

Georgia Department of Community Affairs
Low Income Housing Tax Credits Final Allocation Application
New Quail Run Apartments, LLC

Tab 4 Independent Auditor's Report and Certification of Actual Costs

Auditor's Report and Certification of Actual Costs for New Quail Run Apartments, LLC prepared by Dixon Hughes Goodman LLP is attached. Also attached are work papers supporting the allocation of land cost and the calculations for the 50% test aggregate basis.

New Quail Run Apartments, LLC

Quail Run Apartments

Schedules of Certification of Actual Cost and Opinion as
to Eligible Basis and Building by Building Credit
Allocation
Together with Auditors' Report



DIXON HUGHES GOODMAN LLP
Certified Public Accountants and Advisors



DIXON HUGHES GOODMAN LLP
Certified Public Accountants and Advisors

INDEPENDENT AUDITORS' REPORT

Owner's Name: New Quail Run Apartments, LLC
Project Name: Quail Run Apartments
Project Number: TCAA # 2011-514

We have audited the costs included in the accompanying Georgia Department of Community Affairs ("DCA") Final Cost Certification Schedules of Certification of Actual Cost and Opinion as to Eligible Basis and the Building by Building Credit Allocation (the "Schedules") of New Quail Run Apartments, LLC (the "Owner") for Quail Run Apartments ("the Project") as of July 10, 2014.

Management's Responsibility for the Schedules

Management is responsible for the preparation and fair presentation of the Schedules in accordance with accounting principles prescribed by the Internal Revenue Service under the accrual method of accounting and in conformity with the format and Qualified Allocation Plan rules set by DCA. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedules that are free from material misstatement, whether due to error or fraud.

Auditors' Responsibility

Our responsibility is to express an opinion on the Schedules based on our audit. We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedules are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts in the Schedules. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Schedules present fairly, in all material respects, the actual costs of \$1,812,322 and eligible basis of \$1,648,014 of the Owner for the Project as of July 10, 2014, on the basis of accounting described below.

Basis of Accounting

The accompanying Schedules were prepared in conformity with the accounting practices prescribed by the Internal Revenue Service, under the accrual method of accounting, and in conformity with the format and qualified allocation plan rules set by DCA, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Restrictions on Use

This report is intended solely for the information and use of the Owner and the Owner's management, and for filing with DCA, and should not be used for any other purpose.

Dixon Hughes Goodman LLP

*High Point, North Carolina
November 2, 2014*

PART FOUR - USES OF FUNDS - Quail Run Apartments - 2011-514

CERTIFICATION OF ACTUAL COST AND OPINION AS TO ELIGIBLE BASIS

I. DEVELOPMENT COST SCHEDULE

	TOTAL COST	New Construction Basis	Acquisition Basis	Rehabilitation Basis	Amortizable or Non-Depreciable Basis
PRE-DEVELOPMENT COSTS					
Property Appraisal	4,936			4,737	199
Market Study	3,000			3,000	
Environmental Report(s)	3,970			3,970	
Soil Borings					
Boundary and Topographical Survey					
Zoning/Site Plan Fees					
Other: <u>Alta Survey, Capital Needs Assessment</u>	5,553			5,430	123
Subtotal	17,459	-	-	17,137	322
ACQUISITION					
Land	29,498				29,498
Demolition					
Acquisition Legal Fees (if existing structures)			703,240		
Existing Structures	703,240				
Subtotal	732,738	-	703,240	-	29,498
SITE IMPROVEMENTS					
Site Preparation (On-site)	56,976			56,976	
Site Preparation (Off-site)					
Subtotal	56,976	-	-	56,976	-
UNIT/BUILDING CONSTRUCTION					
Unit/Building Construction/New Construction					
Unit/Building Construction/Rehab	527,102			527,102	
Project Amenities / Accessory Buildings					
Other: <u>Construction Costs Outside of Contract</u>	3,554			3,554	
Subtotal	530,656	-	-	530,656	-
CONTRACTOR SERVICES					
Builder's Overhead: 2.00%	11,682			11,450	
Builder Profit: 6.00%	35,045			34,352	
General Requirements 6.00%	35,045			34,352	
Payment/performance bond or letter-of-credit fee or premium					
Subtotal	80,154	-	-	80,154	-
Total Construction Costs	27,824.42 per unit				
	667,786				
	31.22 per sq ft				

