

FARMINGTON HILLS II, L.P.

**INDEPENDENT AUDITORS' 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**

DECEMBER 31, 2014



HABIF, AROGETI & WYNNE, LLP
Certified Public Accountants and Business Advisors

INDEPENDENT AUDITOR'S REPORT

Owner's Name: Farmington Hills II, LP
Project Name: Farmington Hills, Phase II
Project Number: 2012-038

To the Partners
Farmington Hills II, LP

We have audited the costs included in the accompanying Tax Credit Allocation Agency ("TCAA") Final Cost Certification (the "Final Cost Certification") of Farmington Hills II, LP (the "Owner") for Farmington Hills, Phase II ("the Project") as of December 31, 2014.

Owner and Owner Management's Responsibility for the Schedule

The Owner and the Owner's management are responsible for the preparation and fair presentation of the Final Cost Certification in accordance with contractual agreements with the TCAA; this includes 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 the Owner and Owner's 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 opinion.

Opinion

In our opinion, the Final Cost Certification presents fairly, in all material respects, the actual costs of \$10,714,206, the eligible basis of \$9,600,774 and the adjusted eligible basis of \$10,944,882 of the Owner for the Project as of December 31, 2014, on the basis of accounting described below.

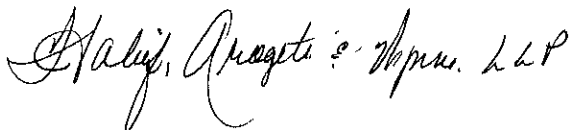
Basis of Accounting

The Final Cost Certification is 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 TCAA, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the provisions of the contractual agreements with TCAA, referred to above. Our opinion is not modified with respect to that matter.

Restriction on Use

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

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



Atlanta, Georgia

January 6, 2015

PART FOUR - USES OF FUNDS - Farmington Hills, Phase II - 2012-038

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	6,550	6,550			
Market Study	5,200	5,200			
Environmental Report(s)	3,550	3,550			
Soil Borings	2,775	2,775			
Boundary and Topographical Survey	4,872	4,872			
Zoning/Site Plan Fees					
Other: Construction Cost Review/Plan Review	15,686	15,686			
Subtotal	38,633	38,633			
ACQUISITION					
Land	572,925				572,925
Demolition					
Acquisition Legal Fees (if existing structures)					
Existing Structures					
Subtotal	572,925				572,925
SITE IMPROVEMENTS					
Site Preparation (On-site)	1,171,452	1,171,452			
Site Preparation (Off-site)					
Subtotal	1,171,452	1,171,452			
UNIT/BUILDING CONSTRUCTION					
Unit/Building Construction/New Construction	5,118,988	5,118,988			
Unit/Building Construction/Rehab					
Project Amenities / Accessory Buildings					
Other:					
Subtotal	5,118,988	5,118,988			
CONTRACTOR SERVICES					
Builder's Overhead:	125,809	125,809			
Builder Profit:	377,426	366,674			
General Requirements	377,426	377,426			
Payment/performance bond or letter-of-credit fee or premium					
Subtotal	869,909	869,909			
Total Construction Costs	7,160,349	99,449.29 per unit			
		86.60 per sq ft			

PART FOUR - USES OF FUNDS - Farmington Hills, Phase II - 2012-038

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	8,528	8,528			
Construction Loan Interest	83,669	47,999			35,670
Construction Legal Fees	25,000	25,000			
Construction Period Real Estate Tax	2,751	2,458			293
Construction Insurance	5,043				5,043
Bridge Loan Fee and Bridge Loan Interest	110,852	94,484			16,368
Other: Interest Carry on Land	59,337	59,337			59,337
Subtotal	295,180	178,479	-	-	116,701
PROFESSIONAL SERVICES					
Architectural Fee - Design	109,910	109,910			
Architectural Fee - Supervision	23,243	23,243			
Engineering	37,500	37,500			
Real Estate Attorney	18,500	18,500			
Accounting	26,165	26,165			
Other: Green Building Consultant & Certification Fees	215,318	215,318			
Subtotal	215,318	215,318	-	-	-
LOCAL GOVERNMENT FEES					
Building Permits	23,646	23,646			
Impact Fees	50,000	50,000			
Water Tap Fees	255,700	255,700			
Sewer Tap Fees	328,500	328,500			
Real Estate Taxes	657,846	657,846			
Subtotal	657,846	657,846	-	-	-
PERMANENT FINANCING FEES					
Permanent Loan Fees	16,500				16,500
Permanent Loan Legal Fees	15,000				15,000
Title and Recording Fees	31,989	31,989			
As-Built Survey	10,000	10,000			
Bond Issuance Premium					
Cost of Issuance / Underwriter's Discount					
Other: Radon Testing	3,380	3,380			
Subtotal	76,869	45,369	-	-	31,500

