

**GARDENS YOUNG HARRIS, LP**

**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**

**NOVEMBER 30, 2015**

## INDEPENDENT AUDITOR'S REPORT

Owner's Name: Gardens Young Harris, LP  
Project Name: The Gardens

To the Partners  
Gardens Young Harris, LP

We have audited the costs included in the accompanying Tax Credit Allocation Agency ("TCAA") Final Cost Certification (the "Final Cost Certification") of Gardens Young Harris, LP (the "Owner") for The Gardens ("the Project") as of November 30, 2015.

### **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 \$7,466,696, eligible basis of \$6,517,529, and adjusted eligible basis of \$8,472,787 of the Owner for the Project as of November 30, 2015, 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.

A handwritten signature in cursive script that reads "Stanley, Aronson & Wynn, LLP".

Atlanta, Georgia

January 19, 2016

PART FOUR - USES OF FUNDS - The Gardens - 2013-004

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
<b>PRE-DEVELOPMENT COSTS</b>					
Property Appraisal	11,650	11,650			
Market Study	4,720	4,720			
Environmental Report(s)	11,108	11,108			
Soil Borings	4,550	4,550			
Boundary and Topographical Survey	17,075	17,075			
Zoning/Site Plan Fees	5,723	5,723			
Other:	-				
<b>Subtotal</b>	<b>54,825</b>	<b>54,825</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>ACQUISITION</b>					
Land	587,533				587,533
Demolition	-				
Acquisition Legal Fees (if existing structures)	-				
Existing Structures	-				
<b>Subtotal</b>	<b>587,533</b>		<b>-</b>		<b>587,533</b>
<b>SITE IMPROVEMENTS</b>					
Site Preparation (On-site)	900,009	900,009			
Site Preparation (Off-site)	-				
<b>Subtotal</b>	<b>900,009</b>	<b>900,009</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>UNIT/BUILDING CONSTRUCTION</b>					
Unit/Building Construction/New Construction	3,660,675	3,660,675			
Unit/Building Construction/Rehab	-				
Project Amenities / Accessory Buildings	-				
Other:	-				
<b>Subtotal</b>	<b>3,660,675</b>	<b>3,660,675</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CONTRACTOR SERVICES</b>					
Builder's Overhead: 2.00%	91,214	79,400			
Builder Profit: 6.00%	273,641	238,200			
General Requirements 6.00%	273,641	140,127			
Payment/performance bond or letter-of-credit fee or premium	-				
<b>Subtotal</b>	<b>457,727</b>	<b>457,727</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>Total Construction Costs</i>	<i>98,400.22 per unit</i>				
<i>5,018,411</i>	<i>92.20 per sq ft</i>				

PART FOUR - USES OF FUNDS - The Gardens - 2013-004

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
<b>CONSTRUCTION PERIOD FINANCING</b>					
Construction Loan Fee	-				
Construction Loan Interest	3,514	3,514			
Construction Legal Fees	26,250	26,250			
Construction Period Real Estate Tax	10,208	7,185			3,023
Construction Insurance	13,589	13,589			
Bridge Loan Fee and Bridge Loan Interest	29,202	4,202			25,000
Other: Construction Period Inspection Fees	11,146	11,146			
<b>Subtotal</b>	<b>93,908</b>	<b>65,885</b>	<b>-</b>	<b>-</b>	<b>28,023</b>
<b>PROFESSIONAL SERVICES</b>					
Architectural Fee - Design	167,680	167,680			
Architectural Fee - Supervision	41,920	41,920			
Engineering	-				
Real Estate Attorney	69,841	69,841			
Accounting	18,000	18,000			
Other:	-				
<b>Subtotal</b>	<b>297,441</b>	<b>297,441</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>LOCAL GOVERNMENT FEES</b>					
Building Permits	17,392	17,392			
Impact Fees	-				
Water Tap Fees <i>waived?</i>	18,941	18,941			
Sewer Tap Fees <i>waived?</i>	77,500	77,500			
Real Estate Taxes	-				
<b>Subtotal</b>	<b>113,833</b>	<b>113,833</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>PERMANENT FINANCING FEES</b>					
Permanent Loan Fees	-				-
Permanent Loan Legal Fees	5,750				5,750
Title and Recording Fees	17,881	17,881			
As-Built Survey	4,750	4,750			
Bond Issuance Premium	-				
Cost of Issuance / Underwriter's Discount	-				
Other:	-				
<b>Subtotal</b>	<b>28,381</b>	<b>22,631</b>	<b>-</b>	<b>-</b>	<b>5,750</b>