PART FOUR - USES OF FUNDS - Quail Run Apartments - 2011-514

CERTIFICATION OF ACTUAL COST AND OPINION AS TO ELIGIBLE BASIS

I. DEVELOPMENT COST SCHEDULE

	TOTAL COST	New Construction Basis	Acquisition Basis	Rehabilitation Basis	Amortizable or Non-Depreciable Basis
CONSTRUCTION PERIOD FINANCING					
Construction Loan Fee					
Construction Loan Interest	3,113			2,389	724
Construction Legal Fees					
Construction Period Real Estate Tax	5,331			5,331	
Construction Insurance	4,863			4,863	
Bridge Loan Fee and Bridge Loan Interest					
Other:					
Subtotal	13,307	-	-	12,583	724
PROFESSIONAL SERVICES					
Architectural Fee - Design	12,303			12,303	
Architectural Fee - Supervision	6,624			6,624	
Engineering	1,800			1,800	
Real Estate Attorney	3,342		3,112		230
Accounting	10,000			10,000	
Other:					
Subtotal	34,069	-	3,112	30,727	230
LOCAL GOVERNMENT FEES					
Building Permits					
Impact Fees					
Water Tap Fees <i>waived?</i>					
Sewer Tap Fees <i>waived?</i>					
Real Estate Taxes					
Subtotal	-	-	-	-	-
PERMANENT FINANCING FEES					
Permanent Loan Fees	7,600				7,600
Permanent Loan Legal Fees	6,555				6,555
Title and Recording Fees	150				150
As-Built Survey					
Bond Issuance Premium					
Cost of Issuance / Underwriter's Discount	20,304				20,304
Other: Financial Advisor and Application Fees	1,894				1,894
Subtotal	36,503	-	-	-	36,503

PART FOUR - USES OF FUNDS - Quail Run Apartments - 2011-514

CERTIFICATION OF ACTUAL COST AND OPINION AS TO ELIGIBLE BASIS

I. DEVELOPMENT COST SCHEDULE

	TOTAL COST	New Construction Basis	Acquisition Basis	Rehabilitation Basis	Amortizable or Non-Depreciable Basis
DCA-RELATED COSTS		DCA-RELATED COSTS			
DCA Loan Application Fee					
Tax Credit Application Fee					
DCA Waiver Fees	3,000				3,000
LIHTC Allocation Processing Fee	3,692				3,659
LIHTC Compliance Monitoring Fee	16,800				3,600
DCA Front End Analysis Fee (when ID of Interest)					
DCA Final Inspection Fee	500				500
Other: DCA Bond Allocation, DCA Bond Eligibility Option	5,375				5,375
Subtotal	16,134				16,134
EQUITY COSTS		EQUITY COSTS			
Partnership Organization Fees	160				160
Tax Credit Legal Opinion					
Other:					
Subtotal	160	-	-	-	160
DEVELOPER'S FEE		DEVELOPER'S FEE			
Developer's Overhead					
Consultant's Fee	116,284		53,029	63,255	
Developer's Fee	116,284		53,029	63,255	
Subtotal	232,568	-	106,058	126,510	-
START-UP AND RESERVES		START-UP AND RESERVES			
Marketing					
Rent-Up Reserves					
Operating Deficit Reserve:					
Replacement Reserve	38,751				38,751
Furniture, Fixtures and Equipment	3,602			3,602	
Other:					
Subtotal	42,353	-	-	3,602	38,751
OTHER COSTS		OTHER COSTS			
Relocation	59			59	
Other: Project Admin Expenses	241				241
Other: Other Assets Purchased	18,945				18,945
Subtotal	19,245	-	-	59	19,186
TOTAL DEVELOPMENT COST	1,812,322	-	812,410	858,404	141,508
Per Unit	75,513.42				
Per Square Foot	84.73				

PART FOUR - USES OF FUNDS - Quail Run Apartments - 2011-514

CERTIFICATION OF ACTUAL COST AND OPINION AS TO ELIGIBLE BASIS

II. TAX CREDIT CALCULATION - BASIS METHOD

	New Construction Basis	4% Acquisition Basis	Rehabilitation Basis
Subtractions From Eligible Basis			
Amount of federal grant(s) used to finance qualifying development costs			
Amount of federal below market rate loan			
Amount of nonqualified nonrecourse financing			
Costs of Nonqualifying units of higher quality			
Nonqualifying excess portion of higher quality units			
Historic Tax Credit (Residential Portion Only)			
Other <u>GA Power Rebate</u>			22,800
Total Subtractions From Basis:	0		22,800
Eligible Basis Calculation			
Total Basis	0	812,410	858,404
Less Total Subtractions From Basis (see above)	0		22,800
Total Eligible Basis	0	812,410	835,604
Eligible Basis Adjustment for DDA/QCT Location			100.00%
Adjusted Eligible Basis	0	812,410	835,604
Multiply Adjusted Eligible Basis by Applicable Fraction	100.00%	100.00%	100.00%
Qualified Basis	0	812,410	835,604
Multiply Qualified Basis by Applicable Credit Percentage		3.20%	3.20%
Maximum Tax Credit Amount	0	25,997	26,739
Total Basis Method Tax Credit Calculation		52,736	

