Crown Appraisal Group

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LaFayette Gardens Apartments

709 Patterson Road
20-unit apartment complex
LaFayette, Georgia

Date of Report: October 25, 2013

Prepared by
Crown Appraisal Group, Inc.
355 East Campus View Boulevard, Suite 150
Columbus, Ohio 43235
614-431-3332 (o), 614-431-3376 (f)

Prepared for
Mr. Bill Rea
Rea Ventures Group, LLC
2964 Peachtree Road NW, Suite 640
Atlanta, Georgia 30305

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October 25, 2013

Rea Ventures Group, LLC
Attn: Bill Rea
2964 Peachtree Road NW, Suite 640
Atlanta, Georgia 30305

Re: LaFayette Gardens Apartments
709 Patterson Road
LaFayette, Georgia

Dear Mr. Rea:

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.

Competitive Rent Comparable Unit Conclusions (CRCU)

	1 Bed, 1 Bath	2 Bed, 1 Bath
As-is CRCU	435	565
Prospective (Renovated) CRCU	500	630

Value Opinions	Date of Value	Value
Value 1 - as-is, as conventional or unrestricted	August 1, 2013	$920,000
Value 2 - as-is, subject to restricted rents	August 1, 2013	$640,000
Value 3 - prospective, subject to restricted rents	February 1, 2015	$1,180,000
Value 4 - prospective, as conventional or unrestricted	February 1, 2015	$1,130,000
Value 5 - Land Value	August 1, 2013	$33,130
Value 6 - Interest Credit Subsidy Value (Existing 515 Loan)	December 31, 2012	$223,000
Value 7 - LIHTC Value	February 1, 2015	$455,930
Value 8 - Insurable Value	February 1, 2015	$973,037

The opinion of value contained in the attached appraisal report is based upon the following extraordinary assumptions:

- The units and other improvements at the property that were viewed during the inspection (defined within the body of the report) are representative of all the units and other improvements at the property.

The opinion of value contained in the attached appraisal report is based upon the following hypothetical condition:

- Hypothetical conditions are stated within the Parameters of Assignment section of the report.

The opinion of value contained in the attached appraisal report is based upon the following assumptions and limiting conditions:

- The information furnished by others is believed to be reliable. No warranty is given for its accuracy, though.

- No responsibility is assumed for the legal description or for matters including legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.

- The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated in the report.

- It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations, laws, and license requirements unless otherwise stated in the report.

- The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate valuations for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used.

- The value opinions, and the costs used, are as of the date of the value opinion.

- All engineering is assumed to be correct. The plot plans and other illustrative material in this report are included only to assist the reader in visualizing the property.

- The proposed improvements, if any, on or off-site, as well as any repairs required, are considered, for purposes of the appraisal, to be completed in a good and workmanlike manner according to information submitted and/or considered by the appraiser.

- Responsible ownership and competent property management are assumed.

- It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that make it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering or environmental studies that may be required to discover them.

- Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on or in the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of such substances may affect the value of the property. The value opinion is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.

- It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.

- All mechanical components are assumed to be in good, operable condition unless otherwise noted.

- The appraiser is not required to give further consultation, testimony, or be in attendance in court with reference to the property in question unless arrangements have been previously made.

- Our opinion of value does not consider the effect (if any) of possible noncompliance with the requirements of the ADA.

- This appraisal is to be used only in its entirety. Possession of the report or any copy does not carry with it the right of publication. The report may not be used for any purpose by any person or corporation other than the client or the party to whom it is addressed or copied without the written consent of the signing appraiser(s).

- Crown Appraisal Group, Inc. and its employees accept no responsibility for changes in market conditions or the inability of the client, intended user, or any other party to achieve desired outcomes.

- Projections or estimates of desired outcomes by the client, intended user, or any other party may be affected by future events. The client, intended user, or any other party using this report acknowledges and accepts that Crown Appraisal Group, Inc. and its employees have no liability arising from these events.

- This document, and all of the statements, opinions, contents, and all attachments and addendums are privileged and confidential to the client (the addressee), and are not intended to be disclosed to or relied upon by any third party without the express written consent of the appraiser(s).

ACCEPTANCE OF, AND/OR USE OF, THIS APPRAISAL REPORT CONSTITUTES ACCEPTANCE OF THE ABOVE CONDITIONS.

The undersigned hereby certify that, except as otherwise noted in the report:

- the statements of fact contained in this report are true and correct.
- the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions, and conclusions.
- we have no present or prospective interest in the property that is the subject of this report, and we have no personal interest or bias with respect to the parties involved.
- our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute.
- our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- our compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the client, the amount of the value opinion, the attainment of the stipulated results, or the occurrence of a subsequent event.
- we have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- the analysis was not based on a requested minimum valuation or specific valuation or the approval of a loan.
- the use of this report is subject to the requirements of the Appraisal Institute of relating to review by its duly authorized representatives.
- as of the date of this report, Andrew Moye has completed the requirements of the continuing education program of the Appraisal Institute.
- Andrew Moye has not made a personal inspection of the property that is the subject of this report.
- Kim Garner and Hanna Phillips have provided significant professional assistance to the person signing the report.
- compliance with the USPAP competency rule has been achieved.

The attached appraisal report contains the results of the investigation and opinion of value. We appreciate this opportunity to serve you and your firm. Should you or anyone authorized to use this report have any questions, contact us at your convenience.

Sincerely,

CROWN APPRAISAL GROUP

Andrew J. Moye, MAI
Principal

AJM/kkg
Enclosure

Table of Contents

Executive Summary

Subject Real Estate Identification: The subject is known as LaFayette Gardens Apartments and has an address of 709 Patterson Road in LaFayette, Georgia. The complex operates as a Class C, subsidized income, non-age restricted property. LaFayette Gardens Apartments is located on the north side of Patterson Street, just south of SR 136 (East Villanow Street) and about one mile southeast of downtown LaFayette. The property is in Walker County. LaFayette is the county seat of Walker County and is located in northwestern Georgia.

The subject improvements include a 20-unit apartment complex (housed in three 2-story buildings). The property includes one and two bedroom units. The improvements were built in 1986. The property is in average physical and functional condition. The 20 units total 14,800 sf. The property is currently 95.0% occupied. The subject site is 3.750 acres.