PART FOUR - USES OF FUNDS - Farmington Hills, Phase II - 2012-038

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 Loan Application Fee	6,500				6,500
Tax Credit Application Fee	1,500				1,500
DCA Waiver Fees	56,495				56,495
LIHTC Allocation Processing Fee	64,566				64,566
LIHTC Compliance Monitoring Fee	50,400				50,400
DCA Front End Analysis Fee (when ID of Interest)					
DCA Final Inspection Fee	3,000				3,000
Other:					
Subtotal	133,166				133,166
EQUITY COSTS					
Partnership Organization Fees	75				75
Tax Credit Legal Opinion	19,131				19,131
Other:					
Subtotal	19,206				19,206
DEVELOPER'S FEE					
Developer's Overhead					
Consultant's Fee	1,270,000				1,270,000
Developer's Fee	1,270,000				1,270,000
Subtotal	1,270,000				1,270,000
START-UP AND RESERVES					
Marketing	7,992				7,992
Rent-Up Reserves	30,818				30,818
Operating Deficit Reserve:					
Replacement Reserve	201,124				201,124
Furniture, Fixtures and Equipment	21,880				21,880
Other:					
Subtotal	261,814				239,934
OTHER COSTS					
Relocation					
Other: Inspection Fees	12,900				12,900
Other:					
Subtotal	12,900				12,900
TOTAL DEVELOPMENT COST					
Per Unit	10,714,206				1,113,432
Per Square Foot	148,808.42				
	129.59				

PART FOUR - USES OF FUNDS - Farmington Hills, Phase II - 2012-038

CERTIFICATION OF ACTUAL COST AND OPINION AS TO ELIGIBLE BASIS

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	0
4% Acquisition Basis	0
Rehabilitation Basis	0

Total Subtractions From Basis:

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

9,600,774	0	0	0	0	0	0	0
9,600,774	0	0	0	0	0	0	0
114.00%	0	0	0	0	0	0	0
10,944,882	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
10,944,882	0	0	0	0	0	0	0
9,009,000	0	0	0	0	0	0	0
985,039	985,039	985,039	985,039	985,039	985,039	985,039	985,039

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

10,714,206	1,190,000	9,524,206	/ 10	952,421	1.1800	807,136
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Federal 0.8800 + State 0.3000 =

IV. TAX CREDIT CARRYOVER ALLOCATION

Allocation Year

2013	807,072
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V. FINAL TAX CREDIT ALLOCATION REQUEST

I certify that the 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.

[Signature]
 Owner Signature

KEVIN N. BUCKNALL
 Name - Please Type

1/22/15
 Date

PART THREE - SOURCES OF FUNDS - Farmington Hills, Phase II - 2012-038

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	Regions Bank	1,190,000	7.500%	30	30	99,848		
Second Mortgage								
Third Mortgage								
Other Source (specify)								
Other Source (specify)								
Deferred Developer Fees	MHL, Inc.	2,177						
Federal Grant								
State, Local, or Private Grant								
Federal Housing Credit Equity	Regions Bank	7,100,813						
State Housing Credit Equity	SCS Farmington II	2,421,216						
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:		10,714,206						
Total Development Costs from Development Cost Schedule:		10,714,206						
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:									

VII. OWNER COMMENTS AND CLARIFICATIONS

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