SUPPLEMENTAL

BOARD MEETING OF MAY 12, 2010

C. Kent Conine, Chair

Gloria Ray, Vice-Chair
Leslie Bingham Escareño, Member
Tom Gann, Member
Juan Muñoz, Member
Lowell Keig, Member

Item 1(j)

Presentation, Discussion and Possible Approval of the Program Year 2010 Emergency Shelter Grants Program (ESGP) Funds Awards.

Corrected Board Materials

The attached Board Action Request is unchanged from the Board Action Request posted in the original Board book posting on May 6, 2010. However, the supporting table behind the action item has been corrected to accurately reflect the action being recommended by staff.

COMMUNITY AFFAIRS DIVISION
BOARD ACTION REQUEST
May 12, 2010

Recommended Action

Approve the Emergency Shelter Grants Program (ESGP) Awards for Program Year 2010. Based on the Department's scoring and ranking of the 2010 ESGP applications, staff recommends that the Board approve the staff recommendations. A total of 76 applicants are recommended to receive funding totaling $4,981,977.

RESOLVED, that the 2010 Emergency Shelter Grants Program (ESGP) Awards, in the form presented to this meeting, be hereby approved.

Background

The Emergency Shelter Grants Program (ESGP) is funded by the U.S. Department of Housing and Urban Development (HUD). For Program Year 2010 the Department expects to receive total funding in the amount of $5,236,361, of which $4,974,543 is available to be awarded (the balance being utilized for administrative expenses). HUD requires that the Department commit ESGP grant awards within 65 days of official notification. The State received notification of the 2010 ESGP Allocation on April 15, 2010.

On October 19, 2009, the Department released a Notice of Funding Availability (NOFA) notifying prospective applicants of the availability of ESGP funds for Program Year 2010. Applications were due on December 17, 2009. The Department received 130 applicants from the 13 Service Regions. These applicants were chosen based on a standardized scoring instrument that evaluated and scored each eligible proposal. The attached table reflects all applications, and denotes the recommended awardees, their original request and the recommended award amount. Due to the large number of viable applicants, awardees are funded at 71% of the requested amount enabling 76 entities to be funded. Funds that were unallocated in a particular region were reallocated to bring up applicants in lower funded regions that were funded at below 71% based on scores.

The Emergency Shelter Grants Program is a limited program designed to provide additional resources and operational support to agencies assisting homeless individuals and families and those who may become homeless. This program consists of only a portion of a given organization's overall funding. In fact, successful applicants must provide a match of 100% of the ESGP award.

2010 ESGP Funding Recommendations

Region	Legal Name	FINAL SCORE	Funds Requested	Funds Recommended
1	The Salvation Army - Lubbock	106.00	$100,000	$71,000
1	Panhandle Crisis Center, Inc.	103.67	$52,225	$37,080
1	* City of Amarillo	101.00	$158,615	$112,617
1	South Plains Community Action Association	95.33	$100,000	$71,000
1	Women's Protective Services of Lubbock, Inc.	93.00	$75,000	$0
1	Crisis Center of the Plains	92.67	$100,000	$0
1	Driskill Halfway House	88.67	$100,000	$0
Reg 1 Totals			**$685,840**	**$291,696**
2	Abilene Hope Haven, Inc.	94.33	$100,000	$71,000
2	The Salvation Army - Abilene	91.33	$79,834	$56,682
2	Pecan Valley Regional Domestic Violence Shelter	84.67	$51,613	$0
Reg 2 Totals			**$231,447**	**$127,682**
3	The Salvation Army - Denton Corps	97.67	$100,000	$71,000
3	The Family Place	94.33	$100,000	$71,000
3	Johnson County Family Crisis Center	94.00	$100,000	$71,000
3	Vogel Alcove	93.67	$45,500	$32,305
3	SafeHaven of Tarrant County	92.67	$100,000	$71,000
3	Hope's Door	92.00	$30,000	$21,300
3	All Church Home for Children	91.33	$100,000	$71,000
3	Interfaith Housing Coalition	90.33	$99,726	$70,805
3	* City of Irving	88.67	$100,000	$71,000
3	Grayson County Juvenile Alternative, Inc. dba North Texas Connection	88.33	$66,545	$47,247
3	Four Rivers Outreach, Inc.	87.33	$100,000	$71,000
3	Grayson County Shelter	86.00	$90,310	$64,120
3	Family Gateway, Inc.	85.67	$70,000	$49,700
3	Promise House, Inc.	85.00	$100,000	$71,000
3	Daniel's Den, Inc.	83.00	$37,000	$0
3	The Salvation Army - Arlington Family Life Center	82.67	$100,000	$0
3	Mission Granbury, Inc.	83.33	$87,488	$0
3	New Beginning Center, Inc.	81.33	$68,564	$0
3	The Salvation Army - Sherman	81.00	$50,000	$0
3	City of Denton	77.33	$174,151	$0
3	The Salvation Army - Carr P. Collins Social Service Cente	73.33	$99,640	$0
3	Ayeni International, Inc.	14.00	$40,000	$0
Reg 3 Totals			**$1,858,924**	**$853,478**
4	The Salvation Army - Tyler	76.67	$100,000	$71,000
4	Randy Sams' Outreach Shelter, Inc.	76.33	$88,334	$62,717
4	Sabine Valley Regional MHMR Center	76.33	$56,294	$39,969
4	The Salvation Army - Longview	74.33	$60,882	$43,226
4	Shelter Agencies For Families in East Texas, Inc.	68.00	$40,268	$0

2010 ESGP Funding Recommendations

Region	Legal Name	FINAL SCORE	Funds Requested	Funds Recommended
Reg 4 Totals			**$345,778**	**$216,912**
5	Love INC of Nacogdoches	85.67	$72,655	$51,585
5	Port Cities Rescue Mission Ministries	79.33	$100,000	$71,000
5	Women's Shelter of East Texas	75.33	$45,885	$32,578
5	Just Out - Fresh Start, Inc.	72.00	$100,000	$0
5	H.O.W. Center	69.33	$99,628	$0
5	The Salvation Army - Beaumont	61.00	$93,452	$0
5	Family Service of Southeast Texas, Inc.	62.33	$90,000	$0
5	The Salvation Army - Lufkin	53.67	$36,980	$0
Reg 5 Totals			**$638,600**	**$155,163**
6	Bay Area Homeless Services, Inc.	102.33	$81,282	$57,710
6	Westside Homeless Partnership	102.00	$65,000	$46,150
6	Santa Maria Hostel, Inc.	100.33	$100,000	$71,000
6	Matagorda County Women's Crisis Center, Inc.	100.00	$83,405	$59,218
6	SEARCH Homeless Services	94.67	$175,684	$124,736
6	The Bridge Over Troubled Waters, Inc.	94.67	$70,000	$49,700
6	The Women's Home	92.67	$88,616	$62,917
6	Memorial Assistance Ministries	92.00	$100,000	$71,000
6	Northwest Assistance Ministries	92.00	$100,000	$71,000
6	Houston Area Women's Center	90.67	$89,619	$63,629
6	The Salvation Army - Galveston	89.67	$99,624	$70,733
6	The Mission of Yahweh, Inc.	88.67	$100,000	$71,000
6	Angel Outreach, Inc.	85.00	$99,062	$70,334
6	Star of Hope Mission	83.33	$100,000	$71,000
6	Harmony House, Inc.	82.33	$100,000	$0
6	Covenant House Texas	82.00	$100,000	$0
6	AIDS Foundation Houston, Inc.	81.67	$100,000	$0
6	Harris County Community Services Department	79.67	$100,000	$0
6	Ultimate Changes, Inc.	79.33	$195,488	$0
6	Focusing Families	75.33	$66,159	$0
6	Good Shepherd Mission	70.00	$78,300	$0
6	The Children's Center Inc.	67.67	$100,000	$0
6	The Salvation Army - Freeport	67.67	$51,426	$0
6	Son Rise Community Church	61.67	$99,960	$0
6	The Salvation Army - Houston	59.33	$100,000	$0
6	The Salvation Army - Houston Area Command - Conroe	48.33	$100,000	$0
6	Bread of Life, Inc.	0.00	$100,000	$0
6	Wesley Community Center, Inc. of Houston, TX	0.00	$60,000	$0
Reg 6 Totals			**$2,703,625**	**$960,127**
7	Youth and Family Aliance dba Lifeworks	103.67	$87,000	$61,770

2010 ESGP Funding Recommendations

Region	Legal Name	FINAL SCORE	Funds Requested	Funds Recommended
7	Bastrop County Women's Shelter, dba Family Crisis Cer	103.33	$80,000	$56,800
7	Advocacy Outreach	101.00	$100,000	$71,000
7	Hays County Women's Center dba Hays-Caldwell Women's Center	99.67	$105,040	$74,578
7	Travis County Domestic Violence and Sexual Assault Survival Center dba SafePlace	99.33	$80,000	$56,800
7	Highland Lakes Family Crisis Center	98.00	$40,000	$0
7	Williamson-Burnet County Opoprtunities, Inc.	97.00	$60,500	$0
7	The Salvation Army - Austin	96.67	$75,000	$0
7	Foundation For The Homeless, Inc.	76.67	$77,753	$0
7	Mustard Seed Ministries	0.00	$55,000	$0
Reg 7 Totals			**$760,293**	**$320,948**
8	Family Abuse Center	101.33	$79,556	$56,485
8	Families In Crisis, Inc.	105.00	$69,113	$49,070
8	Compassion Ministries of Waco	89.67	$30,000	$21,300
8	The Salvation Army - Waco	92.00	$99,880	$70,915
8	The Refuge Corporation	99.00	$87,778	$62,322
8	Twin City Mission, Inc.	87.67	$100,000	$34,293
8	Faith Mission and Help Center, Inc	92.00	$95,943	$0
8	EBIHN dba Family Promise of Bell County	78.33	$100,000	$0
Reg 8 Totals			**$662,270**	**$294,385**
9	Family Violence Prevention Services, Inc. a.k.a. The Battered Women and Children's Shelter of Bexar County	84.00	$100,000	$71,000
9	Seton Home	81.00	$100,000	$71,000
9	San Antonio Metropolitan Ministry, Inc.	79.33	$300,000	$213,000
9	Connections Individual and Family Services, Inc.	75.33	$100,000	$71,000
9	The Salvation Army - Kerrville	74.67	$100,000	$0
9	Ellis Community Resources, Inc.	72.33	$64,680	$0
9	Comal County Family Violence Shelter, Inc.	71.33	$55,000	$0
9	Community Council of South Central Texas, Inc. (CCSCT	70.67	$100,000	$0
9	The Salvation Army - San Antonio	65.33	$100,000	$0
Reg 9 Totals			**$1,019,680**	**$426,000**
10	Corpus Christi Metro Ministries, Inc.	80.00	$75,000	$53,250
10	Corpus Christi Hope House, Inc.	79.33	$85,104	$60,424
10	The Salvation Army - Corpus Christi	78.00	$100,000	$71,000
10	Women's Shelter of South Texas	77.33	$99,987	$70,991
10	Mid-Coast Famiy Services, Inc.	74.33	$73,080	$0
10	Institute of Rural Development	72.00	$98,729	$0
10	The Salvation Army - Victoria	61.33	$89,591	$0
Reg 10 Totals			**$621,491**	**$255,665**

2010 ESGP Funding Recommendations

Region	Legal Name	FINAL SCORE	Funds Requested	Funds Recommended
11	Loaves & Fishes of the Rio Grande Valley, Inc.	86.00	$100,000	$71,000
11	Family Crisis Center	85.33	$100,000	$71,000
11	Friendship of Women, Inc.	85.33	$200,000	$142,000
11	South Texas Adult Resource and Training Center	84.33	$99,995	$70,996
11	Providence Ministry Corp. dba La Posada Providencia	82.00	$65,934	$46,813
11	Women Together Foundation, Inc.	63.67	$100,000	$71,000
11	The Bishop Enrique San Pedro Ozanam Center, Inc.	63.33	$299,923	$212,945
11	Bethany House of Laredo	62.67	$94,328	$0
11	The Salvation Army - McAllen	58.33	$93,475	$0
11	Catholic Charities of the Rio Grande Valley	58.00	$99,157	$0
Reg 11 Totals			**$1,252,812**	**$685,755**
12	Midland Fair Havens, Inc.	100.00	$97,000	$68,870
12	The Salvation Army - Odessa	93.33	$49,759	$35,329
12	Institute of Cognitive Development, Inc.	91.00	$30,000	$21,300
12	Family Promise of Odessa, Inc.	69.33	$44,000	$0
Reg 12 Totals			**$220,759**	**$125,499**
13	Opportunity Center for the Homeless	101.00	$100,000	$71,000
13	El Paso Villa Maria Inc.	96.67	$36,000	$25,560
13	La Posada Home, Inc.	95.67	$63,880	$45,355
13	Child Crisis Center of El Paso	91.00	$74,530	$52,916
13	Project Vida	90.67	$38,621	$27,421
13	International AIDS Empowerment	89.67	$54,900	$38,979
13	El Paso Human Services, Inc.	85.67	$100,000	$0
13	Center Against Family Violence, Inc.	82.67	$75,000	$0
13	Sin Fronteras Organizing Project, Inc.	79.00	$100,000	$0
13	Young Women's Christian Association of El Paso, TX dba YWCA El Paso del Norte Region	74.67	$55,000	$0
13	El Paso County	67.67	$100,000	$0
Reg 13 Totals			**$797,931**	**$261,231**
Grand Totals			**$11,799,450**	**$4,974,542**
95% of Award			**$4,974,542**	
***admin shared w/local govts**			**$7,435**	
Total Awarded to 76 applicants			**$4,981,977**	

MULTIFAMILY FINANCE DIVISION
BOARD ACTION REQUEST
May 12, 2010

Recommended Action

Deny the appeal to reinstate Application #10187, Eastwood Square Apartments

RESOLVED, that the appeal for Eastwood Square Apartments, #10187 presented in this meeting is hereby denied.

Background

The Application for the above referenced development was terminated by the Department due to not having met the minimum threshold requirements under §50.9(h)(14)(A)(ii) of the 2010 Qualified Allocation Plan and Rules ("QAP") by submitting the required third party Phase I ESA report update prepared by the initial report provider.

