

Attachment 5: Informal Conference Presentation by Windmass

The Jones Apartment - TDHCA

November-2023

WindMass Capital



Executive Summary | Asset and Compliance Overview

Property: The Jones Apartments
2107 Lincoln Drive, Dallas, TX, 76011



# of Units	224
Net Rentable SF	201,656
Year Built	1977
Avg. Occupancy	85.6%
Avg. Rent / Unit	\$ 1,089
Affordable	60% AMI

Original Loan & Invested Capital

Date Acquired	9/30/2020
Senior Debt	\$17.025m
Equity Invested	\$7.4m
Total Funding	\$24.4m
Total Capex	\$2.7m
Exterior Capex	\$1.3m
Interior Capex	\$1.4m
Units Renovated	92

New Loan & Capital Contribution

Closing Date	10/26/2023
Loan Amount	\$19.4m
Additional Equity	\$3.2m
Total Deal Equity	\$10.7m
Total Capex	\$2.2m
Exterior Capex	\$1.0m
Interior Capex	\$1.2m
Units to Renovate	132

Compliance Issues Identified

- **Second Score below 50 Points** due to mismanagement by Indio caused by; high turnover, multiple property managers over the past two years, and turnover at the compliance department of Indio.
- **Uncorrected physical non-compliance** including lack of repairs and lack of proof of repairs to TDHCA on items including roofs, laundry room doors, damaged gutters, damaged siding and walls, erosion, and other physical issues.
- **Low score on unit interior inspection** including health and safety hazards that need to be addressed or proven that WindMass has addressed already.
- **Lack of follow through and communication** between property management, WindMass, and TDHCA.

Plan to Achieve Compliance

- **Expected Improved performance through consultants and new property management**, WindMass engaged Capstone's compliance group and is selecting a new property management company in December 2023 with long-term systems in place that will improve communication so future issues can be addressed properly and in a timely manner.
- **Upgrade property through a new loan secured in October 2023**, WindMass budgeted capital expenditures of **\$2.2m** to include additional amenities to residents such as; a pool, gym, in-unit improvements, a new roof, and remaining deferred maintenance and health and safety improvements.
- **Ownership committing \$3.2m of additional capital into the deal**, The ownership group is contributing additional capital demonstrating their commitment to making this property a better community for tenants.

Plan of Correction

Exhibit 1 of the TDHCA report dated 10/03/2023 regarding the 2022 inspection noted the below highlighted items “not corrected” from the 2022 inspection. WindMass has addressed these items and has uploaded back-up via the CMTS portal. WindMass also acknowledges Exhibit 3 of the same report noting all deficiencies and has a plan of action to correct all deficiencies.

Area	Bldg	Unit	Inspectable Item	Deficiency	Level	Note	Corrected date
Site			Retaining Walls	Damaged/Falling/Leaning	L3	near boiler #1 bldg 2105	not corrected
Common Areas	Bldg 2101a	Doors	Laundry Room	Damaged Hardware/Locks	L3	laundry room doors locked-vandalized	not corrected
Building Exterior	Bldg 2107		Roofs	Missing/Damaged Components from Downspout/Gutter	L3	downspout not connected	"Proposal" was provided rather than an invoice. Not corrected.
Common Areas	Bldg 2113	Walls	Closet/Utility/Mechanical	Damaged	L2	siding cut	work order indicates an invoice from "RCC" is attached-but was not found

Plan of Action to Correct all Deficiencies:

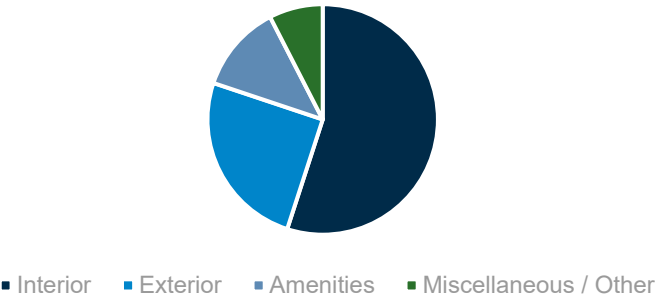
1. WindMass has sent the reports and list of deficiencies to Cardiff, WindMass’ affiliated construction company and directed Cardiff to complete all work by January 1, 2024, using funds from the refinance specially dedicated to remediating the deficiencies.
2. WindMass has dedicated employees (Matt Auste and Jack Bessette) to oversee this process and ensure the work is completed and submitted to TDHCA effectively.
3. WindMass has engaged Capstone to assist with all compliance and reporting, who will also help oversee the process with Cardiff and make sure no items are missed or overlooked.

Asset Plan & Operating Strategy | Capex Plan and Spend to Date

WindMass plans to continue its commitment to improving the living conditions, amenities, safety, and aesthetics of the property to make The Jones a better community for tenants.