Existing Use of Real Estate:	Apartment Complex
Highest and Best Use:	Intensive Residential (current use)
Zoning:	R-3: Multifamily Residential
Pertinent dates:	
As-is date of valuation:	see chart
Prospective date of valuation:	see chart
Date of inspection:	September 11, 2013
Date of report:	October 25, 2013
Type of report:	Self-contained
Values, interests appraised:	see next page

Conclusions:

Competitive Rent Comparable Unit Conclusions (CRCU)

	1 Bed, 1 Bath	2 Bed, 1 Bath
As-is CRCU	435	565
Prospective (Renovated) CRCU	500	630

Value Opinions	Date of Value	Value
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Value 8 - Insurable Value	February 1, 2015	$973,037

Parameters of Assignment

Purpose, Intended Use

The purpose of this assignment is to arrive at an opinion of the market value of the property known as LaFayette Gardens Apartments. A number of value opinions of a number of interests are provided. The value opinions, applicable notes (including discussion about the use of a hypothetical condition), and intended use, are detailed below:

Value Opinion 1	Market value within 7 CFR Part 3560.752(b)(1)(ii), Premised Upon A Hypothetical Condition As-If Unsubsidized Conventional Housing in compliance with 7 CFR Part 3560.656(c)(1)(i). *Note - using the hypothetical condition "as unsubsidized conventional housing" according to 7 CFR Part 3560.656(c)(1)(i) means that when the appraiser develops their highest and best use analysis they will not recognize any Rural Development restrictions or subsidies and must only consider the property as continued use as housing.* The intended use of this appraised value is to determine the value of the property that qualifies for an Incentive Offer within 7 CFR Part 3560.656 for sale/purchase and to determine the amount and availability of any equity. For ease of communication throughout the report, every effort is made to identify this value either by the complete definition or "Value Opinion 1, market, unrestricted".
Value Opinion 2	Market Value, within 7 CFR Part 3560.752(b)(1)(ii). *Note – this value opinion must consider all existing restrictions and prohibitions including Restrictive-Use Provisions (RUPs).* The intended use of this appraised value is to determine the value of the property for sale/purchase and to determine the amount and availability of any equity. For ease of communication throughout the report, every effort is made to identify this value either by the complete definition or "Value Opinion 2, market, restricted".
Value Opinion 3	Prospective Market Value, Subject To Restricted Rents within 7 CFR Part 3560.752(b)(1)(i). *Note – this value opinion must consider any rent limits, rent subsidies, expense abatements, and restrict-use conditions that will affect the property. All intangible assets must be evaluated individually and separately from real estate.* The intended use of this appraised value for a new or subsequent loan is to assist the underwriter with calculating the security value for the basis of a loan or loan guarantee. For ease of communication throughout the report, every effort is made to identify this value either by the complete definition or "Value Opinion 3, prospective, restricted".
Value Opinion 4	Prospective Market Value within 7 CFR Part 3560.752(b)(1)(ii), Premised Upon A Hypothetical Condition As-If-Conventional Housing. *Note – this value opinion is based upon a highest and best use analysis as-if not encumbered by USDA program provisions.*

	The intended use of this appraised value is for reasonable analysis and comparison as to how the USDA restrictions affect the property. It should not be used as the basis of a loan or loan guarantee. For ease of communication throughout the report, every effort is made to identify this value either by the complete definition or "Value Opinion 4, prospective, unrestricted".
Value Opinion 5	Market value of underlying land.
Value Opinion 6	Value of the interest credit subsidy from assumed 515 loan.
Value Opinion 7	Market value of LIHTC (tax credits).
Value Opinion 8	Insurable Value.

Definitions

Market Value, incorporated in Value Opinions 1, 2, 5, 6, 7
The 4th Edition of The Dictionary of Real Estate Appraisal includes several definitions for *market value*. The following definition from the dictionary is used by the federal agencies that regulate insured financial institutions in the United States.

"*Market value: the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:*

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Comments from HB-1-3560
Most appraisers and users of Agency Multi-Family Housing appraisals understand the definition of *market value* to mean the value as a conventional or unrestricted or market property. However, to avoid confusion when requesting or reporting this value type, the term "as conventional or unrestricted" should be added to the term *market value* (i.e. "market value, as conventional or unrestricted").

Market Value, subject to restricted rents – incorporated in Value Opinions 2 (possible), 3
A definition of market value, subject to restricted rents, as the term is used by RHS, derived from the definition of market value above, is stated as follows. Market value, subject to restricted rents: the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this

definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Comments from HB-1-3560
It considers any rent limits, rent subsidies, expense abatements, or restrictive-use conditions imposed by any government or non-government financing sources but does not consider any favorable financing involved in the development of the property.

Market value, subject to restricted rents, refers only to the value of the subject real estate, as restricted, and excludes the value of any favorable financing. The market value, subject to restricted rents, is based on a pro forma that projects income, vacancy, operating expenses, and reserves for the property under a restricted (subsidized) scenario. This restricted pro forma includes the scheduled restricted rents, a vacancy and collection loss factor that reflects any rental assistance (RA) or Section 8, and operating expenses and reserves projected for the subject as a subsidized property. Subsidized apartments typically experience higher management, auditing, and bookkeeping expenses, relative to similar conventional apartments, but often have lower real estate tax expenses.

Real Property Interest Valued, Value Opinions 1, 2 (possible), 4
fee simple estate, subject to short term leases.

The 4th Edition of the Dictionary of Real Estate Appraisal defines fee simple estate as “absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.”

Real Property Interest Valued, Value Opinions 2 (possible), 3
fee simple estate, as restricted, subject to short-term leases.

The 4th Edition of the Dictionary of Real Estate Appraisal defines fee simple estate as “absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.”

Prospective Value, Value Opinions 3, 4, 8
The term *prospective value* is defined by the 4th Edition of The Dictionary of Real Estate Appraisal as follows. “*Prospective value: a forecast of the value expected at a specified future date. A prospective value opinion is most frequently sought in connection with real estate projects that are proposed, under construction, or under conversion to a new use, or those that have not achieved sellout or a stabilized level of long-term occupancy at the time the appraisal report is written.*”

Comments from HB-1-3560

As used in Agency regulations and instructions, the term “as-improved value” refers to the value of real property after completion of proposed improvements. The Agency’s intended meaning of “as-improved value” is the same as the definition of *prospective value*. However, use of the term “as-improved value” can cause confusion for two reasons, as follows. 1) The term “as improved”, as used in a Highest and Best Use analysis, refers to the subject real estate as it has already been improved at the time of the appraisal, not as it is proposed to be improved. Therefore, “as-improved value” could be interpreted to refer to the value of the subject property as it has already been improved at the time of the appraisal. 2) There is a common misconception with the use of the term “as-improved value” that this is a value based on a hypothetical condition; that is, the value of the property as if it were improved, as proposed, as of the date of inspection. Since this scenario is impossible, an “as-improved value”, as of appraisal date (inspection date), is not useful. The term *prospective value* is better understood than the terms as-improved value” and “as-complete value” by appraisers and users of appraisals and has replaced these terms in appraisal literature and common usage. Therefore, the term *prospective value* should be used when requesting or reporting a forecasted value, and the associated date of value should be the projected date of completion of construction.