The Applicant appeals that the Phase I ESA update provided was determined to be from the correct environmental analyst. A brief history with respect to this issue reveals that the subject 2-acre site is part of a larger 20-acre tract that previously received three separate Phase I ESA assessments performed by Terracon Consultants, Inc. (formerly HBC/Terracon) for the previous owner, Stewart & Stevenson. The three reports, dated October 31, 2000, February 24, 2003 and September 26, 2006 consisted of Phase I assessments for a site know as the Harrisburg Facility in Houston, Texas. The Applicant further states that on May 12, 2004 SKA Consulting, L.P. performed a 539-page environmental due diligence study for the current Project site owner in connection with the acquisition of the property from Stewart and Stevenson. The scope and magnitude of this study lead the Applicant to believe that the May 12, 2004 study constituted a new Phase I ESA. As a result, the Applicant obtained the SKA Update which was submitted to the Department on April 1, 2010. Staff reviewed the May 12, 2004 SKA study and concluded that the study consists of a 15-page update from SKA Consulting, L.P. based on review of available environmental documentation and the remaining 524 pages consists of the previous Phase I ESA reports performed by Terracon Consultants, Inc. Staff could not conclude that a physical re-inspection to the site was performed by SKA Consulting, L.P. or that the May 12, 2004 study was a new Phase I ESA.

The Applicant further appeals that any issue raised with the ESA update provided should have been addressed as an administrative deficiency as opposed to having been a terminating factor for the subject Application. To support this statement the Applicant included with the appeal an update, dated may 3, 2010, from the original analyst that performed the three Phase I ESA reports, Terracon Consultants, Inc. and stated that the required update would have been provided within the five business day deficiency period without any loss of points to the Application. The update consists of an overview of the history of the site and past and present environmental investigation and corrective action

activities that have been performed at the subject property. Staff confirmed with the Project Engineer for this update, Prasad Rajulu of Terracon Consultants, Inc. that a re-inspection of the site was not performed for this update. Therefore, staff has concluded that had this issue been addressed as an administrative deficiency the Applicant would not have met the requirements of §50.9(h)(14)(A)(ii), which requires that if an update is provided, it must be provided by the original Phase I ESA provider **and** the provider must confirm that the site has been re-inspected and that the conclusions of the original report are re-affirmed or changes since the initial report are identified.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

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GOVERNOR

Michael Gerber
EXECUTIVE DIRECTOR

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Tom H. Gann
Lowell A. Keig
Juan S. Muñoz, Ph.D.

May 7, 2010

Amay Inamdar
Fulton Luzon, Ltd.
1520 Oliver Street
Houston, Texas 77007

Re: Appeal for Reinstatement of Application #10187, Eastwood Square Apartments

Dear Mr. Inamdar:

Appeal Review

I have carefully reviewed the appeal received on May 3, 2010, regarding your request to have the application for Eastwood Square Apartments in Houston reinstated.

The Application was terminated because the Phase I ESA update was not prepared by the person or organization that prepared the initial Phase I ESA as required by 50.9(h)(14)(A)(ii) of the 2010 Qualified Allocation Plan.

Your appeal states that any issue raised with the SKA Update provided should not have been a terminating factor for the above referenced Application and should have been addressed as a deficiency. The appeal discusses three previously performed Phase I ESA assessments by HBC/Terracon (formerly HBC Engineering, Inc.) for Stewart & Stevenson. The reports dated October 31, 2000, September 26, 2003 and February 24, 2003 consisted of a Phase I ESA for a site known as the Harrisburg Facility which consists of an approximate 20-acre tract of land. The proposed development site is included in this 20-acre tract. Your appeal states that on May 12, 2004 SKA Consulting, L.P. performed a 539-page environmental due diligence study (Exhibit D of the appeal) for the current Project site owner in connection with the acquisition of the property from Stewart and Stevenson. The scope and magnitude of this study lead the Applicant to believe that the May 12, 2004 study constituted a new Phase I ESA. As a result, the Applicant obtained the SKA Update which was submitted to the Department on April 1, 2010. Staff has reviewed the May 12, 2004 SKA study and concluded that the study consists of a 15-page update from SKA based on review of available environmental documentation, while the remaining 524 pages consists of the previous Phase I ESA reports performed by HBC/Terracon. There is no indication that a physical inspection to the site was performed by SKA Consulting, L.P., and staff would not consider the May 12, 2004 study as a new Phase I ESA.

Your appeal further states that should the Department not regard the SKA Update as being from the correct environmental analyst, and had this matter been handled as an administrative deficiency, the Applicant could have provided an update from the original analyst that performed the original Phase I ESA reports within the five business day deficiency notice deadline. An update from Terracon Consultants, Inc. (formerly HBC/Terracon) dated May 3, 2010 was provided with the appeal. The update consists of an overview of the history of the site and past and present environmental investigation and corrective action activities that have been performed at the subject property. Staff confirmed with the Project Engineer for this update, Prasad Rajulu of Terracon Consultants, Inc. that a re-inspection of the site was not performed for this update. Therefore, staff has concluded that had this issue been addressed as an administrative deficiency the Applicant would not have met the requirements of 50.9(h)(14)(A)(ii), which requires that if an update is provided, it must be provided by the original Phase I ESA provider and the provider must confirm that the site has been re-inspected and that the conclusions of the original report are re-affirmed or changes since the initial report are identified.

Appeal Determination
Your appeal is denied.

Per your request your appeal to the Board has been placed on the May 12, 2010 Board meeting agenda. Pursuant to §50.17(b)(4) of the 2010 Qualified Allocation Plan and Rules, if you wish to submit any further documentation for your Board appeal, the documentation **must** be received by 5:00 p.m. CST on **May 10, 2010** to be placed with the May 12th Board materials. If no additional documentation is submitted, the appeal documentation to the Executive Director will be utilized.

Sincerely,

Michael Gerber
Executive Director

MFF/rbm

cc: Tamea Dula, Coats Rose

FULTON LUZON, LTD.

1520 Oliver Street
Houston, Texas 77007

May 3, 2010

By E-Mail to michael.gerber@tdhca.state.tx.us
Mr. Michael Gerber
Executive Director
Texas Department of Housing
and Community Affairs
221 East 11th Street
Austin, Texas 78701-2410

RE: Appeal of Termination of **Eastwood Square Apartments**, Application #10187.

Dear Mr. Gerber:

We respectfully appeal the termination of the 9% Tax Credit Application (the "Application") for Eastwood Square Apartments (the "Project") which was sent by Robbye Meyer on April 27, 2010. According to her letter, Ms. Meyer terminated the Application because the Phase I ESA update (the "SKA Update") which was submitted in a timely manner was not from the same company that prepared the original Phase I ESA.

We believe that the SKA Update was appropriately submitted, and that if any issue was raised concerning the SKA Update at all, it should have been as a deficiency to the Application, and not as a terminating factor. In that regard, please consider the following:

1. On October 31, 2000, a Phase I ESA was performed by HBC Engineering, Inc. for Stewart & Stevenson, who was then the owner of the Project site. A copy is attached as Exhibit A.

2. On September 26, 2003, a Phase I ESA was performed by HBC/Terracon (formerly HBC Engineering, Inc.) for Stewart & Stevenson. A copy is attached as Exhibit B.

3. On February 24, 2003, a Phase I ESA was performed by HBC/Terracon for Steward & Stevenson. A copy is attached as Exhibit C.

4. On May 12, 2004, SKA Consulting, L.P. performed a 539-page environmental due diligence study for the current Project site owner in connection with the acquisition of the property from Stewart & Stevenson. A copy is attached as Exhibit D. The scope of the study included (i)determining whether all appropriate investigations and corrective action activities had

been completed at the subject property; (ii) determining whether all applicable state and federal environmental regulations and requirements were being met; (iii) assessing possible current or future environmental liabilities associated with the facility, specifically related to the resolution of the outstanding investigation and corrective action activities; and (iv) determining if additional studies or corrective actions were warranted at the subject property, including possible scopes of work and estimated costs to complete such studies and /or corrective actions. This report actually includes #1 and #2 above and references #3 above. The magnitude of the study lead us to believe that this report constituted a new Phase I ESA – therefore we obtained the SKA Update, which was submitted to the TDHCA on April 1, 2010. A copy of the SKA Update is attached as Exhibit E.

6. In the event that the TDHCA staff did not regard the SKA Update as being from the correct environmental analyst, had this matter been handled as a deficiency, we could have provided an update from the analyst that performed the next most recent report (#4 above). Please see Exhibit F, which is a May 3, 2010 update by Terracon Consultants, Inc. (formerly HBC/Terracon - the "Terracon Update") of the February 24, 2004 Phase I ESA performed by HBC/Terracon. Please note in particular that we are providing the Terracon Update within five (5) business days of the termination notice, showing that we could have complied with a deficiency notice deadline without any loss of points.

In view of the extensive environmental reviews of the Project site, as well as the clear potential for interpreting #4 above as being a full-blown Phase I ESA, we request that you reinstate the Application and accept either the SKA Update or the Terracon Update, as you prefer, in complete fulfillment of the requirements of the QAP.

Thank you for considering our appeal. We are very hopeful that you will see fit to grant the appeal, given our clear and reasonable effort to comply with the QAP requirements. In the event that you do not grant the appeal, however, we ask that it be referred to the TDHCA Board at the May 12, 2010 meeting.

Sincerely,

Amay A. Inamdar,
Development Manager

Enclosures

cc: Copies of the letter only, due to the volume of the exhibits:

Tom Gouris
Robbye Meyer
Raquel Morales
Frank Liu

May 12, 2004

Project No.: 2002-0013

Mr. Frank M. K. Liu
Sage Interests, Inc.
5177 Richmond Avenue, Suite 1166
Houston, Texas 77056

Re: ***Revised Environmental Opinion Letter***
Stewart and Stevenson – Harrisburg Property
4516 Harrisburg Boulevard
Houston, Harris County, Texas

Dear Mr. Liu:

SKA Consulting, L.P. (SKA) has completed our environmental due diligence review of available environmental documentation related to the above-referenced property (subject property) previously occupied by Stewart and Stevenson (S&S). It is our understanding that three separate sections or all of the previously occupied property are for sale. The objective of our review was to assess the adequacy of previous and on-going environmental investigations and corrective actions conducted at the subject property and to determine if additional studies or corrective actions are required to obtain regulatory closure under the Texas Commission on Environmental Quality's (TCEQ's) Texas Risk Reduction Program (TRRP). The results of our review and our conclusions and recommendations regarding the subject property are presented in the sections that follow.

SCOPE OF SERVICES

The scope of services associated with the environmental due diligence studies included a professional review of all available documentation regarding investigations and corrective actions at the subject property. The detailed objectives of these studies included:

- Determine whether all appropriate investigations and corrective action activities have been completed at the subject property;
- Determine whether all applicable state and federal environmental regulations and requirements have been met;
- Assess possible current or future environmental liabilities associated with the facility specifically related to the resolution of the outstanding investigation and corrective action activities; and,
- Determine if additional studies or corrective actions are warranted at the subject property, including possible scopes of work and estimated costs to complete these studies and/or corrective actions.

SKA Consulting, L.P. • 10280 Westheimer, Suite 605 • Houston, Texas 77042 • 713.266.6056 phone • 713-266-0996 fax

The scope of services outlined above did not include a formal environmental due diligence inspection and evaluation or regulatory compliance inspection of the entire facility or adjacent properties. A physical inspection of the subject property was not performed as part of this assessment.

BACKGROUND

SKA reviewed several files obtained from S&S's consultant, HBC/Terracon, which included leaking petroleum storage tank (LPST) reports from others and correspondence to/from the TCEQ (formerly the Texas Water Commission), a Phase I Environmental Site Assessment (ESA) report and a Site Investigation report, in order to prepare a due diligence study of the subject property.

According to information provided in HBC/Terracon's Phase I ESA report, S&S has operated at the subject property since the early 1950s and historically portions of the subject property were used for various manufacturing/commercial operations since the early 1920s. Currently, manufacturing operations are no longer being conducted at the subject property. The subject property consists of an approximately 20-acre tract of land developed with thirteen (13) industrial warehouse buildings, one office building, storage areas, parking lots and driveways. The subject property is divided into eastern and western sections by Eastwood Street, a north-south oriented road.

The eastern section of the subject property consists of nine (9) industrial warehouse buildings, one office building, storage areas, parking lots and driveways. This portion of the subject property was formerly occupied by Distributed Energy Solutions (DES), a division of S&S Services. DES manufactured and fabricated power generating sets. Building 1 was used for storage of equipment and for test cells to test power generators. Buildings 2 and 3 were used to store new engines and other power generating equipment. Buildings 4, 5, 6, and 7 were used for the assembly and fabrication of power generators. Building 8 was used as a shipping and receiving center. Building 9 was used for painting and sand blasting of power generating equipment and includes three paint booths and one enclosed sand blasting booth.

The western section of the subject property consists of four (4) industrial buildings formerly occupied by Utility Equipment Division (UED), a division of S&S that manufactured Rail King railcar mover and commercial snow removal equipment. Building 10 was used for the assembly and fabrication of snow removal equipment. Buildings 11 and 11A were used as an office and for storage. Building 12 was used for the assembly and fabrication of Rail King railcar movers, a service center for railcar movers and the western portion of the building was used as a steam washing bay.

PHASE I ENVIRONMENTAL SITE ASSESSMENT

A site reconnaissance conducted by HBC/Terracon of the S&S facility in November 2002 and reported in their February 2003 Phase I ESA report (***Attachment 1***) identified the following items:

- The eastern portion of the subject property is utilized as a manufacturing/assembly plant for power generating sets and as a testing facility for the generators. Minor petroleum hydrocarbon staining was observed on the concrete in the area of the testing operations.

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- Three (3) large industrial air compressors located within spill containment pallets were observed along the western portion of Building 9. Two (2) aboveground storage tanks (ASTs) used for storage of compressed air were observed in the area. Minor compressor oil staining from the air compressors was observed on the concrete.

- Six (6) parts washers were observed stationed throughout the subject property. According to Ms. McLeod, former S&S Environmental Health and Safety (EH&S) Manager, Crystal Clean serviced three (3) of the parts washers for solvent reclamation and the remaining three (3) were serviced by S&S. Spent solvents serviced by S&S are transported to an off-site TCEQ-approved disposal facility by a subcontractor.

- Several ASTs were observed at the subject property including the following: (a) one (1) 10,000 gallon diesel fuel AST adjacent to the eastern portion of Building 1; (b) one (1) used oil AST located within a shelter in the waste storage yard; (c) two (2) ASTs used for compressed air storage in Building 9; (d) two (2) liquid nitrogen ASTs located in the western portion of Building 7; and (e) several rented diesel and anti-freeze ASTs located in the waste storage area east of the office in Building 1. According to HBC/Terracon no evidence of leaks or spills in the vicinity of these ASTs were observed and the tanks appeared to be in good condition.