III. TAX CREDIT CALCULATION - GAP METHOD

Equity Gap Calculation			
Total Development Cost		1,812,322	
Subtract Non-LIHTC (excluding deferred fee) Source of Funds		1,090,570	
Equity Gap		721,752	
Divide Equity Gap by 10		/ 10	
Annual Equity Required		72,175	
Enter Final Federal and State Equity Factors (not including GP contribution)		1.3200	
Total Gap Method Tax Credit Calculation		54,678	

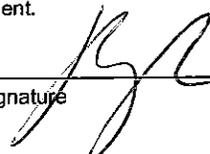
= $\frac{54,678}{1.0070}$ (Federal) + $\frac{54,678}{0.3130}$ (State)

IV. TAX CREDIT CARRYOVER ALLOCATION

Allocation Year

V. FINAL TAX CREDIT ALLOCATION REQUEST

I certify that all information provided above is true, correct, complete and reflects the full extent of all project costs and eligible basis which apply (or are expected to apply) to the above-mentioned development.

Owner Signature 

J. Wilkowsky Member WWD, LLC
 Name - Please Type
 Member, New Quail Run Apts, LLC

11-10-2014
 Date

PART EIGHT - BUILDING BY BUILDING CREDIT ALLOCATION - Quail Run Apartments - 2011-514

Cost Certification Date: **7/10/2014** Carryover Allocation Date: **N/A** Project Address: **100 Smith Avenue, Reidsville GA 30453**
 Type of Activity: **Acquisition**

Please do NOT include common space employee units!

Building Address	Building Identification Number	Total Nbr of Resident Units	Total Residential Square Footage	Nbr of Low Income Units	Low Income Square Footage	Building's Eligible Basis	QCT/ DDA Boost	Building's Adjusted Basis	Building's Applicable Fraction	Building's Qualified Basis	Date Placed In Service	Applic. Credit %	Tax Credit Amount	FINAL Tax Credit Allocation Request	
														Building's Qualified Basis	Tax Credit Amount
100 Smith Avenue Reidsville, GA 30453	GA-11-51401	8	7,105	8	7,105	278,311	100%	278,311	100.00%	278,311	7/25/2013	3.20%	8,906	278,311	8,906
100 Smith Avenue Reidsville, GA 30453	GA-11-51402	6	5,177	6	5,177	202,789	100%	202,789	100.00%	202,789	7/25/2013	3.20%	6,489	202,789	6,489
100 Smith Avenue Reidsville, GA 30453	GA-11-51403	8	7,089	8	7,089	277,684	100%	277,684	100.00%	277,684	7/25/2013	3.20%	8,886	277,684	8,886
100 Smith Avenue Reidsville, GA 30453	GA-11-51404	2	1,369	2	1,369	53,626	100%	53,626	100.00%	53,626	7/25/2013	3.20%	1,716	53,626	1,716
		24	20,740	24	20,740	812,410		812,410		812,410			25,997	812,410	25,997

PART EIGHT - BUILDING BY BUILDING CREDIT ALLOCATION - Quail Run Apartments - 2011-514

Cost Certification Date: **7/10/2014** Carryover Allocation Date: **N/A** Project Address: **100 Smith Avenue, Reidsville GA 30453**
 Type of Activity: **Rehabilitation**

Please do NOT include common space employee units!

Building Address	Building Identification Number	Total Nbr of Residential Units	Total Residential Square Footage	Nbr of Low Income Units	Low Income Square Footage	Building's Eligible Basis	QCT/ DDA Boost	Building's Adjusted Basis	Building's Applicable Fraction	Building's Qualified Basis	Date Placed In Service	Applic. Credit %	Tax Credit Amount	FINAL Tax Credit Allocation Request	
														Building's Qualified Basis	Tax Credit Amount
100 Smith Avenue Reidsville, GA 30453	GA-11-51401	8	7,105	8	7,105	286,257	100%	286,257	100.00%	286,257	2/28/2014	3.20%	9,160	286,257	9,160
100 Smith Avenue Reidsville, GA 30453	GA-11-51402	6	5,177	6	5,177	208,579	100%	208,579	100.00%	208,579	2/28/2014	3.20%	6,675	208,579	6,675
100 Smith Avenue Reidsville, GA 30453	GA-11-51403	8	7,089	8	7,089	285,612	100%	285,612	100.00%	285,612	2/28/2014	3.20%	9,140	285,612	9,140
100 Smith Avenue Reidsville, GA 30453	GA-11-51404	2	1,369	2	1,369	55,156	100%	55,156	100.00%	55,156	2/28/2014	3.20%	1,764	55,156	1,764
		24	20,740	24	20,740	835,604		835,604		835,604			26,738	835,604	26,739