“As-Is” Value

The 4th Edition of the Dictionary of Real Estate Appraisal defines value as is as follows. “Value as is: the value of specific ownership rights to an identified parcel of real estate as of the effective date of the appraisal; relates to what physically exists and is legally permissible and excludes all assumptions concerning hypothetical market conditions or possible rezoning.”

Comments from HB-1-3560

The term “As-Is” should precede the term market value, subject to restricted rents, when the market value, subject to restricted rents, of the project at the time of the appraisal is required.

Insurable Value, Value Opinion 8

A definition of *insurable value* acceptable for use in Agency Multi-Family Housing appraisals is as follows: *Insurable value: the value of the destructible portions of a property which determines the amount of insurance that may, or should, be carried to indemnify the insured in the event of loss. The estimate is based on replacement cost new of the physical improvements that are subject to loss from hazards, plus allowances for debris removal or demolition. It should reflect only direct (hard) construction costs, such as construction labor and materials, repair design, engineering, permit fees, and contractor's profit, contingency, and overhead. It should not include indirect (soft) costs, such as administrative costs, professional fees, and financing costs.*

The term “insurable cost” is sometimes used instead of the term *insurable value* because it is based strictly on a cost estimate, not a value concluded in an appraisal. However, the term *insurable value* is more commonly used. Attachment 7-I, *Insurable Value Calculation*, is a worksheet that should be used as a guide by State Appraisers and fee appraisers contracted by the Agency in calculating *insurable value*.

Extraordinary Assumption:

An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusion.

Source: *Uniform Standards of Professional Appraisal Practice (USPAP)*

For those reports that incorporate an extraordinary assumption, USPAP requires that the appraiser provide notice to the user of the report that the use of the extraordinary assumption might affect the assignment results. The appraiser(s) is not required to report on the impact of the extraordinary assumption on assignment results.

The following extraordinary assumptions are incorporated:

- The units and other improvements at the property that were viewed during the inspection (defined within the body of the report) are representative of all the units and other improvements at the property.

Hypothetical Condition:

That which is contrary to what exists but is supposed for the purpose of analysis.

Source: *Uniform Standards of Professional Appraisal Practice (USPAP)*

For those reports that incorporate a hypothetical condition, USPAP requires that the appraiser provide notice to the user of the report that the use of the hypothetical condition might affect the assignment results. The appraiser(s) is not required to report on the impact of the hypothetical condition on assignment results.

Applicable hypothetical conditions have been identified in the prior section.

Intended Use, User

The intended use for most of the values developed and reported has been shown in the prior section. For those values that do not have an intended use, the use is to assist the client in their understanding and analysis of the property. Unless otherwise identified within this report, the intended use of the report has not been more fully described to the appraiser(s). The client, or intended user, for whom the report is prepared is identified in the letter of transmittal, Bill Rea of Rea Ventures Group, LLC. The only other known intended users are representatives from USDA, Georgia Department of Community Affairs, and Mr. Rex Tilley at Churchill Stateside Group, LLC and/or its Assigns. Unless otherwise identified within this report, no other intended users have been identified to the appraiser(s).

The Uniform Standards of Professional Appraisal Practice (USPAP) have a number of rules, comments, advisory opinions, and frequently asked questions relating to control or use of reports. The signatory(ies) of this report is/are bound by USPAP. Therefore, as noted in the letter of transmittal, no party other than the intended user may use this report without receiving written consent from the signing appraiser(s). Further, no part of the report shall be published or made available to the general public, nor shall any part of the report be published or made available for public or private offering memorandum or prospectus, without the written consent of the signing appraiser(s) of this report.

Scope

The scope of services was focused on reviewing issues considered relevant and appropriate by the appraisers based on their knowledge of the subject's real estate market. The appraisers believe that the scope was sufficient to arrive at an accurate value opinion. A summary of the scope of work is presented below. Additional explanatory comments regarding the scope undertaken can be found throughout the report. The scope included the following:

- Review and analysis of the subject market area, economic and demographic issues.
- Review of existing and planned comparable and/or competitive properties located within the subject area.
- Analysis of economic, demographic and development factors within the subject market area.
- Physical inspection of the real estate; specifically, observation of the above ground attributes of the site was made, observation of representative exterior facades of building(s) on site was made, observation of representative property amenities on site was made, and interior viewing of a sufficient number of representative living units within the building(s) was made in a manner considered sufficient to comprehend and analyze the physical and functional adequacy and appropriateness of the real estate in light of market conditions as of the date of valuation.
- Evaluation of the highest and best use of the property.
- Consideration of all applicable and appropriate valuation approaches.
- Reconciliation of the above opinions to a point value opinion.

Note that:

- Crown Appraisal Group, Inc. employees are not engineers and are not competent to judge matters of an engineering nature.
- Inspection of 100% of the units or other improvements at the property was not made.

Pertinent Dates

The as-is and prospective dates of valuation are noted in the charts on the first page of the letter of transmittal and the Executive Summary Page. The most recent inspection of the property was on September 11, 2013. It is noted that the term *inspection* is not intended to convey a complete, exhaustive examination of the real estate. Such an inspection is best suited for an engineer, architect, or building inspector formally educated and trained in such matters. Rather, the term denotes that the individual viewing the real estate was at the property on the date and observed the general condition and quality of the real estate at that time. The date of report--the date the report was written—is October 25, 2013.

Events subsequent to these dates may have an impact on the opinions developed through the course of the assignment, and on the opinions contained within this report. All such subsequent events are beyond the control of the appraiser(s), and any consequences thereof are beyond the scope of this assignment.

Comments Regarding Appraisal

A number of comments regarding the subject and appraisal assignment are discussed below:

- **Property.** The subject is known as LaFayette Gardens Apartments and has an address of 709 Patterson Road in LaFayette, Georgia. The property is a 20-unit apartment complex. The property includes one and two bedroom units. The complex operates as a Class C, subsidized income, non-age restricted property. The improvements were built in 1986. Overall, the property is in average physical and functional condition.