- Several 55-gallon drums of paint waste, spent anti-freeze, spent solvents, spent cutting fluids, spent sand blasting beads, used engine oil, and used engine oil filters were observed in the waste storage yard. In addition, several 55-gallon drums of new paints and paint solvents were observed in the vicinity of the paint booths and several 55-gallon drums of new engine oil and new anti-freeze were observed in the vicinity of the testing cells located in Building 1. Visual observations of the 55-gallon waste and new product drums indicated no evidence of leaks or spills in the vicinity of the drums.

- An oil/water separator and associated grit trap were observed west of the steam wash bay located west of Building 12. The oil/water separator has reportedly been in operation since the early 1970s.

- The entire subject property is connected to a stormwater drainage collection system.

- Several large industrial transformers were observed at the subject property. The transformers are reportedly owned and serviced by Reliant Energy. Non-leaking single-phase mineral oil transformers such as the pole-mounted transformers located near the subject property have typically not been tested for polychlorinated biphenyls (PCBs) and should be assumed to be PCB contaminated (PCB content greater than 50 parts per million (ppm) but less than 500 ppm).

A review of historical city directories included in HBC/Terracon's Phase I ESA report for selected years from 1920 through 2001 identified several historical commercial facilities for the addresses 4104 through 4516 Harrisburg Boulevard and 506 Eastwood Drive prior to S&S operations in 1950. The commercial facilities that previously operated at the subject property include the following:

- 4102 Harrisburg: Edmunson Coal & Wood Company (1920-1930); Sunshine Poultry Market (1935-1940);

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- 4104 Harrisburg: Banana House (1940); General Truck Sales (1950-1960); Holders Equipment Company (1965-1969);
- 4200-4300 Harrisburg: residential (1920-1930);
- 4308 Harrisburg: no listing (1920); residential (1930); Nu Way Metal Sales (1935-1950); Used Cars (1955-1960);
- 4320 Harrisburg: no listing (1920); residential (1930); VL Baker Motor (1960); Lotsaburger (1965);
- 4402 Harrisburg: no listings (1920-1935); Chapman Service Station (1940-1965); Armstrong Service Station (1969); no listings (1974-2001);
- 4404 Harrisburg: residential (1920-1944); Motor Sales (1950); no listing (1955); Mount Motors (1960-1965);
- 4410 Harrisburg: no listing (1920); Gulf Concrete Pipe (1930-1960); no listings (1965-2001);
- 4500 Harrisburg: no listing (1920); Auto Repair (1930); Benson Body Works (1935-1940); no listings (1944-2001);
- 4516 Harrisburg: Texas Wagon Works (1920); Texas Body & Tractor (1930-1940); no listing (1944); and
- 506 Eastwood: no listings (1920-1965); A&A Garage (1969); Auto Sales (1974); no listings (1980-1985).

The former S&S facility located at the subject property is registered as a Resource Conservation and Recovery Act (RCRA) Large Quantity Generator (LQG) with the United States Environmental Protection Agency (USEPA), a TCEQ Petroleum Storage Tank (PST) and a Leaking PST (LPST) facility with the TCEQ. The RCRA LQG registration indicates that the facility generated 2,200 pounds (1,000 kilograms) or more of hazardous waste or more than 2.2 pounds (1 kilogram) of acute hazardous waste per calendar month. According to their TCEQ Notice of Registration (NOR), the facility initially registered as a LQG in November 1982 and operates under EPA ID No. TXD03723178. According to the facility's TCEQ NOR, the facility generated the following wastes: rapid fixer photographic developer, aerosol cans, corrosion inhibitors, rags contaminated with hydraulic oil, diesel sludge from spill cleanups, used oil filters, waste paint rags, laboratory chemical packs, antifreeze, sandblasting grit, waste oil, paint thinner, waste sump sludge, non-hazardous mineral spirits, various acids and bases, metals and pesticides.

According to S&S personnel, twenty-four (24) USTs were reportedly installed at the facility over a period of several years, of which nine (9) USTs were filled and abandoned in-place and fifteen (15) USTs were permanently removed from the mid-1980s through 1993. Currently, no USTs are active at the subject property.

Based on our review of the Phase I ESA Report, HBC/Terracon identified the following potential on-site RECs:

- An on-site service station was formerly located northwest of Building 9 at the southeast corner of Harrisburg Blvd. and Eastwood St. Four (4) USTs were reportedly in-use at the former service station. Three (3) of the four (4) USTs were reportedly removed from the ground and one (1) UST was abandoned in-place. According to HBC/Terracon, no documentation was available from S&S regarding the removal or in-place abandonment of the USTs;

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- Two (2) USTs were reportedly abandoned in-place beneath existing cooling towers located at the northeastern corner of the subject property at the intersection of Harrisburg Blvd. and Lockwood Dr.;

- A search of historical city directories of the various addresses for the subject property indicate that several former on-site automobile repair and service facilities were once located in the northern and central portions of the subject property;

- Two (2) in-ground features resembling fill ports were observed for the former USTs located south of Buildings 8 and 9 and north of Building 12. Inspection of the fill ports indicated the presence of piping associated with UST systems; and

- An oil/water separator was identified adjacently west of Building 12 that has been in operation since the early 1970s.

Based on review of regulatory database records, historical Sanborn Fire Insurance Maps and a search of historical city directories of adjacent and surrounding properties, HBC/Terracon identified the following potential off-site RECs:

- A gasoline service station depicted in a 1925 Sanborn Fire Insurance Map was formerly located at 4401 Harrisburg at the northeast corner of the intersection of Harrisburg Blvd. and Eastwood Dr.;

- Two USTs installed in January 1936 were abandoned in-place in October 1976 at the Kopriva Body Works, Inc. facility located at 4623 Harrisburg Blvd. located east of the subject property;

- A dry cleaning facility formerly located at 4700 Harrisburg Blvd. was depicted in the 1925 and 1951 Sanborn Fire Insurance Maps; and

- Automobile repair facilities formerly located north of the subject property at 4201, 4409, 4519, and 4619 Harrisburg Blvd. were depicted in the 1951 and 1969 Sanborn Fire Insurance Maps.

SITE INVESTIGATIONS AND CORRECTIVE ACTIONS

Based upon our review of available documents from HBC/Terracon and all available TCEQ LPST files obtained from Austin, Texas it appears that thirteen (13) USTs were reportedly removed from the ground at the subject property and eleven (11) USTs were reportedly abandoned in-place. A review of a USTs/ASTs inventory summary table included in an April 16, 1999 letter to the Texas Natural Resource Conservation Commission (TNRCC) shows that UST Nos. 5 and 6 formerly stored diesel fuel and were abandoned in-place in 1974 (***Attachment 2***). UST Nos. 1 through 4 also formerly stored diesel fuel and were abandoned in-place in 1993. According to Mr. Darryl Tice, former S&S EH&S Manager, three (3) of the four (4) USTs associated with the former service station, formerly located at the southeast corner of Eastwood Street and Harrisburg Boulevard during the 1950s and 1960s, were abandoned in-place. Additionally, no documentation is available for two (2) USTs that were reportedly abandoned in-place underneath the present-day cooling towers, located in northeastern corner of the subject property along Lockwood Drive.

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Based on our file review of available documents provided by HBC/Terracon and available TCEQ LPST files, several site investigations and tank removal reports were completed following removal and in-place abandonment of the USTs located throughout the subject property. A tank removal report prepared by 3D/Environmental Services in September 1992 documented the removal of one 1,000-gallon waste oil UST (No. 13A), one 4,000-gallon diesel UST (No. 13), and one 10,000-gallon diesel UST (No. 12) on June 1, 1992 from the ground at the southwestern portion of the subject property (***Attachment 3***). Based on Total Petroleum Hydrocarbon (TPH) and benzene, toluene, ethyl-benzene and total xylene (BTEX) analytical results of confirmation soil samples collected from the former tankhold, a total of 500 cubic yards of soil were removed and disposed off-site. Four permanent monitoring wells were installed in the vicinity of the former tankholds. According to a TCEQ Monitoring Event Summary and Status Report dated September 30, 1999, conducted by KW Brown for S&S, the concentrations of TPH and BTEX were below Plan A Category II Target Cleanup Levels (***Attachment 4***). According to our review of the on-line TCEQ LPST database for LPST ID No. 103797, the TCEQ issued a final concurrence and granted regulatory closure for UST Nos. 12, 13 and 13A in January 2002.

A review of available TCEQ LPST files obtained from Austin, Texas indicates that two (2) 10,000-gallon diesel USTs and one (1) 6,000-gallon gasoline UST were removed from one tankhold located at the northwestern portion of the subject property in May 1991 by the Favor Company and documented in 3D/Environmental Services July 1991 Report of Tank Removal. Further review of a UST/AST inventory summary table developed in 1999 by KW Brown indicates that these three (3) USTs were identified as UST Nos. 14, 16 and 17. Following removal of the three (3) USTs, ten (10) confirmation soil samples were collected from the former tankhold and analyzed for TPH and BTEX constituents. No BTEX constituents were detected in soil from the confirmation soil samples. Analytical results indicated TPH concentration above LPST Screening Levels. TPH-contaminated soil was over-excavated from the tankhold and disposed at a permitted off-site landfill. Following review of 3D/Environmental Services July 1991 Report of Tank Removal, the Texas Water Commission (TWC) issued a No Further Action letter, dated August 29, 1991, to S&S indicating final regulatory closure for LPST ID No. 99162 for UST Nos. 14, 16 and 17. Copies of the TWC No Further Action regulatory closure letter and July 1991 Report of Tank Removal are contained in ***Attachment 5***.

SKA reviewed Remedial Construction Services, Inc. (RCS) Underground Storage Tank Closure/Removal Report dated August 15, 1994 prepared for S&S. This report documents the removal of six (6) USTs and the in-place abandonment of four (4) USTs. A tankhold containing three (3) USTs (Nos. 7, 8 and 9), that included a 1,000-gallon waste oil UST, a 10,000-gallon diesel UST and a 2,000-gallon hydraulic oil UST were removed on August 3, 1993. Soil TPH analytical results indicated TPH concentrations above LPST Action Levels. Soil analytical results for BTEX indicated concentrations below LPST Action Levels. According to RCS, approximately 240 cubic yards of TPH-contaminated soil was removed from the tankhold formerly containing UST Nos. 7 through 9 to a depth of 4 feet below the base of the tankhold and disposed at a permitted off-site landfill. Confirmation soil samples collected following over excavation activities indicated TPH concentrations below LPST Action Levels.

In September 1993, RCS removed one (1) 1,000-gallon waste oil UST (No. 10), one (1) 1,000-gallon gasoline UST (No. 15) and one (1) 10,000-gallon diesel UST (No. 11) from the ground of three (3) separate former tankholds. Confirmation soil samples collected from these three (3) separate tankholds were analyzed for TPH and BTEX. TPH concentration in soil from these

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three (3) separate former tankholds exceeded LPST Action Levels. As a result, approximately 362 cubic yards of TPH contaminated soil was reportedly excavated from all three of the former tankholds and disposed as a permitted off-site landfill. Confirmation soil samples collected following over excavation activities indicated TPH concentrations below LPST Action Levels.

The in-place abandonment of four (4) USTs (Nos. 1 through 4) was also documented in RCS's Underground Storage Tank Closure/Removal Report. The four (4) USTs abandoned in-place included one 3,000- gallon diesel UST (No. 1) and three (3) 10,000-gallon diesel USTs (Nos. 2, 3 and 4). Prior to in-place abandonment of the four (4) USTs, residual diesel fuel was removed from the USTs and a limited site assessment was conducted to determine if releases of diesel into the surrounding soil and/or groundwater had occurred. Twelve (12) soil borings were completed around the vicinity of UST Nos. 1, 2, 3 and 4 to depths ranging from 13 to 15 feet below ground surface (ft-bgs). Soil samples collected and analyzed in the testing laboratory indicated TPH and BTEX concentrations below LPST Action Levels for diesel range organics. The four (4) USTs were subsequently steam cleaned and filled to the top of the fill ports with a Portland cement grout mixture.

RCS prepared and submitted a final closure report to the TNRCC in August 1994. Based on our review of obtained TCEQ LPST ID No. 107125 files, S&S received a No Further Corrective Action Letter from the TNRCC, dated April 27, 1998, indicating final regulatory closure with respect to the six (6) USTs (Nos. 7, 8, 9, 10, 11 and 15) removed from the ground and the four (4) USTs (Nos. 1, 2, 3 and 4) abandoned in-place by RCS. A copy of the RCS Under Ground Storage Tank Closure/Removal Report and the TNRCC No Further Corrective Action letter are included as ***Attachment 6.***

HBC/Terracon conducted an environmental site investigation in October 2000 to determine the presence or absence of potential releases(s) of petroleum hydrocarbons in the vicinity of six (6) former USTs (Nos. 5, 6, 14, 15, 16 and 17) in response to the TNRCC's Corrective Action Response Form prepared in January 2000 that requested a site assessment in the area of the former USTs. An Environmental Site Investigation Report was prepared on October 31, 2000 following the investigation. According to HBC/Terracon, two of the USTs (Nos. 5 and 6) were reportedly abandoned in-place in 1989 and UST Nos. 14, 15, 16 and 17 were reportedly removed in 1998. According to our review of available TCEQ LPST files, UST Nos. 5 and 6 were reportedly abandoned in-place in 1974. HBC/Terracon indicated that limited information was available regarding the removal of UST Nos. 14, 15, 16 and 17. HBC/Terracon completed a total of five soil borings/temporary groundwater sampling points in the area of the abandoned in-place and removed USTs. Based on the results of the investigation, HBC/Terracon concluded the following:

- Soil analytical testing results in the soil borings completed in the vicinity of the former UST Nos. 5 and 6 located in the eastern portion of the subject property indicated detectable concentrations of ethylbenzene and total xylenes. However, ethylbenzene and total xylenes were detected at concentrations below TNRCC PST Action Levels. TPH was detected at a concentration slightly above the TNRCC PST Screening Level. There were no TPH or BTEX constituents detected in the groundwater.

