

Independent Auditor's Report
Certification of Actual Cost and Opinion as
to Eligible Basis, Owner's Certification of Funding
Sources and Project Subsidy
and
Building Allocation of Qualified Basis
Pauldoe Redevelopment Phase I, LP
February 28, 2015

Pauldoe Redevelopment Phase I, LP

Index

	<u>Page</u>
Independent Auditor's Report	2
Sources of Funds	4
Certification of Actual Cost and Opinion as to Eligible Basis	5
Building by Building Credit Allocation	9

Independent Auditor's Report

Owner's Name: Pauldoe Redevelopment Phase I, L.P.
Project Name: Pauldoe Redevelopment Phase I
Project Number: 2012-015

We have audited the costs included in the accompanying Georgia Department of Community Affairs ("DCA") Certification of Actual Cost and opinion as to Eligible Basis, the Owner's Certification of Funding Sources and Project Subsidy, and the building allocation of Qualified Basis Worksheet (the "Final Cost Certification") of Pauldoe Redevelopment Phase I, L.P. (the "Owner") for Pauldoe Redevelopment Phase I ("the Project") as of February 28, 2015.

Management's Responsibility for the Final Cost Certification

Management is responsible for the preparation and fair presentation of the Final Cost Certification in accordance with financial reporting provisions and qualified allocation plan rules established by DCA. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Final Cost Certification that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Final Cost Certification. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Final Cost Certification, 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 Final Cost Certification 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 Final Cost Certification.

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 Final Cost Certification referred to above presents fairly, in all material respects, the actual costs of \$15,184,591 and eligible basis of \$13,597,411 of the Owner for the Project as of February 28, 2015, in accordance with financial reporting provisions and qualified allocation plan rules established by DCA.

Basis of Accounting

We draw attention to the financial reporting provisions of DCA, which require the Owner to account for actual costs and adjusted eligible basis in accordance with the basis of accounting the Owner uses for income tax purposes and to comply with the provisions of DCA's qualified allocation plan, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Restriction on Use

Our report is intended solely for the information and use of the Owner and DCA and is not intended to be and should not be used by anyone other than these specified parties.

Other

We have no financial interest in the Project other than in the practice of our profession.

CohnReznick LLP

Atlanta, Georgia
March 12, 2015

PART THREE - SOURCES OF FUNDS - Pauldoe Redevelopment Phase I - 2012-015

I. PERMANENT FINANCING

Financing Type	Name of Financing Entity	Principal Amount	Interest Rate	Term (Years)	Amort. (Years)	Annual Debt Svc Per Terms Given	Loan Type	Balloon?
First Mortgage	Athens Housing Authority	1,900,000	3.500%	30	30	102,382	Cash Flow	No
Second Mortgage	Athens Clarke County HOME Loan	1,300,000	0.000%	30	30	43,333	Cash Flow	No
Third Mortgage								
Other Source (specify)								
Other Source (specify)								
Deferred Developer Fees	New Affordable Housing Partners, LLC	297,710						
Federal Grant								
State, Local, or Private Grant								
Federal Housing Credit Equity	STCC Pauldoe Revelopment Phase I, LLC	8,385,011						
State Housing Credit Equity	STCC Pauldoe Revelopment Phase I, LLC	3,301,870						
Historic Credit Equity								
Investment Earnings from Tax-Exempt Bonds								
Investment Earnings from Taxable Bonds								
Income from Operations								
Other Source (specify)								
Other Source (specify)								
Other Source (specify)								
Total Permanent Financing:		15,184,591						
Total Development Costs from Development Cost Schedule:		15,184,591						
Surplus/(Shortage) of Permanent Funds to Development Costs:		0						

DCA HOME loan interest rate per Operating Year for Projects located in Rural Areas:

Year:	1 -7	8	9	10	11	12	13	14	15
Rate:									

PART FOUR - USES OF FUNDS - Pauldoe Redevelopment Phase I - 2012-015

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					
Market Study					
Environmental Report(s)	86,326	86,326			
Soil Borings					
Boundary and Topographical Survey	66,620	66,620			
Zoning/Site Plan Fees	91,950	91,950			
Other: Geotechnical & Permitting	52,288	52,288			
Subtotal	297,184	297,184	-	-	-
ACQUISITION					
Land					
Demolition					
Acquisition Legal Fees (if existing structures)					
Existing Structures					
Subtotal	-	-	-	-	-
SITE IMPROVEMENTS					
Site Preparation (On-site)	1,047,140	359,640			687,500
Site Preparation (Off-site)					
Subtotal	1,047,140	359,640	-	-	687,500
UNIT/BUILDING CONSTRUCTION					
Unit/Building Construction/New Construction	7,968,207	7,968,207			-
Unit/Building Construction/Rehab					
Project Amenities / Accessory Buildings					
Other:					
Subtotal	7,968,207	7,968,207	-	-	-
CONTRACTOR SERVICES					
Builder's Overhead: 2.00%	180,307	168,421			-
Builder Profit: 6.00%	540,921	505,263			-
General Requirements 6.00%	540,921	505,263			-
Payment/performance bond or letter-of-credit fee or premium					-
Subtotal	1,178,947	1,178,947	-	-	-
Total Construction Costs	101,942.94 per unit				
	10,194,294				
	131.14 per sq ft				

See Independent Auditor's Report.