PART FOUR - USES OF FUNDS - The Gardens - 2013-004

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
<b>DCA-RELATED COSTS</b>		<b>DCA-RELATED COSTS</b>			
DCA Loan Application Fee	5,000				5,000
Tax Credit Application Fee	6,500				6,500
DCA Waiver Fees	-				
LIHTC Allocation Processing Fee	42,657 48,751				48,751
LIHTC Compliance Monitoring Fee	35,700 40,800				40,800
DCA Front End Analysis Fee (when ID of Interest)	-				
DCA Final Inspection Fee	3,000				3,000
Other:					
<b>Subtotal</b>	104,051				104,051
<b>EQUITY COSTS</b>		<b>EQUITY COSTS</b>			
Partnership Organization Fees	2,500				2,500
Tax Credit Legal Opinion					
Other: Due Diligence	28,500				28,500
<b>Subtotal</b>	31,000	-	-	-	31,000
<b>DEVELOPER'S FEE</b>		<b>DEVELOPER'S FEE</b>			
Developer's Overhead	168,108	168,108			
Consultant's Fee	-				
Developer's Fee	675,097	675,097			
<b>Subtotal</b>	843,205	843,205	-	-	-
<b>START-UP AND RESERVES</b>		<b>START-UP AND RESERVES</b>			
Marketing	9,538				9,538
Rent -Up Reserves	38,485				38,485
Operating Deficit Reserve:	94,787				94,787
Replacement Reserve	-				
Furniture, Fixtures and Equipment	58,680	58,680			
Other: Prepaid Investor Service Fee	50,000				50,000
<b>Subtotal</b>	251,490	58,680	-	-	192,810
<b>OTHER COSTS</b>		<b>OTHER COSTS</b>			
Relocation					
Other: Green Building Consultant Fee and Program Certific	35,995	35,995			
Other: Accessibility Inspections and Plan Review	6,622	6,622			
<b>Subtotal</b>	42,617	42,617	-	-	-
<b>TOTAL DEVELOPMENT COST</b>	<b>7,466,696</b>	<b>6,517,529</b>	<b>-</b>	<b>-</b>	<b>949,167</b>
<b>Per Unit</b>	146,405.80				
<b>Per Square Foot</b>	137.18				

**PART FOUR - USES OF FUNDS - The Gardens - 2013-004**

**CERTIFICATION OF ACTUAL COST AND OPINION AS TO ELIGIBLE BASIS**

**II. TAX CREDIT CALCULATION - BASIS METHOD**

	New Construction Basis	4% Acquisition Basis	Rehabilitation Basis
<b>Subtractions From Eligible Basis</b>			
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			
<b>Total Subtractions From Basis:</b>	<b>0</b>		<b>0</b>
<b>Eligible Basis Calculation</b>			
Total Basis	6,517,529	0	0
Less Total Subtractions From Basis (see above)	0		0
Total Eligible Basis	6,517,529	0	0
Eligible Basis Adjustment for DDA/QCT Location	130.00%		
Adjusted Eligible Basis	8,472,787	0	0
Multiply Adjusted Eligible Basis by Applicable Fraction	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>
Qualified Basis	8,472,787	0	0
Multiply Qualified Basis by Applicable Credit Percentage	9.00%		
Maximum Tax Credit Amount	762,551	0	0
Total Basis Method Tax Credit Calculation	<b>762,551</b>		

**III. TAX CREDIT CALCULATION - GAP METHOD**

**Equity Gap Calculation**

Total Development Cost	7,466,696		
Subtract Non-LIHTC (excluding deferred fee) Source of Funds	375,000		
Equity Gap	7,091,696		
Divide Equity Gap by 10	/ 10		
Annual Equity Required	709,170		
Enter Final Federal and State Equity Factors (not including GP contribution)	1.1460	=	Federal
Total Gap Method Tax Credit Calculation	<b>618,816</b>		+ State
			0.8460 + 0.3000

**IV. TAX CREDIT CARRYOVER ALLOCATION**

Allocation Year 2014 609,390

**V. FINAL TAX CREDIT ALLOCATION REQUEST**

609,390

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

**PART THREE - SOURCES OF FUNDS - The Gardens - 2013-004**

**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	Tift County Residential Housing	375,000	2.500%	12	12	36,204	Amortizing	No
Second Mortgage								
Third Mortgage								
Other Source (specify)								
Other Source (specify)								
Deferred Developer Fees	ABC Developer	108,550						
Federal Grant								
State, Local, or Private Grant								
Federal Housing Credit Equity	Regions / HG Gardens Young Harris, L	5,154,976						
State Housing Credit Equity	HG Gardens Young Harris, LLC	1,828,170						
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:		<b>7,466,696</b>						
Total Development Costs from Development Cost Schedule:		<b>7,466,696</b>						
Surplus/(Shortage) of Permanent Funds to Development Costs:		<b>0</b>						

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**

Federal Credits of \$51,189 are paid for by HG Gardens Young Harris, LLC which paid 0.840000 per credit. Federal Credits of \$5,103,787 are paid fo by Regions Bank which paid 0.846069 per credit. The blended pay rate has been included in the GAP calculation.