- Soil analytical testing results in the soil boring completed in the vicinity of the former UST No. 15 indicated detectable concentrations of benzene and total xylenes below the TNRCC PST Action Levels. Soil analytical testing results in the soil borings

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completed in the vicinity of the former UST Nos. 14 and 17 indicated no detectable concentrations of BTEX or TPH constituents. No BTEX or TPH constituents were detected in the groundwater.

- Soil analytical testing results in the soil boring completed in the vicinity of the former UST No. 16 indicated detectable concentrations of 1,2-dichlorobenzene, isopropylbenzene, n-propylbenzene and sec-butylbenzene. The concentrations of these volatile organic compounds (VOCs) are below TRRP Tier 1 Residential Soil Protective Concentration Levels (PCLs) for an industrial/commercial site. No VOC or TPH constituents were detected in the groundwater.

- The concentrations of TPH and BTEX detected in the soil were below the applicable TNRCC Action Levels or the TCEQ TRRP Commercial/Industrial Tier 1 PCLs. Based on these results, it appears that no further action should be required to secure closure from the TNRCC.

On December 17, 2001, HBC/Terracon submitted a Site Closure Request Form, the October 31, 2000 ESI Report and a Workplan and Preapproval Request for the plugging and abandonment of four monitoring wells for LPSTID No. 103797 that were installed following removal of former UST Nos. 12, 13 and 13A in September 1992 by 3D Environmental Services (***Attachment 7***). As previously discussed, KW Brown subsequently conducted two quarterly groundwater monitoring events in 1999 that showed concentrations of TPH and BTEX were below TCEQ PST Plan A Category II Target Cleanup Levels. In the Site Closure Request Form, HBC/Terracon also requested regulatory closure of UST Nos. 5 and 6 and 14 through 17 based on their environmental site investigation results which showed that TPH, BTEX and VOC concentrations were below applicable TNRCC PST Action Levels or TCEQ TRRP Commercial/Industrial Tier 1 PCLs. Although our review of available TCEQ LPST files for LPST ID No. 103797 did not identify a No Further Corrective Action letter issued by TCEQ, a review of TCEQ's LPST database indicates final concurrence and approval for regulatory closure date in February 2002 for UST and Nos. 5 and 6 and 12 through 17.

ENVIRONMENTAL SITE INVESTIGATION

As a result of on-site and off-site recognized environmental conditions (RECs) identified in HBC/Terracon's February 2003 Phase I ESA, HBC/Terracon conducted an Environmental Site Investigation (ESI) in July and August 2003 to investigate potential releases of regulated constituents in soil and/or groundwater at each of the on-site and off-site RECs.

A review of HBC/Terracon's ESI Report (September 26, 2003) indicates that the ESI was conducted in two phases (***Attachment 8***). Phase I of the ESI was completed in July 2003 and included the installation of eighteen (18) soil borings and temporary groundwater monitoring wells to investigate the soil and groundwater at on-site and off-site locations that were identified as RECs. Soil samples were collected and analyzed in a testing laboratory for VOCs by EPA Method 8260B, RCRA metals by EPA Methods 6020 and 7471A, and TPH by Texas Method TX 1005. Groundwater samples were collected and analyzed in the testing laboratory for VOCs by EPA Method 8260B and TPH by Texas Method TX 1005.

Soil and/or groundwater analytical results from soil and groundwater samples collected from soil boring and temporary groundwater sampling points B-6/TSP-6, B-10/TSP-10, B-11/TSP-11, B-12/TSP-12, and B-15/TSP-15 indicated metals, chlorinated hydrocarbons, benzene and

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ethylbenzene as constituents of concern in soil and/or groundwater. Phase II of the ESI was completed in August 2003 and included completion of fourteen (14) shallow soil borings and three (3) permanent monitoring wells to delineate four (4) areas of concern (AOCs) identified in the Phase I of the ESI completed in July 2003. The four (4) AOCs identified at the subject property included the following:

- AOC-1: former location of the auto sales/repair facility located on the eastern portion of the subject property, most recently utilized as the facility waste storage area;
- AOC-2: two (2) in-ground features resembling fill ports for the former USTs (Tank Nos. 9 and 10) located south of Buildings 8 and 9 and north of Building 7;
- AOC-3: the three (3) abandoned in-place USTs and one (1) removed UST from a service station formerly located at the southeast corner at the intersection of Eastwood Dr. and Harrisburg Blvd.; and
- AOC-4: the oil/water separator/wash area located adjacently west of Building 12 on the western portion of the subject property.

Depth to the uppermost water-bearing zone was determined to be from 14 to 23 feet below ground surface (ft-bgs). Based on the survey information and depth-to-water measurements collected, the groundwater gradient of the uppermost transmissive zone for the subject property was determined to be 0.006 feet per foot. Groundwater flow was determined to be in a north-northeast direction.

Analytical Results of AOC-1

A soil sample collected from soil boring B-6/TSP-6 (0-2 ft-bgs) indicated a lead concentration of 640 milligrams per kilograms (mg/Kg) exceeding the TRRP Tier 1 Residential $^{Tot}Soil_{Comb}$ PCL of 500 mg/Kg. Nine (9) shallow soil borings were completed in the vicinity of AOC-1 to delineate the horizontal and vertical extent of in the soil. Detectable concentrations of lead in soil ranged from 7.84 mg/Kg to 640 mg/Kg. Based on the analytical results of the nine (9) delineation borings, an area approximately 30 feet by 30 feet to an approximate depth of 2 ft-bgs in the vicinity of B-6/TSP-6 was estimated to be impacted by lead above the TRRP Tier 1 Residential $^{Tot}Soil_{Comb}$ PCL.

Analytical Results of AOC-2

Three permanent groundwater monitoring wells and one soil boring/temporary groundwater sampling point were completed in the area of the former UST Nos. 9 and 10 located south of Buildings 8 and 9 and north of Building 7. Monitoring well MW-1 was installed adjacently south of Buildings 8 and 9 to a depth of 30 ft-bgs. The analytical testing results for soil samples collected from MW-1 indicated detectable concentrations of chlorinated hydrocarbons and TPH in the soil above TRRP Tier 1 Residential Soil PCL assessment levels for the soil to groundwater ($^{GW}Soil_{Ing}$) exposure pathway. Chlorinated hydrocarbons detected in soil samples collected from 25 to 26 ft-bgs included 1,1-dichloroethane (1,1-DCA) at a concentration of 0.048 mg/Kg; 1,1-dichloroethene (1,1-DCE) at a concentration of 0.12 mg/Kg; cis-1,2-dichloroethene (cis-1,2-DCE) at a concentration of 0.49 mg/Kg; tetrachloroethene (PCE) at a concentration of 0.028 mg/Kg; trans-1,2-dichloroethene (trans-1,2-DCE) at a concentration of 0.0025 mg/Kg; trichloroethene (TCE) at a concentration of 0.037 mg/Kg and vinyl chloride at a concentration of 0.027 mg/Kg.

Groundwater samples collected from MW-1 and TSP-10 also indicated detectable concentrations of chlorinated hydrocarbons above TRRP Tier 1 Groundwater PCL assessment

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levels. Benzene and chlorinated hydrocarbons exceeding TRRP Tier 1 Groundwater PCLs included benzene at a concentration of 0.006 milligrams per liter (mg/L); 1,1-DCE at a concentration of 0.67 mg/L; cis-1,2-DCE at a concentration of 2.7 mg/L; PCE at a concentration of 0.18 mg/L; TCE at a concentration of 0.29 mg/L and vinyl chloride at a concentration of 0.27 mg/L. Monitoring wells MW-2 and MW-3 were installed south of monitoring well MW-1 within Building 7 to a depth of 30 ft-bgs. The analytical testing results of groundwater samples collected from these wells indicated a vinyl chloride concentration of 0.003 mg/L in monitoring well MW-3. A cis-1,2-DCE concentration of 0.0052 mg/L in MW-2 was the only other chlorinated hydrocarbon detected in the groundwater samples collected from monitoring well MW-2 or MW-3. Based on SKA's review of the ESI report and the groundwater analytical data, dense non-aqueous phase liquids (DNAPLs) do not appear to have been detected in the groundwater from the three (3) groundwater monitoring wells.

Analytical Results of AOC-3

The analytical testing results for soil samples collected from B-11/TSP-11 and B-12/TSP-12 indicated detectable concentrations of TPH (65 mg/Kg), benzene (0.57 mg/Kg) and ethyl-benzene (10 mg/Kg) above the TRRP Tier 1 Residential Soil PCL assessment levels at a depth of 20 ft-bgs and a lead concentration of 33 mg/Kg at a depth of 2 ft-bgs. The analytical testing results for the groundwater samples collected from TSP-11 and TSP-12 indicated no detectable concentrations of TPH or VOCs, with the exception of acetone which is typically associated as a laboratory contaminant. Two additional soil borings (B-11A and B-12A) were installed adjacent to soil borings B-11/TSP-11 and B-12/TSP-12 to delineate the above compounds detected in the soil above TRRP Tier 1 PCLs. No VOCs or TPH were detected in the soil of either of these two borings. However, analytical testing results for soil samples collected from B-11A at depths of 4 to 5 ft bgs and 14 to 15 ft bgs indicated lead concentrations of 92 mg/Kg and 21 mg/Kg, respectively.

Analytical Results of AOC-4

The analytical testing results for a soil sample collected from B-15/TSP-15 indicated detectable concentrations of cadmium, lead, and selenium above the TRRP Tier 1 PCLs for the soil to groundwater ($^{GW}Soil_{Ing}$) exposure pathway. Five soil borings were completed in the vicinity of B-15/TSP-15 (AOC-4) to delineate the horizontal and vertical extent of metals in the soil. Analytical testing results for a sample collected from B-15AN (adjacent to the oil/water separator/wash area) indicated a detectable concentration of lead (1,970 mg/Kg) above the TRRP Tier 1 Residential Soil $^{Tot}Soil_{Comb}$ PCL of 500 mg/Kg. Barium was detected at a concentration of 431 mg/Kg and selenium was detected at a concentration of 1.94 mg/Kg in soil sample B-15AN. Both of these metals were detected at concentrations above the Tier 1 Residential Soil $^{GW}Soil_{Ing}$ PCLs of 220 mg/Kg and 1.1 mg/Kg, respectively. HBC/Terracon estimated an area of approximately 30 feet by 30 feet to an approximate depth of 2 ft-bgs that appeared to be impacted by lead, cadmium, and barium.

ESI Recommendations

Based on the analytical results of the soil and groundwater samples collected at each AOC, HBC/Terracon recommended the following:

- AOC-1: HBC/Terracon recommended that the 30 foot by 30 foot area of lead-impacted soil be excavated down to a depth of 2 ft-bgs and the impacted soil disposed off-site in a TCEQ-approved disposal facility and that a Tier 2 PCL for lead be calculated for the soil to groundwater ($^{GW}Soil_{Ing}$) exposure pathway;

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- AOC-2: HBC/Terracon recommended an additional investigation to delineate the horizontal and vertical extent of chlorinated hydrocarbons in soil and the horizontal extent of benzene and chlorinated hydrocarbons in groundwater in the vicinity of the two (2) in-ground fill ports for the former USTs located south of Buildings 8 and 9 and north of Building 7;

- AOC-3: HBC/Terracon recommended calculations of Tier 2 PCLs for TPH, benzene, ethyl-benzene and lead for the soil to groundwater ($^{GW}Soil_{Ing}$) exposure pathway; and

- AOC-4: HBC/Terracon estimated an area of approximately 30 feet by 30 feet to an approximate depth of 2 ft-bgs that appeared to be impacted by lead, cadmium, and barium. HBC/Terracon recommended that the metals-impacted soils be excavated and the soils disposed off-site at a TCEQ-approved landfill. HBC/Terracon also recommended calculations of Tier 2 PCLs for barium and selenium for the soil to groundwater ($^{GW}Soil_{Ing}$) exposure pathway.

SUMMARY OF ADDITIONAL INVESTIGATION ACTIVITIES

Following completion of the Environmental Site Investigation in September 2003, HBC/Terracon initiated a more detailed investigation in November and December 2003 in the area of the reported fill ports for former USTs Nos. 9 and 10 located south of Buildings 8 and 9 and north of Building 7 (AOC-2). According to HBC/Terracon personnel, nine (9) additional shallow groundwater monitoring wells were installed to a depth of 30 ft-bgs in the uppermost transmissive zone and seven (7) deep groundwater monitoring wells were installed to an approximate depth of 45 ft-bgs in the second transmissive zone (***Attachment 9 - Figure 3***). Additionally, four (4) soil boring/temporary groundwater sampling points were completed in the vicinity of Buildings 8 and 9. At the time of the writing of this report, SKA requested but had not received the most recent analytical results for the additional groundwater investigation completed at AOC-2. However, based on the number of recently completed soil borings and shallow monitoring wells, it appears that an area of approximately 250 feet by 300 feet has been impacted by benzene and/or chlorinated hydrocarbons in the uppermost transmissive zone down to a depth of 30 ft-bgs. The completion of seven (7) deeper groundwater monitoring wells indicates that the second transmissive zone down to a depth of 45 ft-bgs may have also been impacted.

CONCLUSIONS AND UNRESOLVED ENVIRONMENTAL CONCERNS REMAINING AT THE SITE

USTs: Our review of available LPST files indicates that twenty-four (24) USTs were reportedly installed over several years. Eleven (11) USTs were reportedly filled and abandoned in-place and thirteen (13) USTs were permanently removed from the ground at the subject property. Three separate LPST ID Nos. were issued to several of the USTs where leakage was discovered at the time of excavation and removal. Our review of HBC/Terracon's files and the available TCEQ files in Houston and Austin, Texas indicates documentation of regulatory closure for LPST ID Nos 107125, 99162 and 103797, which correspond to UST Nos. 1 through 13, 13A and 14 through 17.

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Two (2) USTs were reportedly abandoned in-place beneath apparent former cooling towers at the northeast corner of the subject property and three (3) USTs were reportedly abandoned in-place and one (1) UST removed from the ground at a former service station (AOC-3) located at the southeast corner of the intersection of Eastwood Drive and Harrisburg Boulevard. HBC/Terracon completed six (6) soil borings and two (2) temporary groundwater sampling points at these two locations. No impacts to soil or groundwater from the abandoned in-place USTs (BTEX constituents) or the apparent former cooling towers (chromium) were identified by HBC/Terracon. According to a recent update provided by HBC/Terracon from S&S personnel in May 2004, the apparent former cooling towers located at the northeast corner of the subject property were determined to be cooling reservoirs and ancillary test lines used to cool generator engines during testing of recently manufactured generators. According to S&S personnel, no hexavalent chromium inhibitors were used in conjunction with the water to cool these generators during engine test procedures. As such, SKA concludes that no additional investigation would be necessary to assess the potential for hexavalent chromium in the soil and/or groundwater in the area of the former cooling reservoirs and ancillary test lines. Further, it is our understanding that any future unresolved environmental concerns with regards to release(s) of BTEX or other regulated compounds from USTs abandoned in-place or removed from the ground would be the responsibility of S&S. Investigation results for AOC-3 are presented in the Subsurface Investigation of On-site Concerns section summarized below.