I. DEVELOPMENT COST SCHEDULE

	TOTAL COST	New Construction Basis	Acquisition Basis	Rehabilitation Basis	Amortizable or Non-Depreciable Basis
CONSTRUCTION PERIOD FINANCING					
Construction Loan Fee	109,022	50,877			58,145
Construction Loan Interest	62,866	45,451			17,415
Construction Legal Fees	178,099	107,324			70,775
Construction Period Real Estate Tax					
Construction Insurance	97,249	92,008			5,241
Bridge Loan Fee and Bridge Loan Interest					
Other: Inspection Fees	6,359	6,359			
Subtotal	453,595	302,019	-	-	151,576
PROFESSIONAL SERVICES					
Architectural Fee - Design	715,570	715,570			
Architectural Fee - Supervision	70,503	70,503			
Engineering	222,656	222,656			
Real Estate Attorney					
Accounting	53,359	53,359			
Other: Green Building Program (LEED), Constr. Materials Testing	110,568	110,568			
Subtotal	1,172,656	1,172,656	-	-	-
LOCAL GOVERNMENT FEES					
Building Permits	103,670	103,670			
Impact Fees					
Water Tap Fees <i>waived?</i>	109,199	109,199			
Sewer Tap Fees <i>waived?</i>					
Real Estate Taxes					
Subtotal	212,869	212,869	-	-	-
PERMANENT FINANCING FEES					
Permanent Loan Fees					
Permanent Loan Legal Fees					
Title and Recording Fees	24,545	24,545			-
As-Built Survey					
Bond Issuance Premium					
Cost of Issuance / Underwriter's Discount					
Other:					
Subtotal	24,545	24,545	-	-	-

See Independent Auditor's Report.

I. DEVELOPMENT COST SCHEDULE

	TOTAL COST	New Construction Basis	Acquisition Basis	Rehabilitation Basis	Amortizable or Non-Depreciable Basis
DCA-RELATED COSTS					
DCA Loan Application Fee	1,000				1,000
Tax Credit Application Fee	6,500				6,500
DCA Waiver Fees					
LIHTC Allocation Processing Fee	60,830 69,520				69,520
LIHTC Compliance Monitoring Fee	70,000 80,000				80,000
DCA Front End Analysis Fee (when ID of Interest)					
DCA Final Inspection Fee	2,500				2,500
Other:					
Subtotal	159,520				159,520
EQUITY COSTS					
Partnership Organization Fees					
Tax Credit Legal Opinion					
Other:					
Subtotal	-	-	-	-	-
DEVELOPER'S FEE					
Developer's Overhead					
Consultant's Fee					
Developer's Fee	1,687,000	1,687,000			
Subtotal	1,687,000	1,687,000	-	-	-
START-UP AND RESERVES					
Marketing	68,584				68,584
Rent -Up Reserves	170,000				170,000
Operating Deficit Reserve:					
Replacement Reserve					
Furniture, Fixtures and Equipment	346,638	346,638			
Other: Working Capital Reserve & Public Housing Subsidy Reserve	350,000				350,000
Subtotal	935,222	346,638	-	-	588,584
OTHER COSTS					
Relocation					
Other: Miscellaneous Soft Costs	47,706	47,706			
Other:					
Subtotal	47,706	47,706	-	-	-
TOTAL DEVELOPMENT COST	15,184,591	13,597,411	-	-	1,587,180
Per Unit	151,845.91				
Per Square Foot	195.34				

See Independent Auditor's Report.

II. TAX CREDIT CALCULATION - BASIS METHOD

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

	New Construction Basis	4% Acquisition Basis	Rehabilitation Basis
Total Subtractions From Basis:	0		0

Eligible Basis Calculation

Total Basis
 Less Total Subtractions From Basis (see above)
 Total Eligible Basis
 Eligible Basis Adjustment for DDA/QCT Location
 Adjusted Eligible Basis
 Multiply Adjusted Eligible Basis by Applicable Fraction
 Qualified Basis
 Multiply Qualified Basis by Applicable Credit Percentage
 Maximum Tax Credit Amount
 Total Basis Method Tax Credit Calculation

13,597,411	0	0
0		0
13,597,411	0	0
130.00%		
17,676,634	0	0
79.38%		
14,031,201	0	0
9.00%		
1,262,808	0	0
	1,262,808	

III. TAX CREDIT CALCULATION - GAP METHOD

Equity Gap Calculation

Total Development Cost
 Subtract Non-LIHTC (excluding deferred fee) Source of Funds
 Equity Gap
 Divide Equity Gap by 10
 Annual Equity Required
 Enter Final Federal and State Equity Factors (not including GP contribution)
 Total Gap Method Tax Credit Calculation

15,184,591		
3,200,000		
11,984,591		
/ 10		
1,198,459		
1.3450	Federal	State
	= 0.9650	+ 0.3800
891,048		

IV. TAX CREDIT CARRYOVER ALLOCATION

Allocation Year

869,000
869,000

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

Name - Please Type

Date

JAMES S. GRAULAY

3/17/2015

See Independent Auditor's Report.

PART EIGHT - BUILDING BY BUILDING CREDIT ALLOCATION - Pauldoe Redevelopment Phase I - 2012-015

Cost Certification Date: 2/28/2015 Carryover Allocation Date: 1/2/2013 Project Address: 315 Hawthorne Avenue, Athens GA 30606
 Type of Activity: New Construction

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
315 Hawthorne Avenue	GA-13-21501	55	42,724	44	33,695	7,473,381	130%	9,715,395	78.87%	7,662,210	12/23/2014	9.00%	689,599	5,272,743	474,547
315 Hawthorne Avenue	GA-13-21502	45	35,010	36	28,287	6,124,030	130%	7,961,239	80.00%	6,368,991	12/23/2014	9.00%	573,209	4,382,813	394,453
		100	77,734	80	61,982	13,597,411		17,676,634		14,031,201			1,262,808	9,655,556	869,000

See Independent Auditor's Report.