  The unit size is based on the best information provided. Crown was given floor plans, square foot summary pages, and building plans. The information was generally consistent, but not identical.

  Tenancy at the subject property is restricted to households with incomes of less than the area median household income. The units at the subject have long maintained a high level of occupancy. Demand for subsidized rental units is high locally.

  Historical operating information for the subject was available for 2009, 2010, 2011, and 2012. In general the information provided indicated that the property is being run in an efficient manner. Historical information will be used when developing expenses and for valuation purposes, while market data will be used as support.

- **Near Term.** The property is part of a portfolio of apartment properties in Georgia that are to transfer ownership in the near term. There is a letter of intent on the subject property, proposing an option to purchase. The letter of intent was requested but not provided. The transfer is assumed to be between related parties and not one that is considered to be arms-length. The purchase price amount given to the appraisers is $440,469. As the transfer is not arms-length no credence is given to this purchase price when determining the said values of the subject property. Subsequent to the sale, ownership plans to renovate the subject with funding from a combination of mortgage monies, sale proceeds of Section 42 Low Income Housing Tax Credits, and equity. Following the acquisition the existing Section 515 loan will remain at the property. (The loan is expected to be restated under new rates and terms.) Renovations will be extensive and will include interior unit renovation as well as exterior unit renovation. Among the items that will be replaced and/or renovated (depending upon the condition of the individual components) are air conditioning units, windows, roofs, plumbing and electric, parking areas, and kitchens and bathrooms. Furthermore, all Section 504 accessibility issues will be addressed and corrected as appropriate.

- **Property Location.** The property is located on the north side of Patterson Street, just south of SR 136 (East Villanow Street) and about one mile southeast of downtown LaFayette. The property is in Walker County. LaFayette is the county seat of Walker County and is located in northwestern Georgia. LaFayette is a relatively small Georgia town. There are few truly comparable properties in the area. The location of the subject is considered to be a good one for the property type.

- **Competency of the Appraisers.** We have performed numerous appraisals on properties such as the subject. Files are maintained with historic and current market data relative to the subject. Competency has been established in both the property type and market through work experience or research of market trends. Therefore, we possess the requisite knowledge and experience to perform the appraisal assignment.L

Apartment Housing

There is a continual change in the definition and implications of various apartment types. A number of the more prevalent apartment classifications include *luxury, Class A, Class B, conventional, LIHTC, HUD,* and *affordable.* With respect to the senior market, there are classifications such as *independent* or *assisted*. Some terms have specific definitions, while some can be used interchangeably (upscale or luxury, etc.). In some cases, the terms are meant to suggest a specific resident profile or income level (LIHTC or affordable are examples). To minimize confusion, the following definitions and comments are presented:

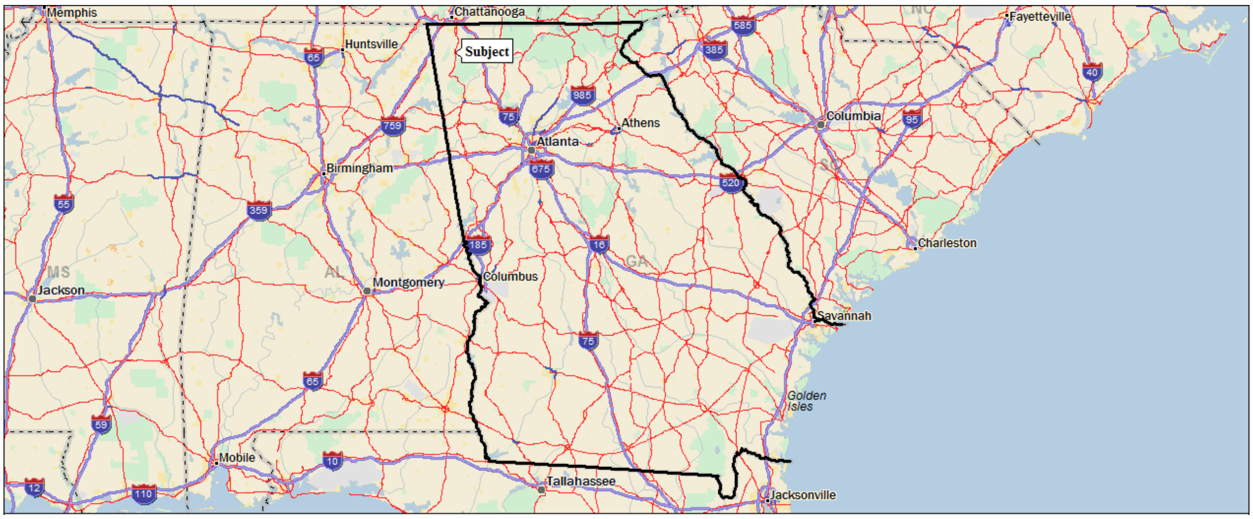
Luxury, Class A, Class B, Class C -	The type of property is designated by the year of construction and the amenities (unit and project). A luxury complex will have more amenities than a Class A property, while a Class A property has more amenities than Class B. A Class C property typically possesses few amenities. An *upscale* property could be either a luxury or a Class A property. A Class B property could be new. A Class B property does not possess all the amenities of a Class A or luxury property.
Market rate, LIHTC, HUD -	Refers to the rent limits, or rent payment structure. A market rate property has no rent constraints (other than the market) while a LIHTC (Low-Income Housing Tax Credit) property is (or could be) constrained by income levels as well as the market. A market rate property is also known as a *conventional* property. Low-income, subsidized, or affordable (such as HUD Section 8 and/or Section 236) are designations used to denote subsidy programs other than the LIHTC program, and refer to the entity (or entities) that make the rent payment to the property owner.
Independent, assisted -	Refers to the level of service offered, particularly with respect to the senior housing/care market. An independent complex has few, if any, services (such as meals, housekeeping). An assisted living facility offers more ADL (Activities of Daily Living) services. This classification also has implications as to the typical design of apartment units within a complex – an independent complex generally has apartments with full kitchens and exterior entries, while the units at an assisted living complex typically have a small kitchenette, many common areas, and interior enclosed hallways.
Elderly Only (Age Restricted) -	Refers to the minimum age of at least one of the residents of a unit. Depending upon the specific nature of a given program, the typical minimum age limit is within the 55 to 65 range.

Based on the above, the complex operates as a Class C, subsidized income, non-age restricted property.

