residential projects, with no demonstrated multifamily construction or affordable housing project experience. Most listed projects are smaller in scope than Sample Garden Apartments. Source Consultant recommends the project team review management and logistical circumstances prior to construction commencement, citing tenant relocation and housing authority documentation as potential unfamiliar requirements.	Conditional	KOW concurs with Source Consultant's conditional assessment. While Sample General Contractor has general construction experience, the lack of documented multifamily affordable housing experience is a risk factor for a HUD-programmed, federally assisted property with tenant relocation requirements. KOW recommends the lender consider requiring Sample General Contractor to identify a qualified project superintendent with multifamily affordable housing experience, and that a detailed pre-construction coordination meeting with the project team be held to address tenant relocation procedures, housing authority documentation, and draw request processes prior to construction start.	Needs Follow-Up
Developer / owner qualifications and relevant experience appear adequate.	Source Consultant was not provided documentation on the property owner directly. An advertising brochure for Sample Development Consultant (development consultant) was provided. The firm specializes in FHA/HUD multifamily management and development, with a current portfolio of 1,820 units in 17 properties. Key contact Sample Development Representative (VP of Affordable Housing) has 30	Yes	KOW concurs that the development consultant (Sample Development Consultant) has adequate qualifications and HUD/affordable housing experience. KOW notes that direct owner qualifications (Sample Owner, Inc.) were not provided and recommends lender confirm the ownership entity's organizational documents and experience as part of standard underwriting.	Complete

Review Item	Preparer's Finding	KOW Concurrence	KOW Notes	Status
	years of management experience including 25 years in HUD, RD, Tax Credit, and Conventional housing. Source Consultant concludes the developer has adequate experience.			
Other issues, exceptions, or underwriting concerns are identified and discussed.	Source Consultant's Follow Up Recommendations table and risk assessment sections identify nine significant issues: (1) construction documents lack IFC designation; (2) Owner-Contractor Agreement must be reconciled and executed; (3) building permits not yet issued; (4) GC insurance does not list owner as additional insured as required; (5) retaining wall removed from scope; (6) parking count reduction not approved by municipality; (7) accessibility – elevator and signage improvements removed from scope; (8) polybutylene piping removed from scope; (9) radon testing ongoing with post-renovation testing required. Additionally, Source Consultant identifies a discrepancy between the contractor's 5-week unit renovation schedule and the owner's 10-day tenant relocation plan.	Yes	KOW concurs with all nine items identified by Source Consultant. KOW adds the following summary of pre-closing conditions recommended for lender consideration: (1) Execution of a reconciled, lump-sum Owner-Contractor Agreement; (2) Final IFC construction document set; (3) Issued building permits; (4) Contractor insurance endorsement naming owner as additional insured; (5) Retaining wall plan (in-scope or separate contract); (6) Parking reduction approval from Town of Sample City; (7) Accessibility confirmation for elevators and signage; (8) Resolution plan for polybutylene piping; (9) Long-term radon test results and mitigation plan if warranted; (10) Owner contingency of at least 10–15%; (11) Reconciliation of contractor schedule and tenant relocation plan; (12) Final executed ALTA survey.	Needs Follow-Up

Findings

Qualifications Review

Architect

Sample Architect Firm (2 Example Plaza, Sample City, NC 00000) served as the architect of record for Sample Garden Apartments. Sample Architect Principal is licensed in North Carolina and has led his firm since its establishment in 1974. The firm has completed over 900 projects, including approximately 150 HUD facilities. The architect and consulting engineers (Sample Electrical and Plumbing Engineer for plumbing and electrical; Sample Mechanical Engineer for mechanical) have a prior working relationship and have delivered services as a team on previous projects.
The Owner-Architect Agreement is AIA Document B108-2009 Standard Form of Agreement Between Owner and Architect, dated December 28, 2022, signed by the Architect (Owner signature not confirmed). Construction phase services in the contract are appropriate and include 36 site visits, review and certification of pay applications, review and approval of contractor submittals, change order review and sign-off, and substantial completion determination.

KOW concurs that the architect has adequate qualifications and relevant multifamily/affordable housing experience to complete the proposed project as planned.

