

**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**

Hearthside Tucker, LP

October 31, 2016

Hearthside Tucker, 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: Hearthside Tucker, LP
Project Name: Hearthside Tucker
Project Number: 2013-032

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 Hearthside Tucker, LP (the "Owner") for Hearthside Tucker ("the Project") as of October 31, 2016.

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 \$17,454,310 and adjusted eligible basis of \$19,545,776 of the Owner for the Project as of October 31, 2016, in accordance with financial reporting provisions and qualified allocation plan rules established by DCA.

As stated in Note A, the number of low income units was revised from 68 to 67, and the low income square footage was revised from 60,830 to 59,816. As a result, the qualified basis was reduced from \$11,712,139 to \$11,516,905, and the maximum tax credit amount was reduced from \$1,054,093 to \$1,036,521. There is no change in the total requested tax credit.

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 15, 2017

PART THREE - SOURCES OF FUNDS - Heartside Tucker - 2013-032

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	The Community Development Trust, LP	5,000,000	5.650%	30	35		Amortizing	No
Second Mortgage								
Third Mortgage								
Other Source (specify)								
Other Source (specify)								
Deferred Developer Fees	Norsouth Development Company of Georgia, LLC	911,467						
Federal Grant								
State, Local, or Private Grant								
Federal Housing Credit Equity	STCC Heartside Tucker, LLC	8,080,569						
State Housing Credit Equity	CSG Heartside Tucker, LLC	3,462,274						
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:		17,454,310						
Total Development Costs from Development Cost Schedule:		17,454,310						
Surplus/(Shortage) of Permanent Funds to Development Costs:		0						

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

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

VII. OWNER COMMENTS AND CLARIFICATIONS

See Independent Auditor's Report.

PART FOUR - USES OF FUNDS - Heartside Tucker - 2013-032

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	8,273	8,273			
Market Study	20,670	20,670			
Environmental Report(s)	10,209	10,209			
Soil Borings	10,394	10,394			
Boundary and Topographical Survey	42,231	42,231			
Zoning/Site Plan Fees	86,541	86,541			
Other: Noise Study/Mat. Testing/Sustainability & ADA Consultants	178,318	178,318			
	Subtotal	178,318	-	-	-
ACQUISITION					
Land	129,604				129,604
Demolition					
Acquisition Legal Fees (if existing structures)					
Existing Structures	129,604				129,604
	Subtotal	129,604	-	-	241,045
SITE IMPROVEMENTS					
Site Preparation (On-site)	1,228,741	987,696			241,045
Site Preparation (Off-site)	1,228,741	987,696			241,045
	Subtotal	1,975,382	-	-	482,090
UNIT/BUILDING CONSTRUCTION					
Unit/Building Construction/New Construction	10,024,081	9,627,899			396,182
Unit/Building Construction/Rehab	140,779				140,779
Project Amenities / Accessory Buildings					
Other:					
	Subtotal	10,164,860	-	-	536,961
CONTRACTOR SERVICES					
Builder's Overhead: 2.00%	227,872	227,692			
Builder Profit: 6.00%	683,616	170,585			
General Requirements 6.00%	683,616	489,856			
Payment/performance bond or letter-of-credit fee or premium					
	Subtotal	888,133	-	-	-
Total Construction Costs	109,658.34 per unit				
	12,281,734	120.98 per sq ft			

I. DEVELOPMENT COST SCHEDULE

	TOTAL COST	New Construction Basis	Acquisition Basis	Rehabilitation Basis	Amortizable or Non-Depreciable Basis
CONSTRUCTION PERIOD FINANCING					
Construction Loan Fee	169,722	99,051			70,671
Construction Loan Interest	247,906	188,924			58,982
Construction Legal Fees					
Construction Period Real Estate Tax	98,952	31,257			67,695
Construction Insurance	98,084	41,436			56,648
Bridge Loan Fee and Bridge Loan Interest					
Other:					
Subtotal	614,664	360,668	-	-	253,996
PROFESSIONAL SERVICES					
Architectural Fee - Design	339,921	339,921			
Architectural Fee - Supervision	144,076	144,076			
Engineering	53,153	53,153			
Real Estate Attorney	88,373	66,280			22,093
Accounting	19,655	19,655			
Other: Other Hard Costs	38,448	38,448			
Subtotal	683,626	661,533	-	-	22,093
LOCAL GOVERNMENT FEES					
Building Permits	110,810	110,810			
Impact Fees	4,386	4,386			
Water Tap Fees	15,325	15,325			
Sewer Tap Fees	201,648	201,648			
Real Estate Taxes					
Subtotal	332,169	332,169	-	-	-
PERMANENT FINANCING FEES					
Permanent Loan Fees	157,000				157,000
Permanent Loan Legal Fees					
Title and Recording Fees	30,159	29,904			255
As-Built Survey					
Bond Issuance Premium					
Cost of Issuance / Underwriter's Discount					
Other:					
Subtotal	187,159	29,904	-	-	157,255

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	4,500				4,500
DCA Waiver Fees	65,964				65,964
LIHTC Allocation Processing Fee	89,600				89,600
LIHTC Compliance Monitoring Fee					
DCA Front End Analysis Fee (when ID of Interest)	3,000				3,000
DCA Final Inspection Fee	1,000				1,000
Other: Qualification Application Fee	170,564				170,564
Subtotal	386,028				386,028
EQUITY COSTS					
Partnership Organization Fees	45,000				45,000
Tax Credit Legal Opinion					
Other:	45,000				45,000
Subtotal	90,000				90,000
DEVELOPER'S FEE					
Developer's Overhead					
Consultant's Fee	1,800,000				
Developer's Fee	1,800,000				
Subtotal	3,600,000				3,600,000
START-UP AND RESERVES					
Marketing	206,232				206,232
Rent -Up Reserves	497,435				497,435
Operating Deficit Reserve:					
Replacement Reserve					
Furniture, Fixtures and Equipment	311,174	311,174			
Other: Landscape Architect, Technology consultant	15,480	15,480			
Subtotal	1,030,321	326,654			703,667
OTHER COSTS					
Relocation	1,151				1,151
Other: Bank Fees					
Other:	1,151				1,151
Subtotal	2,302				2,302
TOTAL DEVELOPMENT COST	17,454,310	15,192,974			2,261,336
Per Unit	155,842.05				
Per Square Foot	171.94				

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
	157,762		
Total Subtractions From Basis:	157,762		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

	15,192,974	0	0
	157,762		
	15,035,212	0	0
	130%		
	19,545,776	0	0
	58.92%	58.92%	58.92%
	11,516,905	0	0
	9.00%		
	1,036,521	0	0
		1,036,521	

See Note A

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

	17,454,310		
	5,000,000		
	12,454,310		
		/ 10	
	1,245,431		
	1,4099		
	883,347		

Federal	0.9900	+	State	0.4199
		=		

IV. TAX CREDIT CARRYOVER ALLOCATION

Allocation Year

2014

824,547

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.

David H. Dixon
 Owner Signature

Name - Please Type

David H. Dixon

Date

3-27-17

See Independent Auditor's Report.

COHN  REZNICK
ACCOUNTING • TAX • ADVISORY

Independent Member of Nexia International

cohnreznick.com