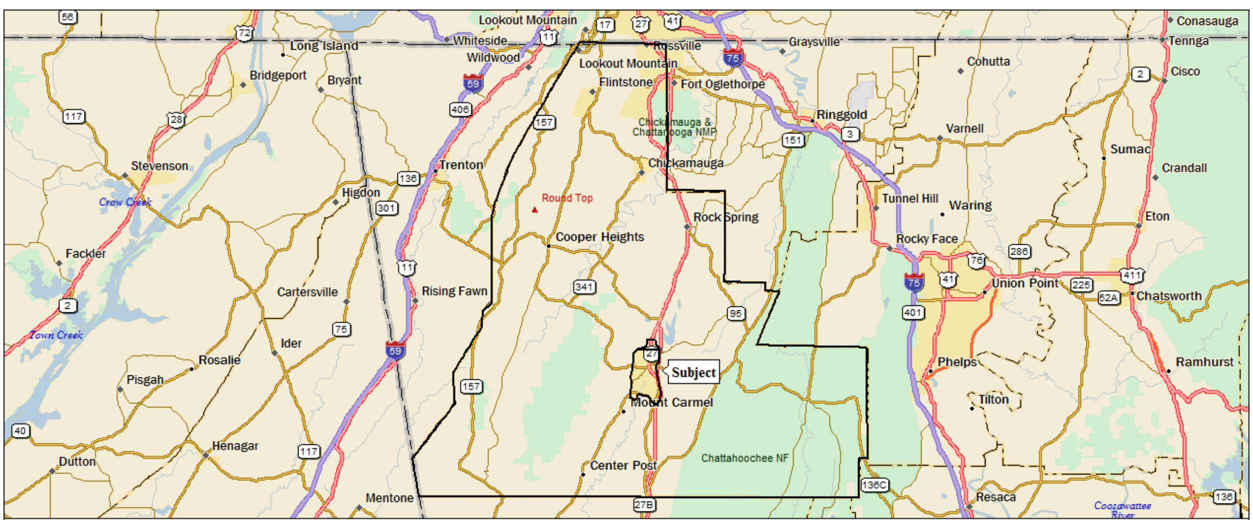
City Overview

The subject is located in the city of LaFayette, Walker County, Georgia. Walker County is located in northwest Georgia. The subject is located ±80 miles northwest of Atlanta, ±160 miles northwest of Macon, and ±300 miles northwest of Savannah. The maps and aerial below locate the property relative to other cities in Georgia.

State of Georgia



Walker County



LaFayette

Physical Boundaries

LaFayette is roughly bordered by Campbell Avenue to the north, US 27 (Lyle Jones Parkway) to the east, SR 337 (Shattuck Industrial Boulevard) to the south, and SR 337 (Broomtown Road) North Chattanooga Street and Old Mineral Springs Road to the west.

Road Infrastructure

There are several roadways which service LaFayette, including US 27 (Lyle Jones Parkway/Main Street), SR 337 (Broomtown Road), SR 193 (West Main Street), and SR 136 (East Villanow Street). US 27 is a significant north-south roadway in the subject's immediate area. At McCarter Road, about two miles north of downtown LaFayette, US 27 splits. The western leg is known as the US 27 Bypass and travels through downtown. The eastern leg is a partial outerbelt to the city. The two roadways merge about ¾ miles southeast of the downtown area. SR 337 is a north-south roadway which has a northern terminus at Bronco Road in southwestern LaFayette. It connects the subject's immediate area with Chattooga County to the south. SR 193 is a north-south roadway which travels east-west for about two miles near downtown LaFayette. It has a southern terminus at US 27 in downtown LaFayette. To the northwest, SR 193 connects the subject's area with Chattanooga (±25 miles). SR 136 is a northwest-southeast roadway which travels north-south through downtown LaFayette. To the southeast, SR 136 connects the subject's area with I-75 (±20 miles) in Gordon County. To the northwest, it connects the subject with I-59 (±18 miles) in Dade County.

Population

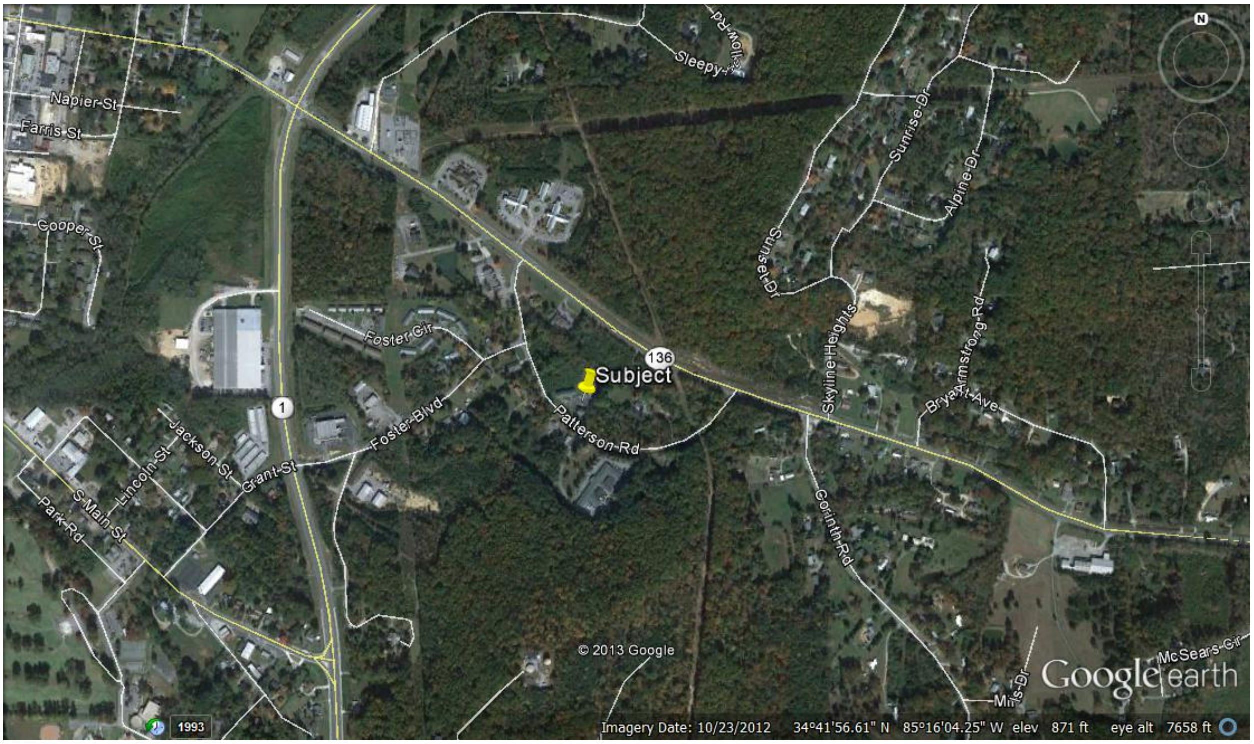
The LaFayette population according to the 2000 census was 6,779. In 2010, the population was 7,348 (increase of about 8%). The 2013 population estimation is 7,428 (population increase of about 1% from 2010). The population is expected to increase by about 1.5% in 2018 to 7,556.