Asbestos: According to HBC/Terracon, during the due diligence process, Ms. Mary McLeod, the former HS&E Manager of S&S reportedly indicated that a report documenting abatement of Asbestos-Containing Materials (ACM) from Building 11 was prepared in the late 1990s. SKA has requested a copy of this report, but has not yet received it. According to HBC/Terracon, they are not aware of any additional ACM surveys or ACM abatement activities for the other buildings located at the subject property. As such, SKA recommends ACM surveys of the additional 12 or the 13 buildings at the subject property to determine if ACM exists in those buildings. If documentation associated with Building 11 is not located, then an ACM survey for Building 11 would also be warranted.

A recent ACM survey of the subject property, including collection of samples of apparent homogeneous areas of suspected ACM, was conducted by HBC/Terracon in February 2004. Results of the samples collected for analysis by Polarized Light Microscopy (PLM) in accordance with EPA Method 40 CFR, Chapter 1, Part 763 Subpart F, Appendix A, indicated the presence of friable and non-friable ACM in the following locations:

- Building 7 – approximately 2,750 square feet of floor tile and mastic and approximately 40 linear feet of vibration isolator;
- Building 8 - approximately 3,500 square feet of floor tile and mastic, approximately 200 square feet of joint compound, approximately 1,000 linear feet of duct mastic insulation, approximately 400 square feet of linoleum and approximately 200 linear feet of pipe mastic insulation;
- Building 9 – approximately 6,000 square feet of floor tile and mastic;
- Building 11 – approximately 1,300 square feet of wall texture behind paneling and approximately 100 linear feet of window glazing;
- Building 12 – approximately 600 linear feet of window caulking and glazing, approximately 1,600 square feet of black mastic under carpet, approximately 20 linear feet of pipe insulation and cork and black mastic on piping; and
- Building 13 – approximately 100 square feet of floor tile and mastic.

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Based on the results of the ACM survey, SKA recommends that all identified friable and non-friable ACM be properly removed from these buildings by a Texas Department of Health Licensed abatement contractor prior to conducting any renovation or demolition activities of these buildings. A copy of the Asbestos Survey Summary is provided in ***Attachment 10***.

Phase I ESA of S&S Offsite Building 13: According to HBC/Terracon, they are unaware of any separate Phase I ESAs conducted at the 0.75-Acre tract located north of Harrisburg Ave. that includes Building 13. However, HBC/Terracon completed two (2) soil borings on this parcel. Analytical results indicated a lead concentration of 24.6 mg/Kg in soil which is above the Texas-Specific Background Concentration for lead of 15 mg/Kg but appears consistent with expected background concentrations for the area of the property. As such, SKA concludes no additional subsurface investigation is warranted at this time. However, a more thorough due diligence of Building 13 is recommended to determine historical use and the potential for any associated RECs.

SKA received a copy of a Phase I ESA report from S&S that was completed in March 2002 by Associated Environmental Consultants, Inc. (AEC) for the 0.75-Acre tract located north of Harrisburg Ave. that includes Building 13. According to AEC, no on-site or off-site *recognized environmental conditions* were identified in connection with the 0.75-Acre tract. AEC did identify two (2) LPST sites in connection with the S&S's Harrisburg facility, located south of the 0.75-Acre tract and indicated that these LPST sites should be monitored for any changes in condition which could adversely impact the 0.75-Acre tract. Also, AEC identified a spray painting operation depicted in Historical Sanborn Fire Insurance maps from 1924 through 1951 that were formerly located on the southwest corner of the 0.75-Acre tract. However, based on the results of the site investigation conducted by HBC/Terracon in 2003 at this location, no apparent impacts to soil and groundwater were identified. A copy of this Phase I ESA report is included in ***Attachment 11***.

Subsurface Investigation of Potential Off-site Concerns: HBC/Terracon completed two (2) soil borings at S&S's adjacently north off-site parking lots. Lead was detected slightly above the Texas-Specific Background Concentration for lead (15 mg/Kg). HBC/Terracon also completed three (3) soil borings along the north property boundary to determine impacts from potential nearby RECs: a former filling station, former dry cleaning facility and automobile repair facilities. Based on the analytical results of soil and groundwater samples reported by HBC/Terracon, no apparent impacts to soil or groundwater were identified. As such, SKA concludes no further investigation is warranted with regard to potential off-site concerns at this time.

Subsurface Investigation of On-site Concerns: HBC/Terracon completed 18 soil borings/temporary groundwater sampling points to investigate onsite RECs in areas of former UST tankholds, an oil/water separator and potential historical onsite RECs as a result of historical automobile repair and service facilities. The four (4) AOCs identified at the subject property that were investigated further included the following:

- AOC-1: former location of the auto sales/repair facility located on the eastern portion of the subject property, most recently utilized as the S&S facility waste storage area;
- AOC-2: two (2) in-ground features resembling fill ports for the former USTs (Tank Nos. 9 and 10) located south of Buildings 8 and 9 and north of Building 7;

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- AOC-3: the three (3) abandoned-in-place USTs and one (1) removed UST from a service station formerly located at the southeast corner at the intersection of Eastwood Dr. and Harrisburg Blvd.; and
- AOC-4: the oil/water separator/wash area located adjacently west of Building 12 on the western portion of the subject property.

Based on the AOC's identified in the ESI and subsequent groundwater investigation activities conducted at AOC-2, HBC/Terracon intends to conduct limited excavation of soil impacted by metals in the areas of AOC-1 and AOC-4. Based on SKA's discussion with Mr. Prasad Rajulah, Project Manager with HBC/Terracon, HBC/Terracon intends to complete excavation of metals-impacted soil at AOC-1 to residential cleanup levels in the near future. In their opinion, AOC-1 is the only remaining AOC at the western portion of the subject property. According to Mr. Rajulah, HBC/Terracon will document this limited soil remediation activity in a report to S&S and believes that submittal of an Affected Property Assessment Report (APAR) to the TCEQ is not necessary since groundwater in the area has not been impacted and the metals-impacted soil is limited in aerial extent (30 feet by 30 feet) and confined to the upper 2 feet of soil.

According to HBC/Terracon, following delineation of benzene and chlorinated hydrocarbons in groundwater at AOC-2, HBC/Terracon intends to submit an APAR for AOC-2, AOC-3 and AOC-4, pursue closure of impacted soil and groundwater to residential standards under TRRP and enter the eastern portion of the subject property into TCEQ's Voluntary Cleanup Program (VCP) under a residential-land use scenario. According to HBC/Terracon, a limited area of metals impacted soil of approximately 30 feet by 30 feet will be excavated to an approximate depth of 2 ft-bgs to address closure of AOC-4.

ENVIRONMENTAL OPINION

It is our professional opinion that additional subsurface investigations are warranted to delineate the chlorinated hydrocarbons impacting the groundwater at the subject property. Based on review of available documents provided by HBC/Terracon, SKA believes that the chlorinated hydrocarbons impacting the groundwater represent the most significant environmental concern at the subject property, since the uppermost, and possibly the second transmissive zones have been impacted. According the HBC/Terracon, delineation of impacted groundwater in the uppermost and second transmissive zones has not been completed. Based on the available analytical data provided by HBC/Terracon, the presence of DNAPLs is not evident. As such, any pilot studies or recommended strategy for groundwater remediation have not been proposed at this time. However, it is our understanding that the Sales Contract for the subject property stipulates that any remaining future environmental investigations and soil or groundwater cleanup activities conducted on the subject property that resulted from historical S&S operations would be the responsibility of S&S.

SKA recommends reviewing HBC/Terracon's groundwater investigation data, when available, to determine if adequate characterization has been completed prior to submittal of the APAR to the TCEQ. At that time, SKA would be able to determine costs to resolve any outstanding groundwater contamination issues. SKA concurs with HBC/Terracon's approach to entering the eastern portion of the subject property in to the TCEQ's VCP to obtain the TCEQ's concurrence with a residential land-use scenario. Based on SKA's experience with similar sites, cleanup timeframes have typically been estimated at 3 to 5 years for sites impacted with chlorinated hydrocarbons in groundwater where DNAPLs are not present.

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CLOSING REMARKS

SKA appreciates the opportunity to assist Sage Interests, Inc. on this very important project. Should any questions arise regarding this environmental opinion letter, please contact SKA at (713) 266-6056.

Sincerely,

SKA CONSULTING, L.P.

Brad Alker

Brad Alker, P.G.
Project Manager

Scott K. Leafe
Managing Partner

Attachments: Figure 1 – Site Vicinity and Topographic Map
Figure 2 – Former UST and Boring Location Map
1 – Phase I Environmental Site Assessment – 2/04/03
2 – Letter to TNRCC Regarding Stewart & Stevenson UST/AST Inventory– 4/06/99
3 – 3D/Environmental Services LPST Investigation Report – 9/11/92
4 – TNRCC PST Monitoring Event Summary and Status Report – 9/30/99
5 – TWC No Further Action Letter – 08/29/9 and Report of Tank Removal – 07/16/91
6 – Remedial Construction Services, Inc. UST Closure/Removal Report– 8/15/94
LPST Case Closure of Subsurface Release of Hydrocarbons Letter – 04/27/98
7 – Site Closure Request Form, Workplan and Pre-Approval Request and Environmental Site Investigation Report 12/14/01
8 – Environmental Site Investigation Report – 09/26/03
9 – Figure 3 – Site Map Soil Boring and Monitoring Well Locations – 09/24/03
10 – HBC/Terracon Asbestos Survey Summary – 2/10/04
11 - Associated Environmental Consultants, Inc. Phase I ESA Report – 03/05/02

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April 1, 2010

SKA Project No. 2002-0013

Texas Department of Housing and Community Affairs
221 East 11th St.
Austin, Texas 78701

Re: ***Environmental Status Report***
±2.235-Acre Property
500 Eastwood Street
Houston, Harris County, Texas

To Whom It May Concern:

SKA Consulting, L.P. (SKA), on behalf of Fulton Luzon, Ltd. (Client), is pleased to present this Environmental Status Report for the above-referenced property located at 500 Eastwood Street in Houston, Texas (subject property). The objective of this Environmental Status Report is to provide the Texas Department of Housing and Community Affairs with an overview of the history of the subject property and past and present environmental investigation and corrective action activities that have been performed at the subject property. This information is provided in the sections that follow.

BACKGROUND

The subject property comprises an approximately 2.235-acre parcel (see attached Boundary Survey) out of the original ±16.5-acre Stewart & Stevenson Lockwood Manufacturing Facility located at 4516 Harrisburg Boulevard in Houston, Texas (see ***Figures 1 and 2***). The former ±16.5-acre Stewart & Stevenson Lockwood Manufacturing Facility was acquired by Six Westheimer, Ltd. in June of 2004. The former Stewart & Stevenson Lockwood Manufacturing Facility property was historically utilized by Stewart & Stevenson (S&S) as a manufacturing/assembly and testing facility for power generating sets from the early 1950s until 2002.

ENVIRONMENTAL SUMMARY

In February 2003, S&S retained Terracon Consultants, Inc. (Terracon) to perform a Phase I Environmental Site Assessment (ESA) of the entire S&S Lockwood Manufacturing Facility property. Findings from the Phase I ESA revealed several potential areas of environmental concern resulting from on-site historical operations conducted at the former S&S facility. Several soil and groundwater investigations were subsequently conducted by Terracon in 2003, and the easternmost approximately 8.868 acres of the former S&S facility property (a.k.a. the Eastern Tract) was entered into the Texas Commission on Environmental Quality's (TCEQ's) Voluntary Cleanup Program (VCP) in January 2004. Soil sampling conducted at the location of an oil/water separator on the Western Tract (approximately 7.632 acres of which the subject property consists of the southeastern-most portion) revealed the presence of regulated metals concentrations in soil requiring removal and off-site disposal. The impacted soils were

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excavated and properly disposed off site and an *Environmental Site Investigation and Excavation Report* was submitted to the TCEQ in March 2004. In December 2004, the TCEQ concurred that the excavation activities had successfully removed the indentified soil contamination and deemed that no further actions were warranted relating to the oil/water separator. No other items of significant environmental concern were identified by Terracon from the soil and groundwater sampling conducted on the Western Tract. A copy of the TCEQ No Further Action Letter for the Western Tract is included as an attachment.

An Affected Property Assessment Report (APAR) submitted to the TCEQ in 2004 documented Terracon's subsurface investigation results for the Eastern Tract of the former S&S facility. Three areas of concern indicating releases of lead, petroleum hydrocarbons, and chlorinated solvents into the soil and groundwater were confirmed. Remediation of one area of concern included the excavation and off-site disposal of lead-impacted soil from the upper 2 feet along the eastern portion of the Eastern Tract resulting in a no further action concurrence from the TCEQ for this area of the facility. The two remaining areas of concern investigated by Terracon included a release of regulated petroleum substances to soil and groundwater at the northwest corner of the Eastern Tract, and a release of chlorinated solvents and other regulated petroleum substances into the soil and the uppermost and second groundwater-bearing units on the west-central portion of the Eastern Tract.

Based on the groundwater investigations completed to date by Terracon, the chlorinated solvent plume identified in the groundwater on the west-central portion of the Eastern Tract has been delineated to the on-site property (Eastern Tract only). Investigations of the regulated petroleum substances present in the uppermost groundwater-bearing unit at the northwest corner of the Eastern Tract indicate that this groundwater plume extends off-site to Harrisburg Boulevard, north of the Eastern Tract. Based on the low-level constituent concentrations of chlorinated solvents and regulated petroleum substances detected in the groundwater in these two areas of concern, the groundwater contaminant plumes are not considered to be a risk to human health for commercial use of the subject property (assuming no ingestion of the groundwater). No known contaminant concentrations exceed commercial land use standards in soil on the Eastern Tract.