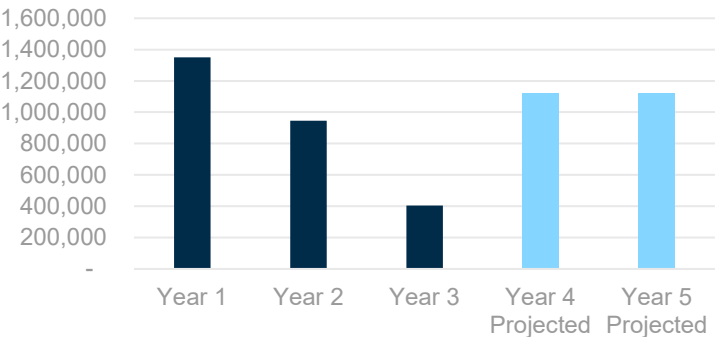
Capex Split

Complete Project Spend Break-out



Capex Timing

Capex Spend per Year



Capex Work Completed

BUDGET LINE ITEM	Capex Spent
Interior Improvements	\$ 1,382,000
Exterior Work	\$ 828,000
Community Amenity	\$ 225,000
Landscaping	\$ 130,000
Construction Management	\$ 135,000
Total Capital Costs	\$ 2,700,000
TOTAL PROJECT BUDGET	\$ 2,700,000

WindMass has spent \$2.7m on upgrading the property since September of 2020.

Completed upgrades include:

- Renovation of 92 units
- Full residing of the property
- Landscaping
- Replacement of all windows
- Refurbishment of laundry facility
- Deferred maintenance

New Capex Budget

BUDGET LINE ITEM	Amount
Interior Improvements	\$ 1,332,968
Exterior Work	\$ 413,000
Community Amenity	\$ 253,515
Miscellaneous	\$ 38,920
Construction Management	\$ 198,798
Total Capital Costs	\$ 2,237,200
TOTAL PROJECT BUDGET	\$ 2,237,200

WindMass plans to invest over \$2.3m of additional capex into the property in 2024 including:

- Renovation of remaining classic units
- Full re-roofing of the property
- Additional landscaping
- Addition of a pool and fitness center
- Installing ADT Smart Home Packages
- Deferred maintenance and compliance