History

The state of Georgia opened the area for white settlement after the Indian Removal Act was passed in 1830. Cherokee Indians who previously inhabited the area along the Trail of Tears were placed into camps. One of these camps was in LaFayette and was known as Fort Cumming. The city was incorporated in 1835 as Chattooga. It was renamed in 1836 after the Marquis de LaFayette, the French nobleman who assisted American colonist during the Revolutionary War. The Chickamauga Campaign was a series of battles fought in Walker County and northwestern Georgia during August and September 1863 between the Union Army of the Cumberland and Confederate Army of Tennessee.

Land Uses and Development

Land uses and development in the immediate area consist of single-family residential properties, multi-family properties, retail properties, industrial properties, medical office properties, and institutional uses (churches, schools, parkland). The aerial photo below depicts the general location of the area and the surrounding development.



Residential development is the most prominent user in the subject's immediate area. Just southeast of the subject, across Patterson Road, is Heritage Healthcare at Shepherd Hills (±112 beds). The LaFayette Housing Authority (subsidized; ±40 units) is located less than ¼ mile west of the subject on the west side of Foster Boulevard. Several other complexes (±300 units total) owned and managed by the LaFayette Housing Authority are generally located on the southwest side of LaFayette. Town Creek Apartments (subsidized; ±60 units) are located about ¼ mile west of the subject along Cooper Street. There is a ±40 unit duplex property located about ½ mile northwest of the subject on the north side of East Villanow Street.

The majority of retail development is located about one mile northwest of the subject along SR 1 (Main Street). LaFayette's downtown historic district consists of one to two-story buildings with street level retail and office or storage space above that is typically occupied by local users or is vacant. Commercial users in the downtown area consist of mainly local users including Debbi's Flowers, Merle Norman, Susie's Sunset Café, Hammond-Jones Hardware, City Club Fitness, World Finance, The Bank of LaFayette, Curves, Amanda's Fine Chocolates, and LaFayette Cleaners. In the southwest quadrant of West Patten Street and Oak Street, about ½ mile northwest of the subject, is Brookwood Square (±75,000 sf). Brookwood Squae is tenanted by Shop Rite, Fred's, and local users. Just north of West Patten Street is a ±45,000 sf center tenanted by Rent-A-Center, Goodwill, Medi-Thrift Pharmacy, and other local users. LaFayette Plaza (±65,000 sf) is located about one mile northwest of the subject along the west side of North Main Street. LaFayette Plaza is tenanted by Bi-Lo, CVS, Dollar General, Sears, and local users. Restaurants along Main Street include Wendy's, Sonic, Don Lolo Mexican Restaurant, Pizza Hut, Ivy Cottage, Subway, Hardee's, Taco Bell, and Los Guerreros.

Industrial development in the subject's immediate area is scattered. Preferred Office Supply is a ±7,500 sf flex property located about ¼ mile northwest of the subject on the north side of East Villanow Street. About ¼ mile west of the subject, on the west side of Lyle Jones Parkway, is a ±150,000 sf former manufacturing building which now houses the city's public works, utilities and maintenance departments. Just south of this facility is The Storage Solution self-storage (±150 units). About one mile west of the subject, in the southwest quadrant of West Main Street and South Cherokee Street, are Auto Custom Carpets (±200,000 sf) and Crutchfield & Co (±200,000 sf). The former Otting International building (±50,000 sf) is located just south of Crutchfield & Co. on the south side of McLemore Street.

Medical office development is scattered along East Villanow Street, just north of the subject. Lookout Mountain (±5,000 sf) is located in the southeast quadrant of East Villanow Street and Patterson Road. Just north of Lookout Mountain, on the north side of East Villanow Street, are Hutchinson Medical Center (±20,000 sf) and the Walker County Health Department (±10,000 sf).

There are several institutional users in the subject's immediate area. Schools are located on the north side of LaFayette, about one mile north of the subject. Schools include LaFayette High School, LaFayette Middle School, and North LaFayette Elementary School. Generally, churches are scattered about ½ mile west of the subject along Main Street. Churches include First Baptist Church, Life Gate Church, LaFayette Presbyterian Church, First United Methodist Church, The LaFayette Church of Christ, and Harbor Lights Baptist Church. LaFayette Municipal Park is located about ½ mile southwest of the subject, in the southwest quadrant of South Main Street and Lyle Jones Parkway.

Immediate (Adjacent) Land Uses

North: To the north is vacant, undeveloped land.

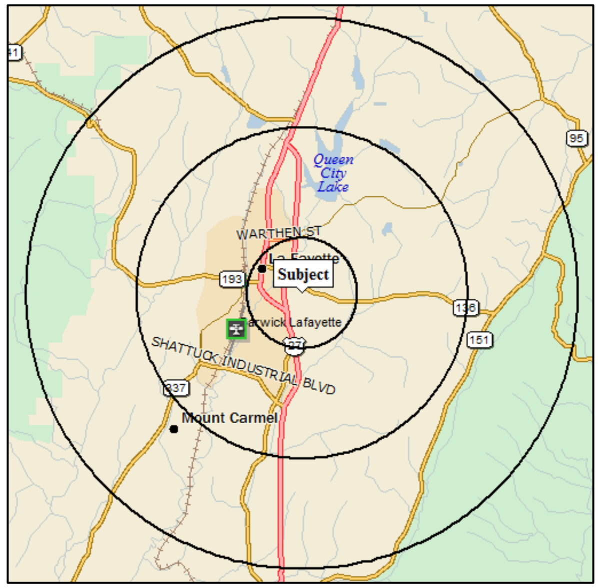
South: To the south, across Patterson Road, are Heritage Healthcare at Shepherd Hills (±112 beds) and single family residential.

East: To the east are vacant, wooded land and single family residential.

West: To the west is vacant, wooded land. Further west is a ±5,000 sf medical office.

Market Area Demographic Profile

The chart below shows demographic data for the subject market for a number of identified areas. The map depicts the areas covered.