New Quail Run Apartments, LLC
 Cost Allocation of Purchase Price

Sales Price	5101	785,516.15	✓
Reallocation	Draw #8	(108.00)	
Add'l Recording Costs	Draw #8	182.66	
Settlement Charges	5101	4,843.57	
		790,434.38	

	5102	Acq Costs	Title/Rec	Total					
Other Purchased Assets	✗	57,695.79	✓	0	57,695.79	(38,751.05)	18,944.74	1410	ineligible
Land	ⓘ	29,300.00		197.99	29,497.99			1410	ineligible
Building	ⓘ	698,520.36		4,720.24	703,240.60			1410	eligible
		785,516.15		4,918.23	790,434.38				

Σ ⓘ 727,820.36 Total land and building agrees to WP 5102 analysis

Title/Recording	4,918.23
Allocation:	
Land	197.99
Building	4,720.24

Assigned Values:	
Land Appraised Value	✓ 29,300.00 See appraisal report at PF-1408
Building Value	698,520.36
	727,820.36

Allocation %	
Land	4.03%
Building	95.97%

Cells to enter data

✗ Reserves of \$38,751.05 were purchased at acquisition and are included in the other purchased assets. An AJE has been made to break out the required reserve amount on a separate line. Per Kyle Harrelson at Boyd Management, entire reserves purchased at closing were replacement reserves.



Crown Appraisal Group

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April 15, 2013

Greystone Servicing Corporation, Inc.
Attn: Jane Sadler
1715 Aaron Brenner Drive, Suite 500
Memphis, TN 38120

Re: Quail Run Apartments
100 Smith Street
Reidsville, Georgia

Dear Jane Sadler:

At your request, we have completed an inspection and analysis of the referenced property for the purpose of developing and reporting an opinion of value for the property. The specific real property interest, real estate, type of report, and type of value are detailed within the body of the accompanying report. The accompanying report has been prepared in conformance with the requirements established by the Appraisal Institute. The appraisal is in conformance with USPAP requirements. The liability of Crown Appraisal Group, Inc. and its employees is limited to the fee collected for the preparation of the appraisal report. There is no accountability or liability to any third party. Based on discussions with market participants, the marketing period and exposure period for the property is estimated at 12 months. The following summarizes the interest being appraised, types of values, effective dates of values, and value opinions.

<i>Competitive Rent Comparable Unit Conclusions (CRCU)</i>		
	<u>1 Bedroom</u>	<u>2 Bedroom TH</u>
Prospective (Renovated) CRCU	450	550
<i>Value Opinions</i>	<u>Date of Value</u>	<u>Value</u>
As-is Market Value, unrestricted rents	April 1, 2013	\$1,030,000
Prospective Market Value, restricted rents (FNMA)	June 30, 2013	\$760,000
Prospective Market Value, restricted rents (RD)	April 1, 2015	\$1,130,000
Prospective Market Value subject to unrestricted rents	April 1, 2015	\$1,260,000
Land Value	April 1, 2013	\$29,300
Interest Credit Subsidy Value (Existing 515 Loan)	April 1, 2013	\$359,900
LIHTC Value	April 1, 2015	\$700,498
Insurable Value	April 1, 2015	\$1,128,918

**New Quail Run Apartments, LLC
Calculation of the Fifty Percent (50%) Test
Aggregate Approach**

Description	Residential Costs	Amortizable Costs	Depreciable Costs	Land	Other Costs/ Expense	Eligible Basis	(A) Land & Building Basis	(B) Costs Financed By Tax-Exempt Bonds
Land Acquisition (cell 19)	\$ 29,498	\$ -	\$ -	\$ 29,498	\$ -	\$ -	\$ 29,498	\$ -
Building Acquisition/Other Assets Purchased (cells 22 & 127)	722,185	-	680,440	-	41,745	680,440	680,440	139,542
Rehab/New Construction (cells 26, 32, 34, 38-40)	667,786	-	667,786	-	-	667,786	667,786	667,786
Soft Costs (cells 9-15, 51-57, 61-66, 78-80, 120, 125)	82,801	14,405	67,220	452	724	67,220	67,672	67,672
Financing Fees & Expenses (cells 83 & 84)	22,198	22,198	-	-	-	-	-	-
Other Costs (cells 93-100, 104, 126)	16,535	16,134	-	-	401	-	-	-
Developer Costs (cells 111 & 112)	232,568	-	232,568	-	-	232,568	232,568	-
Development Reserves (cells 119 & 121)	38,751	-	-	-	38,751	-	-	-
	<u>\$ 1,812,322</u>	<u>\$ 52,737</u>	<u>\$ 1,648,014</u>	<u>\$ 29,950</u>	<u>\$ 81,621</u>	<u>\$ 1,648,014</u>	<u>\$ 1,677,964</u>	<u>\$ 875,000</u>

50% Test Percentage Calculation

(B/A)

52.15%