Before and After Photos

Before

After

Old Exterior



Old Leasing Office



Old Signage



Renovated Bathroom



New Paint, Siding and Landscaping



New Leasing Office

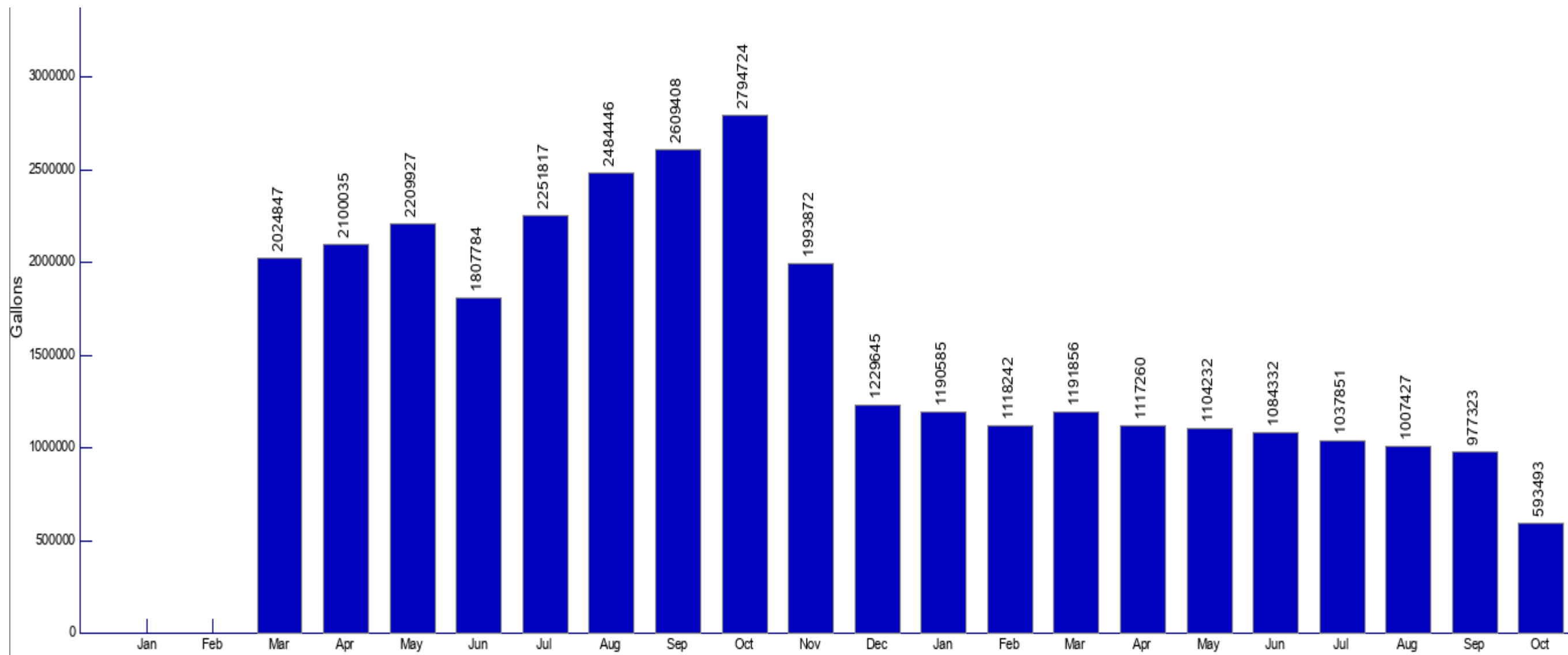


Renovated Interior



Water Savings Initiative

WindMass is focused on eliminating wasteful usage of water at its properties. See below monthly chart demonstrating WindMass’ successful efforts in cutting water usage by over 50% by identifying and fixing water leaks. This not only eliminates waste, but also decreases the overall water expense at The Jones.



Operating Strategy | WindMass Asset Management Experience

WindMass is an established operator in select Texas markets. With its focus on multi-family, and a proven history of successfully turning around impaired properties in a short period of time, WindMass well situated to enhance The Jones, remediate compliance issues, and generally improve the property for tenants in Arlington.

WindMass Capital

\$ 1.2bn+

Of acquisitions over the
past 5 years

10,376

Units acquired in North
Texas & Houston

\$400m+

Of Equity invested in
Texas

\$ 10.0bn+

In combined debt &
equity financing
experience

Select Case Study

The Property

- 1,656-unit multifamily community located in the Richardson submarket of Dallas, TX
- Purchased by WindMass in 2020; property was operationally impaired with high crime rates
- Occupancy as low as 70% with c. 12% bad debt; rent below market and high utility costs

The Approach

- WMC implemented a large security effort to clean up crime in the area
- Extensive capital improvement plan renovating 1,058 units with a total of \$14.4m in Capex
- Additional initiatives include implementation of ADT, Valet Trash and utility cost reductions

The Outcome

- Occupancy lifted to c. 94%; bad debt & concessions reduced to c. 6%
- Rent uplift c. 40%; additional income of ADT & Valet Trash at c. \$ 70 / month for c. 700 units
- Utility costs decreased by c. 19% due to water conservation efforts
- Crime reduced on property and in surrounding submarket, leading to recognition by the DoJ
- Overall, NOI quadrupled in Y2 post acquisition

Overview

The Firm

- WindMass Capital (“WindMass” or “WMC”) is a privately owned commercial real estate investment company based in Dallas, Texas.
- The company’s core investment strategy is to acquire, own and manage a diversified portfolio of value-add assets with optimal risk-adjusted returns.
- The geographic focus is on selected Texas markets, where both population and job growth continue to lead the nation and drive growth in real estate values.
- The group invests capital through discretionary, closed-end investment partnerships for institutions and private investors.

Highly Experienced Team

- Our team has over 50 years of combined experience underwriting, acquiring, developing, and financing projects
- The team has extensive relationships with local brokers, lenders, property managers and contractors to help execute business plans and source deals