Contractor

Sample General Contractor (Sample General Contractor) (3 Example Plaza, Sample City, NC 00000) is the named general contractor. Sample Contractor Principal has been in the construction industry for over 60 years. Sample General Contractor has been licensed as a General Contractor in North Carolina since 1999 (License No. SAMPLE-LICENSE-001, expires December 31, 2026). Insurance (policy expiring March 2027) was reviewed by Source Consultant and found to include industry-standard coverage; however, the Owner was not named as an additional insured as required by the project specifications, which is a noted deficiency requiring correction.

The provided qualifications package demonstrates experience primarily in churches, commercial properties, funeral homes, and small residential projects. No multifamily residential or affordable housing projects were identified in the qualifications package, and most listed projects are smaller in scope than the proposed Sample Garden Apartments renovation.

While Sample General Contractor appears to have general construction competence, the lack of multifamily affordable housing experience is a conditional concern, particularly regarding tenant relocation procedures and housing authority documentation requirements. KOW recommends the lender consider requiring Sample General Contractor to identify key project management personnel with multifamily affordable housing experience and that a pre-construction coordination meeting with all project stakeholders be required before construction commences.

Developer / Owner

Sample Owner, Inc. (100 Example Avenue, Sample City, NC 00000) is the Owner/Borrower. Direct organizational qualifications for the ownership entity were not provided to Source Consultant for review, which is a gap in the documentation package.

Sample Development Consultant (4 Example Plaza, Sample City, NC 00000) serves as the Property Management and Development Consultant. The firm specializes in FHA and HUD multifamily residential development, management, and consulting, with a current portfolio of 1,820 units in 17 properties. Key contact Sample Development

Findings

Representative (Vice President of Affordable Housing) has 30 years of management experience, including 25 years in HUD, Rural Development, Tax Credit, Conventional, and Section 8 housing. Sample Development Representative holds certifications as a Certified Housing Manager, Certified Occupancy Specialist, Certificate in Tax Credit Management, Section 8 Occupancy, and is a Notary for the State of NC.

KOW concurs that the development consultant has adequate qualifications and directly relevant affordable housing experience to manage this renovation project. KOW recommends the lender confirm the organizational documents and experience of the ownership entity (Sample Owner, Inc.) through standard underwriting due diligence.

Environmental Summary

Environmental Summary

- **Phase I Environmental Site Assessment:** Source Consultant prepared the Phase I ESA for Sample Garden Apartments dated May 19, 2025. The report identified no Recognized Environmental Conditions (RECs), Historical Recognized Environmental Conditions (HRECs), or Controlled Recognized Environmental Conditions (CRECs) at the subject property. No evidence of asbestos-containing materials (ACM) or lead-based paint (LBP) was specifically identified in the ESA or in the construction documents reviewed. The contractor's agreement excludes the identification, abatement, encapsulation, or removal of asbestos or other hazardous substances from the construction scope.
- **Radon Gas:** Radon is the primary environmental concern at this property and represents a conditional underwriting issue. A radon test report by Sample Environmental Consultant (dated November 12, 2022) found that 20 of 39 test locations exceeded EPA's Action Level of 4.0 pCi/L. Short-term retesting was recommended but results were not provided to Source Consultant. Source Consultant performed limited radon testing per Freddie Mac requirements in 2025, finding 3 of 4 test locations exceeded EPA action levels. Confirmatory retesting found 2 of 3 units exceeded action levels. Long-term (91-day) radon testing was underway at the time of the report at both affected units and was scheduled to be completed before interior renovations begin. Should results exceed the EPA action level, mitigation will be recommended.
    - Specification Section 028000 references radon remediation; however, no mitigation scope of work is shown in the construction drawings. Given that the renovation scope includes changes to the building envelope (new windows, vinyl siding, attic insulation), EPA recommends post-renovation radon retesting, as such modifications may affect indoor radon concentrations. Source Consultant recommends post-renovation testing in the lowest occupied levels of each unit or representative building areas.
- **Flood Zone:** The subject property is located in FEMA Flood Zone X, outside the 100- and 500-year flood plains. No flood mitigation elements are required or included in the renovation scope.
- **Wetlands:** No wetlands are present on the site per Source Consultant's review.
- **Wood Destroying Organisms:** No evidence of active termite or wood-boring insect infestation was observed. Sample Pest Control Provider provides monthly pest control service.
- **Underwriting Relevance:** The ongoing radon testing and unresolved mitigation scope represent the primary environmental underwriting concern. KOW recommends the lender require: (1) receipt and review of long-term radon test results prior to renovation commencement; (2) if results exceed the EPA action level, a mitigation scope and budget be added to the construction documents and contract; and (3) post-renovation radon testing results be provided to the lender upon completion of interior renovation work.