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LaFayette Gardens
Demographic Profile: 1, 3 and 5-mile Radii

	LaFayette		Radius from subject						Walker County	
	City	CAG	1 Mile	CAG	3 Mile	CAG	5 Mile	CAG	County	CAG
Population										
2000	6,779		1,877		9,590		13,179		61,052	
2010	7,348	0.8%	1,991	0.6%	10,514	0.9%	14,843	1.2%	68,756	1.2%
2013 est.	7,428	0.4%	2,045	0.9%	10,584	0.2%	14,934	0.2%	68,924	0.1%
2018 proj.	7,556	0.3%	2,081	0.3%	10,742	0.3%	15,185	0.3%	69,979	0.3%
Median Age	38.70		40.40		39.40		40.00		40.20	
Average Age	39.60		41.30		39.80		39.90		39.90	
Households										
2000	2,724		740		3,784		5,145		23,605	
2010	2,908	0.7%	719	-0.3%	4,110	0.8%	5,742	1.1%	26,497	1.2%
2013 est.	2,909	0.0%	717	-0.1%	4,102	-0.1%	5,730	-0.1%	26,428	-0.1%
2018 proj	2,954	0.3%	723	0.2%	4,154	0.3%	5,807	0.3%	26,768	0.3%
Average Household Size										
2000	2.49		2.54		2.53		2.56		2.59	
2010	2.53	0.2%	2.77	0.9%	2.56	0.1%	2.58	0.1%	2.59	0.0%
2013 est.	2.55	0.4%	2.85	1.0%	2.58	0.3%	2.61	0.3%	2.61	0.2%
2018 proj	2.56	0.0%	2.88	0.2%	2.59	0.0%	2.61	0.1%	2.61	0.0%
Owner Occupied (est.)	1,628	55.96%	388	54.11%	2,546	62.07%	3,859	67.35%	19,547	73.96%
Renter Occupied (est.)	1,281	44.04%	330	46.03%	1,556	37.93%	1,871	32.65%	6,881	26.04%
Est. Household Income										
$0-$14,999	23.07%		22.18%		21.57%		20.38%		17.72%	
$15,000-$24,999	19.28%		21.48%		18.45%		17.23%		15.75%	
$25,000-$34,999	15.43%		13.25%		15.55%		15.57%		15.15%	
$35,000-$49,999	16.81%		19.39%		17.72%		18.24%		16.74%	
$50,000-74,999	11.17%		10.60%		11.77%		13.05%		15.95%	
$75,000-$99,000	8.18%		6.00%		8.51%		8.80%		10.66%	
$100,000 +	6.04%		7.25%		6.36%		6.73%		8.05%	
	100.0%		100.0%		100.0%		100.0%		100.0%	
Average Household Income (est.)	$39,840		$40,359		$41,387		$43,074		$48,575	
Median Household Income (est.)	$29,955		$29,827		$31,413		$32,952		$36,245	

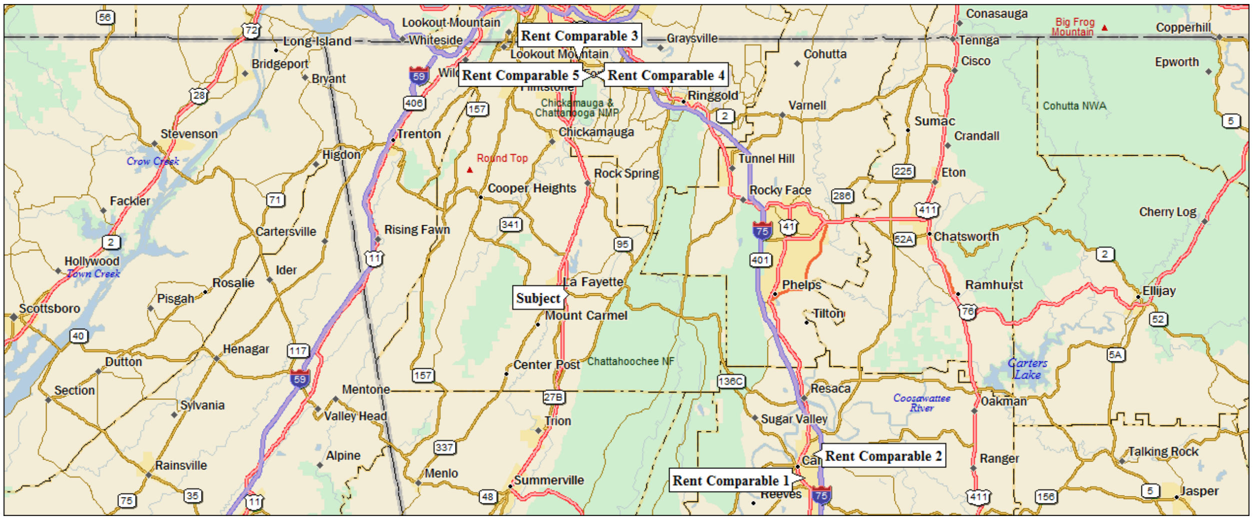
[1] Compounded Annual Growth

Source: *Claritas Inc.*

Supply Side Analysis - Competitive Properties Survey

A search for market rate properties in LaFayette uncovered no properties. Due to the scarcity of market rate complexes in the subject's immediate area, the geographical area was expanded to Fort Oglethorpe to the north and Calhoun to the southeast. Conventional complexes within the expanded area had a total of about 507 units.

A survey of nearby multi-family complexes is detailed on the following pages. The map below shows the locations of the rent comparables and the subject.



Rent Comparable 1

General Data

Property Name:	Creekview Estates
Property Address:	112 Creekview Drive
City:	Calhoun
County:	Gordon
MSA:	Other
State:	GA
Zip:	30701
Typical Tenancy:	Non-Age Restricted
Rent Type:	Market

Property Data

		Bedrooms	Baths	Type	Size (rsf)	Units	Rent	Rent/rsf
Year Built:	1979	1	1.0	Garden	600	6	$395	$0.66
Size (Number of Units):	56	2	1.0	Townhouse	750	38	$495	$0.66
Rentable Size (rsf):	41,900	2	1.5	Garden	775	8	$495	$0.64
		3	2.0	Townhouse	900	4	$595	$0.66
Occ. At Time Of Survey:	94.6%							
Floors:	2							
Exterior:	Combination							

Landlord Paid Utilities

N Cable	N Sewer
N Electric	N Trash
N Gas	N Water

Tenant Paid Utilities

Y Cable	Y Sewer
Y Electric	Y Trash
N Gas	Y Water

Unit Amenities

Y Refrigerator	Y Fireplace
Y Range	N Balcony/Patio
N Microwave	N Att. Garage
Y Dishwasher	N Carport
Y Garbage Disposal	N Basement
Y Air Conditioning	Y Ceiling Fans
N Washer/Dryer	N Vaulted Ceilings
Y W/D Hookups	N Security System

Complex Amenities

N Pool	N Laundry
N Clubhouse	N Det. Garages
N Tennis	N Cov. Storage
N Jacuzzi	N Open Storage
N Fit. Center	N Car Wash
N Lake	N Elevators
N Gated	N Playground
N Bus. Center	N Racquetball

Other Comments

Creekview Estates is located along Creekview Drive, about 1 mile southeast of downtown Calhoun. Calhoun is the county seat of Gordon County. This property accepts Section 8 vouchers but does not currently have any tenants using vouchers. The property consists of scattered duplexes.