Groundwater sampling and testing has been periodically performed by Terracon on the Eastern Tract through May 2008 when a decision was made by S&S to pursue a Municipal Settings Designation (MSD) for the Eastern Tract. The MSD program was established by the TCEQ in 2007 in recognition of the fact that most individuals residing in urban areas obtain their drinking water from public water supply systems instead of from private wells. Therefore, many groundwater contamination plumes pose no risk of human exposure through groundwater ingestion. As a result, successfully obtaining an MSD certificate would effectively designate the groundwater beneath the Eastern Tract as "non beneficial use" groundwater and no further corrective action activities relating to groundwater for the Eastern Tract would be required. Upon receipt of the MSD Certificate for the Eastern Tract, a final VCP Certificate of Completion for commercial/industrial land use would be issued by the TCEQ for the Eastern Tract.

The MSD Certification is a two-part process whereby application is made both to the City of Houston and to the TCEQ. The application to the City of Houston was made in February 2010 and the application has been deemed administratively complete by the City of Houston (see attached letter from the City of Houston). The next step in the process is a public hearing before City Council followed by a subsequent meeting and vote by City Council on an MSD

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ordinance relating to the Eastern Tract. Upon approval of the MSD ordinance for the Eastern Tract, a formal MSD Application is provided to the TCEQ for review and approval. It is anticipated that the entire MSD review and approval process will be completed by September 2010 and a final VCP Certificate of Completion for commercial/industrial land use will follow soon thereafter.

S&S is contractually responsible for any and all monitoring, reporting, and required cleanup activities for the Eastern Tract until such time as a final Certificate of Completion for commercial/industrial land use is issued for the subject property by the TCEQ VCP. The landlord and future tenants are required to reasonably cooperate with S&S as to the location and accessibility of groundwater monitoring wells and other possible sampling activities which could be located on either the Eastern or Western Tracts.

CONCLUSIONS

Based on the results of soil and groundwater sampling and testing conducted to date at the former S&S facility property, SKA is unaware of any practical barriers to residential or commercial/industrial redevelopment of the subject property (herein defined as the southeastern-most ±2.235-Acre portion of the Western Tract). Given the well-documented environmental history of the entire former S&S Lockwood Manufacturing Facility property, the presence of the 2004 TCEQ No Further Action letter for the Western Tract, and the active enrollment and anticipated final regulatory closure of the Eastern Tract in the TCEQ Voluntary Cleanup Program later this year, preparation of a Phase I Environmental Site Assessment (ESA) for the subject property does not appear warranted at this time.

CLOSING REMARKS

SKA appreciates the opportunity to prepare this review. Should you have any questions or comments, please do not hesitate to contact me at (713) 266-6056, or by email at scott.leafe@skaconsulting.com.

Sincerely,

SKA CONSULTING, L.P.

Scott K. Leafe
President/Managing Partner

Cc: Helen Ghozali – Fulton Luzon, Ltd.

Enclosures: Figure 1 – Site Vicinity and Topographic Map
Figure 2 – Historical UST and Soil Boring Location Map
Eastwood Square Boundary Survey
Eastwood Square Metes and Bounds Description
TCEQ No Further Action Letter – Western Tract

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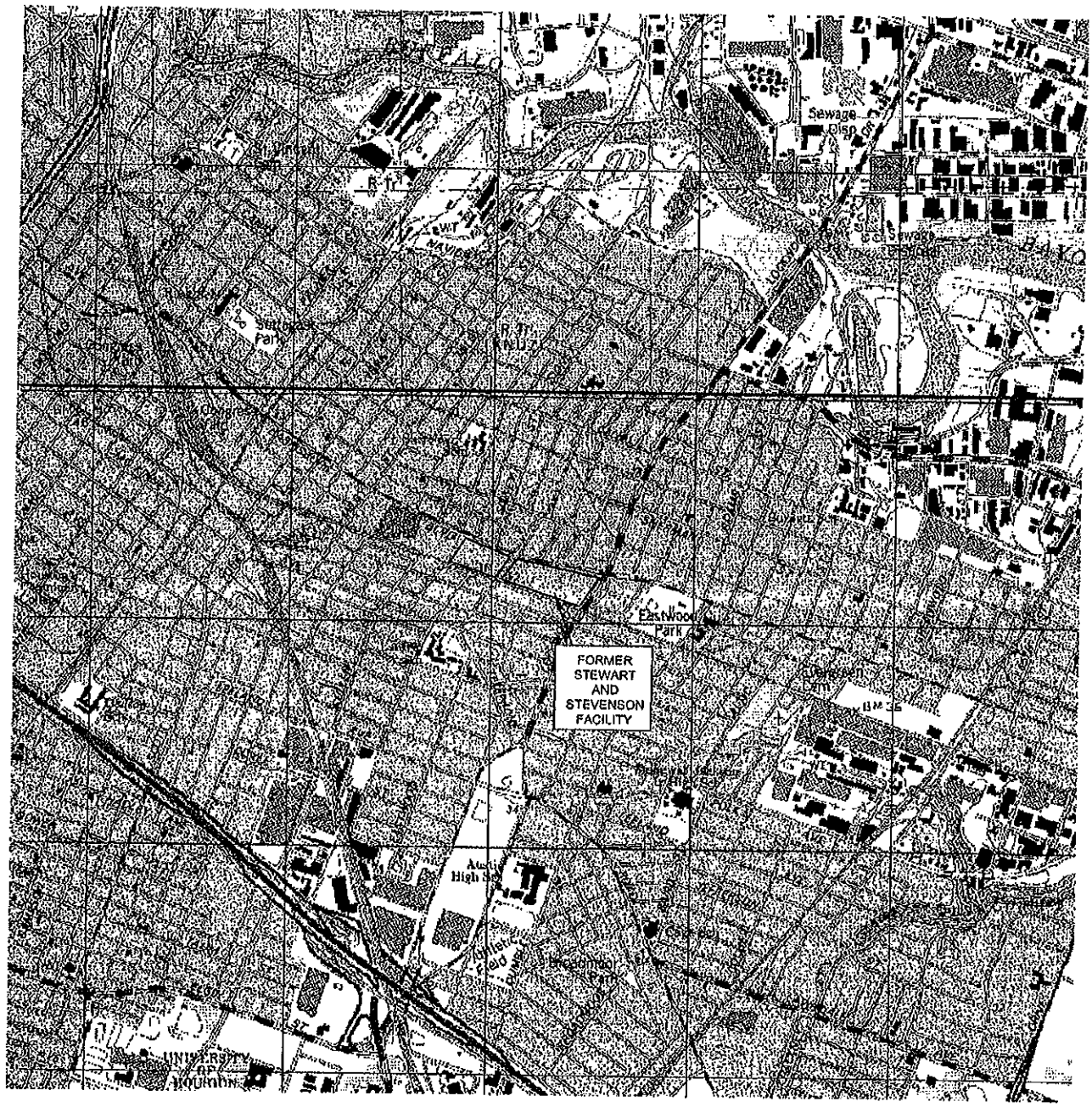

FIGURE 1
SITE VICINITY AND
TOPOGRAPHIC MAP
ENVIRONMENTAL STATUS REPORT
FORMER STEWART AND STEVENSON
HARRISBURG FACILITY
4516 HARRISBURG BOULEVARD
HOUSTON, HARRIS COUNTY, TEXAS
APRIL 2010

REFERENCE USGS 7.5-MINUTE TOPOGRAPHIC QUADRANGLE
PARK PLACE, TEXAS
1982

ska

N

0 500 1000 2000

APPROXIMATE SCALE: 1"=1000'

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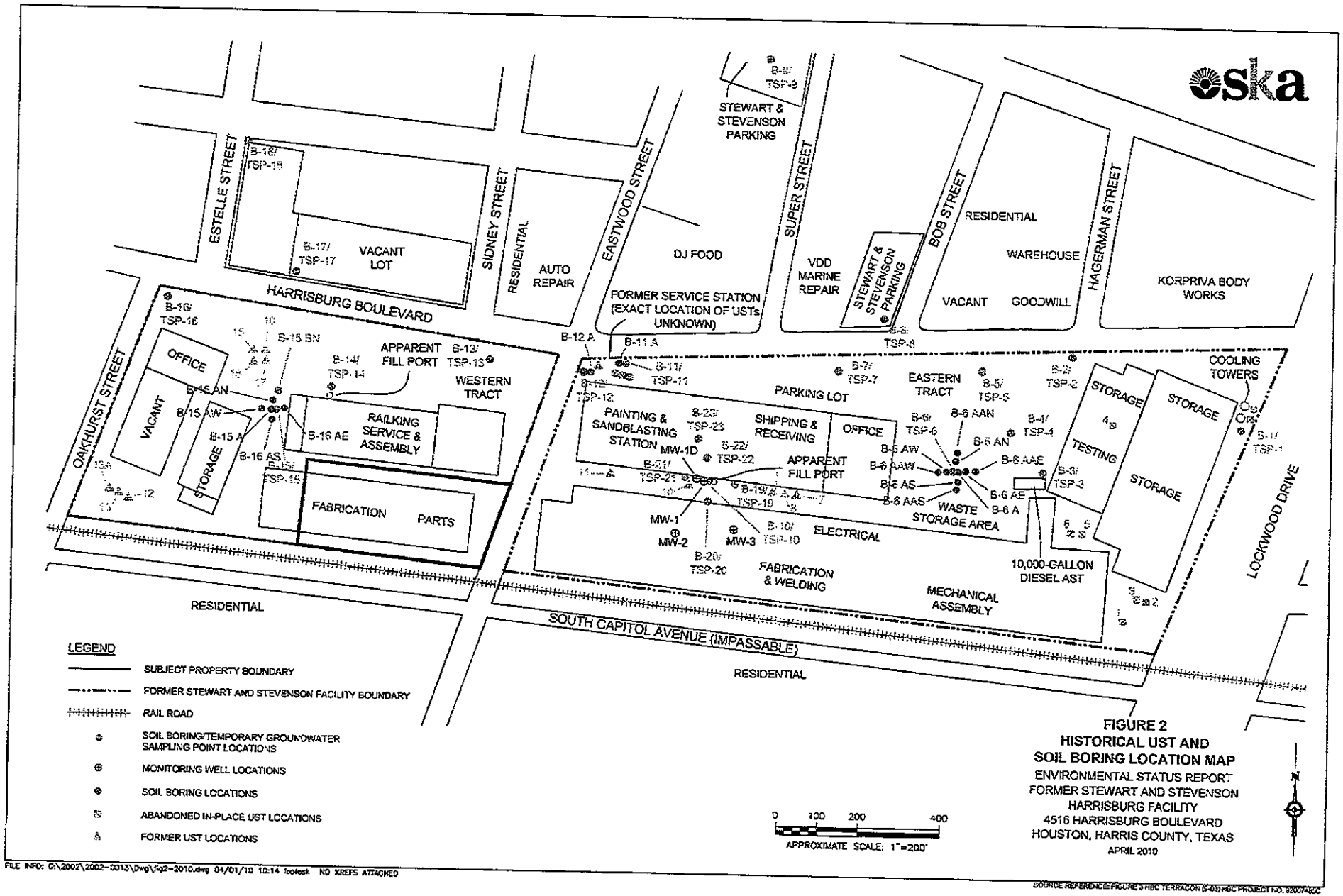

FIGURE 2
HISTORICAL UST AND SOIL BORING LOCATION MAP
ENVIRONMENTAL STATUS REPORT
FORMER STEWART AND STEVENSON
HARRISBURG FACILITY
4516 HARRISBURG BOULEVARD
HOUSTON, HARRIS COUNTY, TEXAS
APRIL 2010

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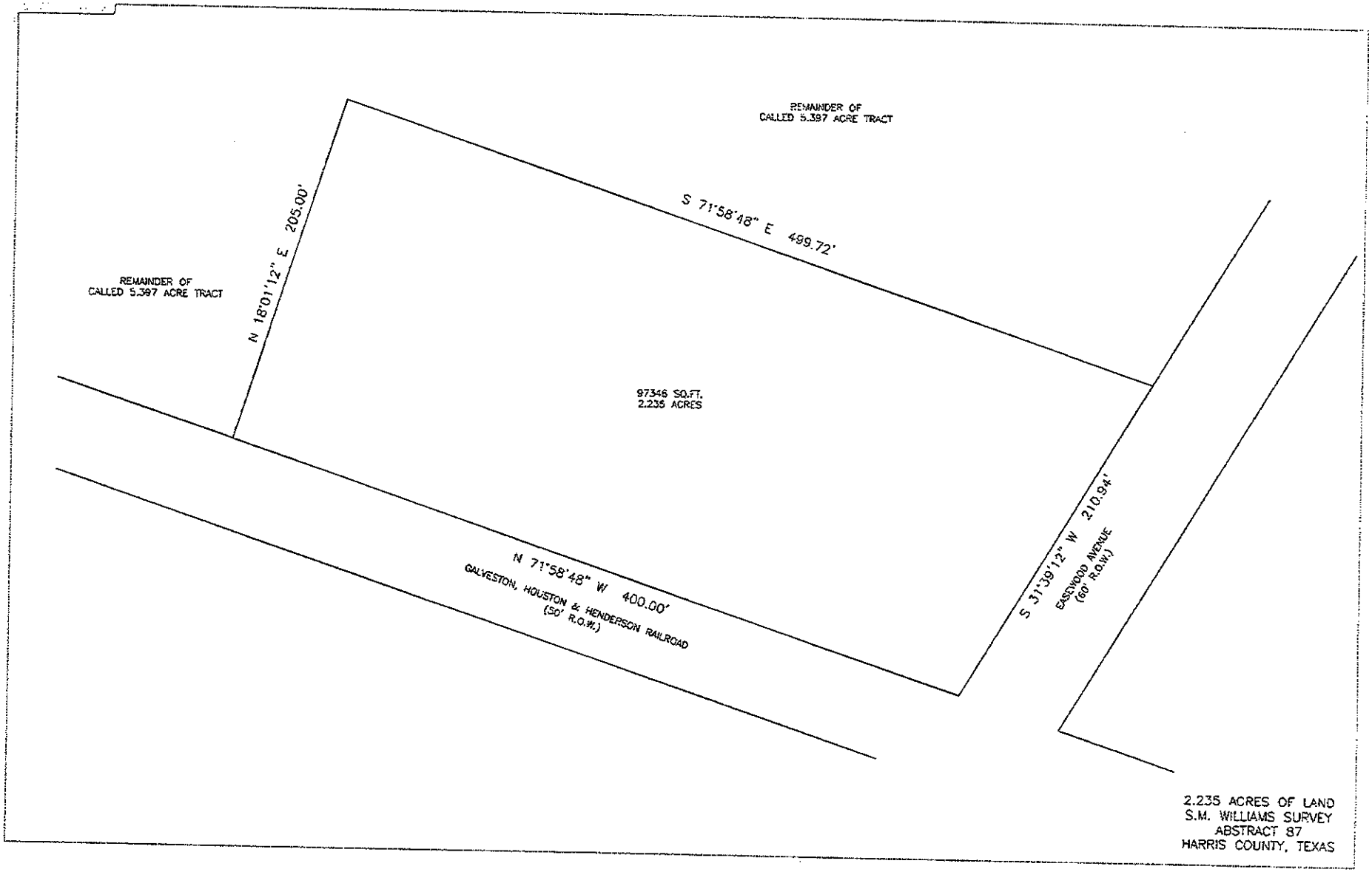
SOURCE REFERENCE: FIGURE 3 HBC TERRACON (8-03) HSC PROJECT NO. 92007455C