Conclusions & Recommendations

Conclusions & Recommendations

Findings

KOW Building Consultants has completed its Chief Engineer Review of the Pre-Construction Document Review and Cost Analysis prepared by Sample Review Consultant (Source Consultant) for Sample Garden Apartments, located at 100 Example Avenue, Sample City, NC 00000. Based on our review of the Source Consultant report and supporting documentation, KOW offers the following conclusions and recommendations.

Overall Assessment: The Source Consultant Pre-Construction Analysis is a thorough and well-documented report that identifies significant project risks with appropriate clarity. KOW concurs with the substantive findings and recommendations set forth by Source Consultant. The property is a candidate for moderate rehabilitation financing; however, several material conditions must be resolved prior to loan closing and construction commencement.

Primary Conditions Recommended for Resolution Prior to Closing:

- **Construction Documents:** The design team must finalize and issue a coordinated, stamped Issued for Construction (IFC) document set with a specific issue date. Scope revisions to the drawings must be formally documented through addenda, clouding, or other industry-standard methods to eliminate ambiguity regarding what is and is not in scope.
- **Owner-Contractor Agreement:** The draft proprietary contractor agreement must be reconciled with AIA A201 General Conditions, AIA B108 Owner-Architect Agreement, and project specification requirements, and must be executed by both parties in lump-sum form prior to closing. A 10–15% construction contingency (~$195,000–$291,000) should be included in the owner's development budget.
- **Building Permits:** Executed building permits should be provided to Sample Lender prior to construction commencement.
- **GC Insurance:** Sample General Contractor must provide a revised insurance certificate naming Sample Owner, Inc. as an additional insured on the CGL and business auto liability policies as required by project specifications.
- **Retaining Wall:** The temporary wood retaining wall at the west property line presents a safety risk. A plan to replace the wall either within the construction scope or under a concurrent separate contract must be confirmed and documented.
- **Polybutylene Piping:** A plan to address the polybutylene piping in Building 2 (either within the construction scope or through a concurrent separate contract) is strongly recommended to prevent ongoing damage to newly renovated work.
- **Radon:** Long-term radon test results must be received and reviewed. If results exceed EPA action levels, a mitigation scope and budget must be added to the construction documents and contract. Post-renovation testing should be a lender requirement.
- **Parking:** A formal approval letter from the Town of Sample City Planning Department for the reduction in parking from 95 to 90 spaces must be obtained prior to closing.
- **Tenant Relocation Plan:** The owner's Tenant Relocation Plan (anticipating 10 working days per phase) must be reconciled with the contractor's schedule (indicating approximately 5 weeks per phase). The reconciled plan must include adequate relocation cost provisions.
- **ALTA Survey:** The preliminary survey should be finalized and executed prior to closing.

Items Noted for Post-Closing Monitoring: The following items, while not recommended as hard pre-closing conditions, should be tracked through the construction monitoring process: (1) accessibility compliance confirmation for elevator upgrades and signage; (2) appliance scope clarification and inclusion in the owner's budget; (3) window treatment/furnishings budget confirmation; and (4) scope and cost reconciliation of items identified in Source Consultant Exhibits C and D.

Subject to satisfactory resolution of the conditions identified above, KOW concludes that the proposed moderate rehabilitation of Sample Garden Apartments represents a viable project, and that the third-party Pre-Construction Analysis prepared by Source Consultant is a credible and substantive basis for Freddie Mac underwriting review.

Findings

Report Certification / Reliance

Certification Statement

Reliance: This Chief Engineer Review has been prepared for the sole use of Sample Lender, as Seller/Servicer, and Freddie Mac in connection with the referenced transaction. No other party may rely upon this report without KOW Building Consultants' prior written consent.

It is further understood that the Report speaks only as of its date in the absence of a specific written update of the Report, which has been signed and delivered by us.