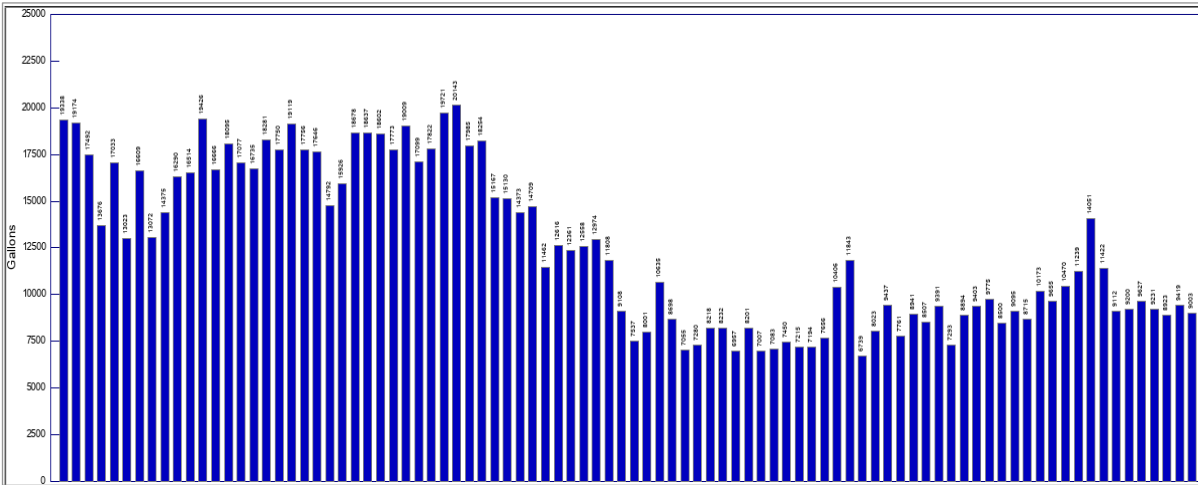
Investment Strategy

- WindMass Capital is exclusively focused on multifamily in select urban Texas submarkets; specialized in value-add multifamily projects of 150 to 2,500+ units
- WMC seeks projects that benefit from repositioning through property upgrades, capital improvements of \$2.5k to \$40k / unit, and better management & marketing
- WindMass also seeks to aggregate multiple projects clustered together enabling operational efficiencies or portfolio sale exits, which yields additional cashflow during the investment period and increased sale prices.

Appendix B | WindMass Detailed Case Study EEE (2/2)


The successful turnaround of the property included a substantial (c. 19%) decrease in utility costs, and a reduction in crime rate on property and in the surrounding community that was recognized by the Department of Justice.

Reduction in Water Consumption



- WindMass also put an emphasis on expense management at the Portfolio, specifically surrounding utilities. WindMass uses Water Signal, a software that allows real time monitoring of usage at each water meter. This allows WindMass to pinpoint locations of leaks and promptly fix them. The above chart shows water usage at one meter (building 9) at the Edison during Q4 of 2021.
- This building had very high water usage of nearly 20,000 gallons a day. With Water Signal, management was able to swiftly identify problems and fix leaks to cut usage in half.
- WindMass also installs efficient LED lighting, low flow faucets, toilets, and showerheads in renovated units as well as ADT smart home packages, which allow remote control of heating and cooling and enables management and tenants to better monitor and control energy usage in units. These initiatives have led utility expense to go from \$154,186/month in the first six months of ownership to \$125,249/month in the previous six months, an 18.8% decrease.

Recognition by the DOJ



U.S. Department of Justice
United States Attorney
Northern District of Texas

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June 11, 2020

Mitchell Voss
WindMass Capital
100 Crescent Court, Suite 700
Dallas, TX 75201

Re: *Project Safe Neighborhood – Beacon Hill Apartments & Vineyards at the Ranch*

Dear Mr. Voss:

I wanted to write to thank you for your extraordinary work and assistance in reducing crime in the area surrounding the Beacon Hill Apartments and the Vineyards at the Ranch apartments in Northeast Dallas.

As you know, when we first met, the area surrounding these properties was by far the most violent and crime-ridden spot in the PSN target area in 2019. I routinely heard from citizens, business owners, and law enforcement regarding the brazen crime and violent activity in this neighborhood. Many has simply given up. It was because of these consistent problems that we met with you the other property owners in early January in an effort to devise a new and successful strategy.

Your leadership in that meeting and the months that followed was crucial. The other owners looked to you for guidance and followed your lead. As a team, we overcame numerous obstacles, including obtaining buy-in from neighboring properties and businesses, generating the support of law enforcement partners, and acquiring the right security staff. You were the leader in this effort and I do not think we would have succeeded without you.


We have observed a dramatic (almost unprecedented) drop in violent crime and property crime in that area since you and your team began. These are not just numbers either. A reduction in crime changes everything about the neighborhood – from the way in which neighbors interact, to how kids play, to the economy surrounding the property.

I know that this decrease is due to the collaboration between all of the stakeholders, including the police department, you, your staff, private security, and our PSN team. I view this partnership as a model for other micro-target areas in the PSN area, as well as the city. As you know, I am trying to replicate it elsewhere.

I look forward to continuing to work with you and your team in this area as we strive to make it safe for everyone who lives and works there.

Sincerely,

ERIN NEALY COX
UNITED STATES ATTORNEY


P.J. MEITL
Assistant United States Attorney

- At acquisition, the Portfolio was in a transitional neighborhood that historically faced high crime rates.
- WMC spearheaded Project Safe Neighborhood to combat these issues. WMC worked with the city, Tier One Security, and other owners of retail and apartments to tie into a security force consisting of highly trained security officers and off-duty police officers.
- As a result, overall crime has decreased by 50%, and violent crime has decreased by 80% in the submarket.
- In addition, WMC received a letter from the Department of Justice US Attorney's office thanking and congratulating WMC on the results of their improvement project, Project Safe Neighborhood.



WindMass Capital