REMAINDER OF
CALLED 5.397 ACRE TRACT
REMAINDER OF
CALLED 5.397 ACRE TRACT
N 18°01'12" E 205.00'
S 71°58'48" E 499.72'
97346 SQ.FT.
2.235 ACRES
N 71°58'48" W 400.00'
GALVESTON, HOUSTON & HENDERSON RAILROAD
(50' R.O.W.)
S 31°39'12" W 210.94'
EASTWOOD AVENUE
(60' R.O.W.)
2.235 ACRES OF LAND
S.M. WILLIAMS SURVEY
ABSTRACT 87
HARRIS COUNTY, TEXAS

METES AND BOUNDS DESCRIPTION
2.235 ACRES OF LAND
S. M. WILLIAMS SURVEY, ABSTRACT 87
HARRIS COUNTY, TEXAS

BEING a description of 2.235 acres of land situated within the S. M. Williams Survey, Abstract 87, Harris County, Texas, and being a portion of that certain called 5.397 acre tract of land delineated as Parcel 1 on a Plat of Survey prepared by Survcon, Inc., dated June 12, 2003; said 2.235 acre tract being more particularly described by metes and bounds as follows:

BEGINNING at the intersection of the northeasterly right-of-way line of the Galveston, Houston & Henderson Railroad (GH & HRR) (50-feet wide) and the westerly right-of-way line of Eastwood Avenue (60-feet wide), same being the southeasterly corner of said 5.397 acre tract;

THENCE NORTH 71°58'48" West a distance of 400.00 feet along and with said GH & HRR northeasterly right-of-way line;

THENCE crossing said 5.397 acre tract along and with the following two (2) courses:

1. **NORTH** 18°01'12" East a distance of 205.00 feet, and
2. **SOUTH** 71°58'48" East a distance of 499.72 feet to said westerly right-of-way line of Eastwood Avenue

THENCE SOUTH 31°39'12" West a distance of 210.94 feet along and with said westerly right-of-way line of Eastwood Avenue returning to the **PLACE OF BEGINNING** and containing 2.235 acres (97,346 square feet) of land.

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

December 7, 2004

Mr. Gary Elkin
Environmental Health and Safety Department
Stewart & Stevenson Services, Inc.
2707 North Loop West
Houston, TX 77008

Re: Approval, No Further Action
Environmental Site Investigation and Excavation Report dated March 12, 2004, Response to TCEQ Correspondence dated May 28, 2004, and *Response to TCEQ Correspondence dated September 8, 2004*
Harrisburg Facility - Western Tract
4104 Harrisburg Boulevard
Houston, Harris County, Texas
Facility ID No. T1928

Dear Mr. Elkin:.

The Texas Commission on Environmental Quality (TCEQ) has reviewed the above referenced submittals, dated March 12, 2004 and revisions dated May 28, 2004, and September 8, 2004. The area involved in the investigation was west of the oil/water separator. In the investigation, arsenic, barium, cadmium, lead and silver exceeded the Texas Risk Reduction Program (TRRP) Tier 1 Protection Concentration Levels (PCLs) in soils. Newly adopted policy within the TCEQ Remediation Division program allows facilities to determine if a "release" or "discharge" is subject to the TRRP rule 30 Texas Administrative Code (TAC) Chapter 350. As described below, this site is not subject to the TRRP rule or other reporting requirements.

The subject report was submitted to document soil assessment and excavation activities west of the oil/water separator. The soils where excavated and disposed at Waste Management Atascocita Landfill in Humble, Texas. Multiple soil samples were collected from this area and analyzed for Total Petroleum Hydrocarbons (TPHs) Resource Conservation and Recovery Act (RCRA) metals, and Volatile Organic Compounds (VOCs). The results indicate that all TPHs, RCRA metals, and VOCs are below Tier 1 Protective Concentration Levels (PCLs).

The site qualifies for alternative reporting requirements that have been established by the TCEQ in the memorandum "*Determining Which Releases are Subject to TRRP*". As described in the above referenced guidance, 30 TAC Chapter 350 is not triggered when; excavation and proper disposal of affected soil can be conducted if the affected soil is located on site, entirely in the vadose zone, and can be removed within 60 days from the date the release was reported to the agency. Based on our review of all available information for this site, Stewart and Stevenson has met this criteria and no further action appears warranted at this time.

Questions concerning this letter should be directed to me at (512) 239-6786. When responding by mail, please submit an original and one copy of all correspondence and reports to the TCEQ Corrective Action Section at Mail Code MC-127 with an additional copy submitted to the local TCEQ Region Office. The information in the reference block should be included in all submittals.

Sincerely,

Kellie Jones, Project Manager
Team II, Corrective Action Section
Remediation Division
Texas Commission on Environmental Quality

KJ/kj

cc: Mr. Edward James, P.G., Senior Project Manager, HBC/Terracon, 11555 Clay Road, Suite 100, Houston, TX, 77043
Waste Program Manager, TCEQ Region 12 Office, Houston

Terracon

May 3, 2010

Texas Department of Housing and Community Affairs
221 East 11th St.
Austin, Texas 78701

Re: ***Environmental Status Report***
±2.235-Acre Property
500 Eastwood Street
Houston, Harris County, Texas

To Whom It May Concern:

Terracon Consultants, Inc. (Terracon) has prepared this Environmental Status Report for the above-referenced property, hereinafter referred to as the "Site" or "subject property". The report was prepared on behalf of Fulton Luzon, Ltd. (Client) with the objective of providing the Texas Department of Housing and Community Affairs with an overview of the history of the Site and past and present environmental investigation and corrective action activities that have been performed at the subject property. This information is provided in the sections that follow.

BACKGROUND

The subject property comprises an approximately 2.235-acre parcel (see attached Boundary Survey) out of the original ±16.5-acre Stewart & Stevenson Lockwood Manufacturing Facility located at 4516 Harrisburg Boulevard in Houston, Texas (see ***Figures 1 and 2***). The former ±16.5-acre Stewart & Stevenson Lockwood Manufacturing Facility was acquired by Six Westheimer, Ltd. in June of 2004. The former Stewart & Stevenson Lockwood Manufacturing Facility property was historically utilized by Stewart & Stevenson (S&S) as a manufacturing/assembly and testing facility for power generating sets from the early 1950s until 2002.

ENVIRONMENTAL SUMMARY

In February 2003, S&S retained Terracon to perform a Phase I Environmental Site Assessment (ESA) of the entire S&S Lockwood Manufacturing Facility property. Findings from the Phase I ESA revealed several potential areas of environmental concern resulting from on-site historical operations conducted at the former S&S facility. Several soil and groundwater investigations were subsequently conducted by Terracon in 2003, and the easternmost approximately 8,868

acres of the former S&S facility property (a.k.a. the Eastern Tract) was entered into the Texas Commission on Environmental Quality's (TCEQ's) Voluntary Cleanup Program (VCP) in January 2004. Soil sampling conducted at the location of an oil/water separator on the Western Tract (approximately 7.632 acres of which the subject property consists of the southeastern-most portion) revealed the presence of regulated metals concentrations in soil requiring removal and off-site disposal. The impacted soils were excavated and properly disposed off site and an *Environmental Site Investigation and Excavation Report* was submitted to the TCEQ in March 2004. In December 2004, the TCEQ concurred that the excavation activities had successfully removed the indentified soil contamination and deemed that no further actions were warranted relating to the oil/water separator. No other items of significant environmental concern were identified by Terracon from the soil and groundwater sampling conducted on the Western Tract. A copy of the TCEQ No Further Action Letter for the Western Tract is included as an attachment.

An Affected Property Assessment Report (APAR) submitted to the TCEQ in 2004 documented Terracon's subsurface investigation results for the Eastern Tract of the former S&S facility. Three areas of concern indicating releases of lead, petroleum hydrocarbons, and chlorinated solvents into the soil and groundwater were confirmed. Remediation of one area of concern included the excavation and off-site disposal of lead-impacted soil from the upper 2 feet along the eastern portion of the Eastern Tract resulting in a no further action concurrence from the TCEQ for this area of the facility. The two remaining areas of concern investigated by Terracon included a release of regulated petroleum substances to soil and groundwater at the northwest corner of the Eastern Tract, and a release of chlorinated solvents and other regulated petroleum substances into the soil and the uppermost and second groundwater-bearing units on the west-central portion of the Eastern Tract.

Based on the groundwater investigations completed to date by Terracon, the chlorinated solvent plume identified in the groundwater on the west-central portion of the Eastern Tract has been delineated to the on-site property (Eastern Tract only). Investigations of the regulated petroleum substances present in the uppermost groundwater-bearing unit at the northwest corner of the Eastern Tract indicate that this groundwater plume extends off-site to Harrisburg Boulevard, north of the Eastern Tract. Based on the low-level constituent concentrations of chlorinated solvents and regulated petroleum substances detected in the groundwater in these two areas of concern, the groundwater contaminant plumes are not considered to be a risk to human health for commercial use of the subject property (assuming no ingestion of the groundwater). No known contaminant concentrations exceed commercial land use standards in soil on the Eastern Tract.

Groundwater sampling and testing has been periodically performed by Terracon on the Eastern Tract through May 2008 when a decision was made by S&S to pursue a Municipal Settings Designation (MSD) for the Eastern Tract. The MSD program was established by the TCEQ in

2007 in recognition of the fact that most individuals residing in urban areas obtain their drinking water from public water supply systems instead of from private wells. Therefore, many groundwater contamination plumes pose no risk of human exposure through groundwater ingestion. As a result, successfully obtaining an MSD certificate would effectively designate the groundwater beneath the Eastern Tract as "non beneficial use" groundwater and no further corrective action activities relating to groundwater for the Eastern Tract would be required. Upon receipt of the MSD Certificate for the Eastern Tract, a final VCP Certificate of Completion for commercial/industrial land use would be issued by the TCEQ for the Eastern Tract.

The MSD Certification is a two-part process whereby application is made both to the City of Houston and to the TCEQ. The application to the City of Houston was made in February 2010 and the application has been deemed administratively complete by the City of Houston (see attached letter from the City of Houston). The next step in the process is a public hearing before City Council followed by a subsequent meeting and vote by City Council on an MSD ordinance relating to the Eastern Tract. Upon approval of the MSD ordinance for the Eastern Tract, a formal MSD Application is provided to the TCEQ for review and approval. It is anticipated that the entire MSD review and approval process will be completed by September 2010 and a final VCP Certificate of Completion for commercial/industrial land use will follow soon thereafter.

S&S is contractually responsible for any and all monitoring, reporting, and required cleanup activities for the Eastern Tract until such time as a final Certificate of Completion for commercial/industrial land use is issued for the subject property by the TCEQ VCP. The landlord and future tenants are required to reasonably cooperate with S&S as to the location and accessibility of groundwater monitoring wells and other possible sampling activities which could be located on either the Eastern or Western Tracts.

CONCLUSIONS

Based on the results of soil and groundwater sampling and testing conducted to date at the former S&S facility property, Terracon is unaware of any practical barriers to residential or commercial/industrial redevelopment of the subject property (herein defined as the southeastern-most ±2.235-Acre portion of the Western Tract). Given the well-documented environmental history of the entire former S&S Lockwood Manufacturing Facility property, the presence of the 2004 TCEQ No Further Action letter for the Western Tract, and the active enrollment and anticipated final regulatory closure of the Eastern Tract in the TCEQ VCP later this year, preparation of a Phase I Environmental Site Assessment (ESA) for the subject property does not appear warranted at this time.

Terracon
Consulting Engineers & Scientists

We appreciate your assistance with this project. If you have any questions or need additional information, please call either of the undersigned.

Sincerely,

Terracon Consultants, Inc.

Prasad Rajulu, P.E.
Project Engineer
Houston Office

Edward W. James, P.G.
Senior Project Manager
Houston Office

Cc: Helen Ghozali – Fulton Luzon, Ltd.

Enclosures: Figure 1 – Site Vicinity and Topographic Map
Figure 2 – Historical UST and Soil Boring Location Map
Eastwood Square Boundary Survey
Eastwood Square Metes and Bounds Description
TCEQ No Further Action Letter – Western Tract

FIGURE 1
SITE VICINITY AND
TOPOGRAPHIC MAP

ENVIRONMENTAL STATUS REPORT
FORMER STEWART AND STEVENSON
HARRISBURG FACILITY
4516 HARRISBURG BOULEVARD
HOUSTON, HARRIS COUNTY, TEXAS
APRIL 2010

REFERENCE USGS 7.5-MINUTE TOPOGRAPHIC QUADRANGLE
PARK PLACE, TEXAS
1982

0 500 1000 2000

APPROXIMATE SCALE: 1"=1000'

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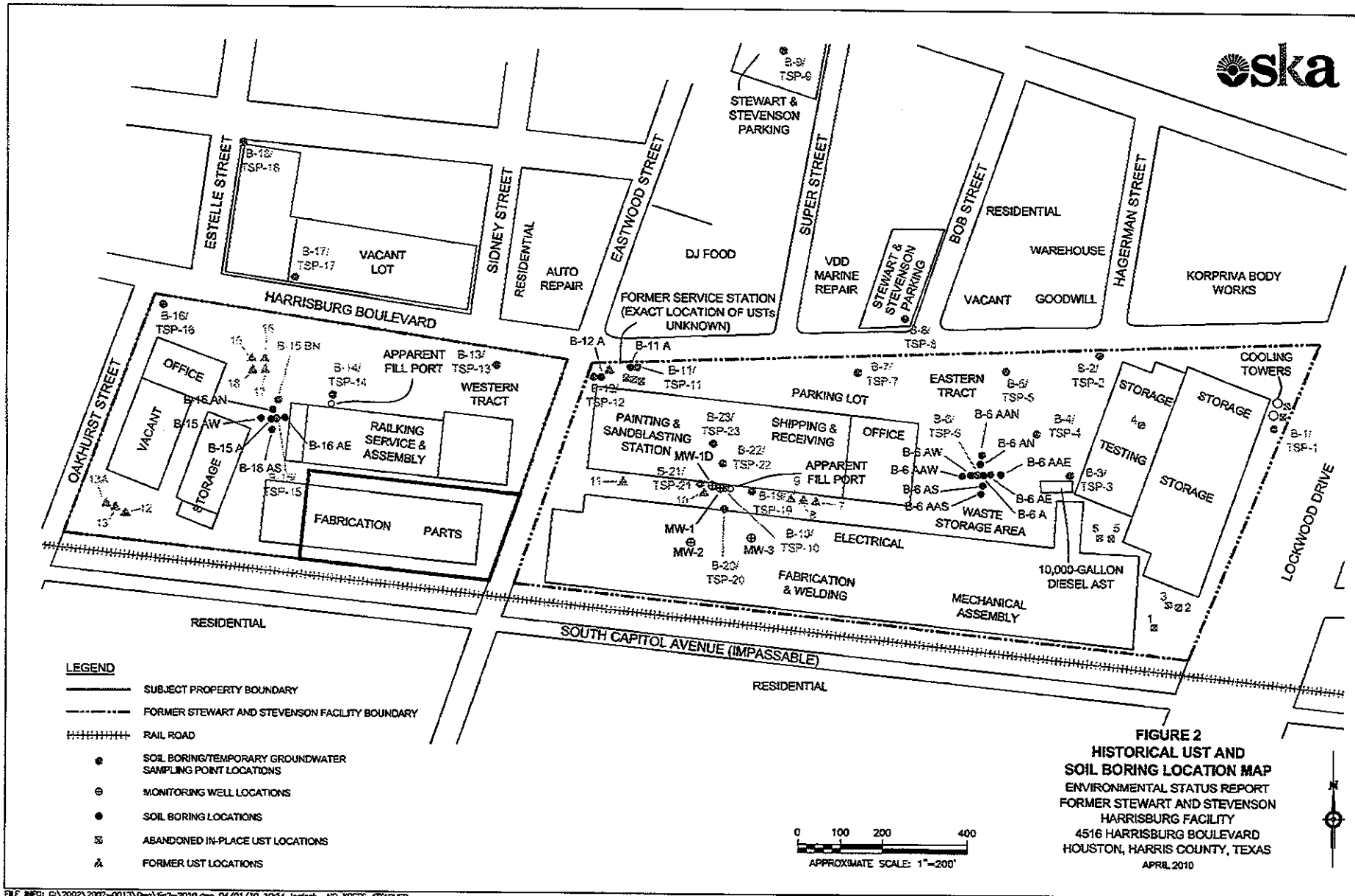
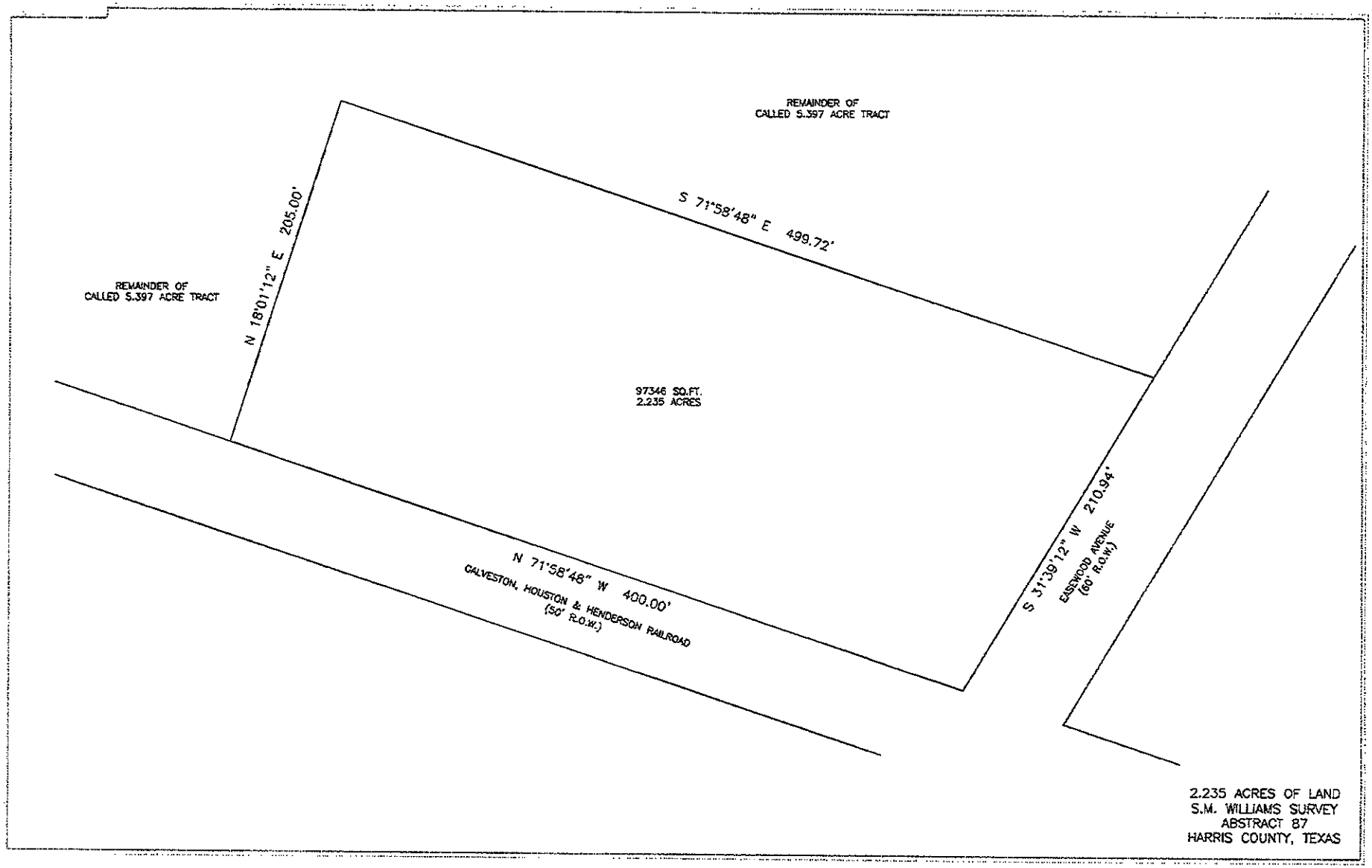


FIGURE 2
HISTORICAL UST AND SOIL BORING LOCATION MAP
ENVIRONMENTAL STATUS REPORT
FORMER STEWART AND STEVENSON
HARRISBURG FACILITY
4516 HARRISBURG BOULEVARD
HOUSTON, HARRIS COUNTY, TEXAS
APRIL 2010

FILE INFO: C:\2002\2002-0013\Dwg\fig2-2010.dwg 04/01/10 10:14 leafek NO XREFS ATTACHED

SOURCE REFERENCE: FIGURE 3 HSC TERRACON (9-03) HSC PROJECT NO. 92007465C


REMAINDER OF
CALLED 5.397 ACRE TRACT
S 71°58'48" E 499.72'
N 18°01'12" E 205.00'
REMAINDER OF
CALLED 5.397 ACRE TRACT
97346 SQ.FT.
2.235 ACRES
N 71°58'48" W 400.00'
GALVESTON, HOUSTON & HENDERSON RAILROAD
(50' R.O.W.)
S 31°39'12" W 210.94'
EASTWOOD AVENUE
(60' R.O.W.)
2.235 ACRES OF LAND
S.M. WILLIAMS SURVEY
ABSTRACT 87
HARRIS COUNTY, TEXAS

METES AND BOUNDS DESCRIPTION
2.235 ACRES OF LAND
S. M. WILLIAMS SURVEY, ABSTRACT 87
HARRIS COUNTY, TEXAS

BEING a description of 2.235 acres of land situated within the S. M. Williams Survey, Abstract 87, Harris County, Texas, and being a portion of that certain called 5.397 acre tract of land delineated as Parcel 1 on a Plat of Survey prepared by Survcon, Inc., dated June 12, 2003; said 2.235 acre tract being more particularly described by metes and bounds as follows:

BEGINNING at the intersection of the northeasterly right-of-way line of the Galveston, Houston & Henderson Railroad (GH & HRR) (50-feet wide) and the westerly right-of-way line of Eastwood Avenue (60-feet wide), same being the southeasterly corner of said 5.397 acre tract;

THENCE NORTH 71°58'48" West a distance of 400.00 feet along and with said GH & HRR northeasterly right-of-way line;

THENCE crossing said 5.397 acre tract along and with the following two (2) courses:

1. **NORTH** 18°01'12" East a distance of 205.00 feet, and
2. **SOUTH** 71°58'48" East a distance of 499.72 feet to said westerly right-of-way line of Eastwood Avenue

THENCE SOUTH 31°39'12" West a distance of 210.94 feet along and with said westerly right-of-way line of Eastwood Avenue returning to the **PLACE OF BEGINNING** and containing 2.235 acres (97,346 square feet) of land.

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

December 7, 2004

Mr. Gary Elkin
Environmental Health and Safety Department
Stewart & Stevenson Services, Inc.
2707 North Loop West
Houston, TX 77008

Re: Approval, No Further Action
Environmental Site Investigation and Excavation Report dated March 12, 2004, Response to TCEQ Correspondence dated May 28, 2004, and *Response to TCEQ Correspondence dated September 8, 2004*
Harrisburg Facility - Western Tract
4104 Harrisburg Boulevard
Houston, Harris County, Texas
Facility ID No. T1928

Dear Mr. Elkin:.

The Texas Commission on Environmental Quality (TCEQ) has reviewed the above referenced submittals, dated March 12, 2004 and revisions dated May 28, 2004, and September 8, 2004. The area involved in the investigation was west of the oil/water separator. In the investigation, arsenic, barium, cadmium, lead and silver exceeded the Texas Risk Reduction Program (TRRP) Tier 1 Protection Concentration Levels (PCLs) in soils. Newly adopted policy within the TCEQ Remediation Division program allows facilities to determine if a "release" or "discharge" is subject to the TRRP rule 30 Texas Administrative Code (TAC) Chapter 350. As described below, this site is not subject to the TRRP rule or other reporting requirements.

The subject report was submitted to document soil assessment and excavation activities west of the oil/water separator. The soils where excavated and disposed at Waste Management Atascocita Landfill in Humble, Texas. Multiple soil samples were collected from this area and analyzed for Total Petroleum Hydrocarbons (TPHs) Resource Conservation and Recovery Act (RCRA) metals, and Volatile Organic Compounds (VOCs). The results indicate that all TPHs, RCRA metals, and VOCs are below Tier 1 Protective Concentration Levels (PCLs).

The site qualifies for alternative reporting requirements that have been established by the TCEQ in the memorandum "*Determining Which Releases are Subject to TRRP*". As described in the above referenced guidance, 30 TAC Chapter 350 is not triggered when; excavation and proper disposal of affected soil can be conducted if the affected soil is located on site, entirely in the vadose zone, and can be removed within 60 days from the date the release was reported to the agency. Based on our review of all available information for this site, Stewart and Stevenson has met this criteria and no further action appears warranted at this time.

Questions concerning this letter should be directed to me at (512) 239-6786. When responding by mail, please submit an original and one copy of all correspondence and reports to the TCEQ Corrective Action Section at Mail Code MC-127 with an additional copy submitted to the local TCEQ Region Office. The information in the reference block should be included in all submittals.

Sincerely,

Kellie Jones, Project Manager
Team II, Corrective Action Section
Remediation Division
Texas Commission on Environmental Quality

KJ/kj

cc: Mr. Edward James, P.G., Senior Project Manager, HBC/Terracon, 11555 Clay Road, Suite 100, Houston, TX, 77043
Waste Program Manager, TCEQ Region 12 Office, Houston

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April 27, 2010

Amay Inamdar
Fulton Luzon, Ltd.
1520 Oliver St.
Houston, TX 77007

Re: Application #10187 Eastwood Square Apartments

Dear Mr. Inamdar:

The Texas Department of Housing and Community Affairs (the "Department") received an application for the above referenced development on March 1, 2010. It has been determined that this application has not met the minimum threshold requirements under §50.9(h)(14)(A) of the 2010 Qualified Allocation Plan and Rules ("QAP") for the reasons stated below.

Pursuant to the 2010 QAP, §50.9(h)(14)(A)(ii), a Phase I Environmental Site Assessment (ESA) report must be,

> "(ii) Dated not more than twelve (12) months prior to the first day of the Application Acceptance Period. In the event that a Phase I Environmental Site Assessment on the Development is more than twelve (12) months old prior to the first day of the Application Acceptance Period, the Applicant must supply the Department with an updated letter or updated report dated not more than three (3) months prior to the first day of the Application Acceptance Period from the Person or organization which prepared the initial assessment confirming that the site has been re-inspected and reaffirming the conclusions of the initial report or identifying the changes since the initial report."

A Phase I ESA report dated February 2003 prepared by Terracon Consultants, Inc. was submitted along with an updated letter from SKA Consulting, L.P. dated April 1, 2010. The updated letter or report must have been prepared by the Person or organization which prepared the initial assessment, which is Terracon Consultants, Inc.

For the reason stated above, the application is terminated.

If you would like to appeal the Department's determination that the Application has not met the minimum eligibility requirements, an Appeals Policy does exist for the Housing Tax Credit Program. The restrictions and requirements relating to the filing of an appeal can be found in §50.17(b) of the 2010 QAP. If you choose to appeal this determination, you must first submit an appeal to the Executive Director no later than 5:00 pm on **May 4, 2010**. In the event an appeal is denied by the Executive Director, you may appeal directly in writing to the Board, provided that an appeal filed with the Board is received by **May 4, 2010.**

If you have any questions, please do not hesitate to contact Raquel Morales at 512-475-1676 or raquel.morales@tdhca.state.tx.us.

Sincerely,

Robbye Meyer
Director of Multifamily Finance

MFF:rbm

cc: Frank Liu