Rent Comparable 2

General Data

Property Name:	Newtown Apartments
Property Address:	265 Newtown Road Northeast
City:	Calhoun
County:	Gordon
MSA:	Other
State:	GA
Zip:	30701
Typical Tenancy:	Non-Age Restricted
Rent Type:	Market

Property Data

		Bedrooms	Baths	Type	Size (rsf)	Units	Rent	Rent/rsf
Year Built:	2000	1	1.0	Garden	700	39	$450	$0.64
Size (Number of Units):	78	2	1.5	Garden	975	39	$550	$0.56
Rentable Size (rsf):	65,325							
Occ. At Time Of Survey:	100.0%							
Floors:	2							
Exterior:	Siding							

Landlord Paid Utilities

N Cable	N Sewer
N Electric	N Trash
N Gas	N Water

Tenant Paid Utilities

Y Cable	Y Sewer
Y Electric	Y Trash
Y Gas	Y Water

Unit Amenities

Y Refrigerator	N Fireplace
Y Range	N Balcony/Patio
N Microwave	N Att. Garage
Y Dishwasher	N Carport
N Garbage Disposal	N Basement
Y Air Conditioning	Y Ceiling Fans
N Washer/Dryer	N Vaulted Ceilings
Y W/D Hookups	N Security System

Complex Amenities

N Pool	N Laundry
N Clubhouse	N Det. Garages
N Tennis	N Cov. Storage
N Jacuzzi	N Open Storage
N Fit. Center	N Car Wash
N Lake	N Elevators
N Gated	N Playground
Y Bus. Center	N Racquetball

Other Comments

Newtown Apartments is located on the east side of Newtown Rd NE, less than one mile northeast of the I-75/SR 156 (Red Bud Road NE) and about 1.5 miles northeast of downtown Calhoun. Calhoun is the county seat of Gordon County. This property offers short term leases with utilities included. Unit mix and square footage has been estimated by the manager.

Rent Comparable 3

General Data

Property Name:	Fountain Brook Apartments
Property Address:	100 Brookhaven Circle
City:	Fort Oglethorpe
County:	Catoosa
MSA:	Chattanooga
State:	GA
Zip:	30742
Typical Tenancy:	Non-Age Restricted
Rent Type:	Market

Property Data

		Bedrooms	Baths	Type	Size (rsf)	Rent	Rent/rsf
Year Built:	2000	1	1.0	Garden	850	$575	$0.68
Size (Number of Units):	224	2	1.5	Garden	1,300	$775	$0.60
Rentable Size (rsf):	246,200	2	2.0	Garden	1,300	$825	$0.63
Occ. At Time Of Survey:	98.2%						
Floors:	2						
Exterior:	Combination						

Landlord Paid Utilities

N Cable	N Sewer
N Electric	Y Trash
N Gas	N Water

Tenant Paid Utilities

Y Cable	Y Sewer
Y Electric	N Trash
Y Gas	Y Water

Unit Amenities

Y Refrigerator	N Fireplace
Y Range	Y Balcony/Patio
Y Microwave	N Att. Garage
Y Dishwasher	N Carport
Y Garbage Disposal	N Basement
Y Air Conditioning	Y Ceiling Fans
N Washer/Dryer	N Vaulted Ceilings
Y W/D Hookups	N Security System

Complex Amenities

Y Pool	N Laundry
Y Clubhouse	N Det. Garages
N Tennis	Y Cov. Storage
N Jacuzzi	Y Open Storage
N Fit. Center	N Car Wash
N Lake	N Elevators
N Gated	N Playground
Y Bus. Center	N Racquetball

Other Comments

Fountain Brook Apartments is located along Brookhaven Circle, about 1/4 mile southeast of the US 27 (Lafayette Road)/SR 146 (Cloud Springs Road) interchange and about one mile north of downtown Fort Oglethorpe. This property is in Catoosa County in the Chattanooga MSA.

Rent Comparable 4

General Data

Property Name:	Lakeshore Apartments I
Property Address:	1100 Lakeshore Drive
City:	Fort Oglethorpe
County:	Catoosa
MSA:	Chattanooga
State:	GA
Zip:	30742
Typical Tenancy:	Non-Age Restricted
Rent Type:	Market

Property Data

		Bedrooms	Baths	Type	Size (rsf)	Rent	Rent/rsf
Year Built:	1984	0	1.0	Garden	288	$392	$1.36
Size (Number of Units):	79	1	1.0	Garden	576	$456	$0.79
Rentable Size (rsf):	76,608	2	1.0	Garden	864	$595	$0.69
		2	2.0	Garden	864	$674	$0.78
Occ. At Time Of Survey:	100.0%						
Floors:	1						
Exterior:	Siding						

Landlord Paid Utilities

N Cable	N Sewer
N Electric	N Trash
N Gas	N Water

Tenant Paid Utilities

Y Cable	Y Sewer
Y Electric	Y Trash
Y Gas	Y Water

Unit Amenities

Y Refrigerator	N Fireplace
Y Range	Y Balcony/Patio
N Microwave	N Att. Garage
N Dishwasher	N Carport
Y Garbage Disposal	N Basement
N Air Conditioning	Y Ceiling Fans
N Washer/Dryer	N Vaulted Ceilings
Y W/D Hookups	N Security System

Complex Amenities

N Pool	Y Laundry
N Clubhouse	N Det. Garages
N Tennis	Y Cov. Storage
N Jacuzzi	N Open Storage
N Fit. Center	N Car Wash
Y Lake	N Elevators
N Gated	N Playground
Y Bus. Center	N Racquetball

Other Comments

This property is located along Lakeshore Drive, just south of SR 2 (Battlefield Parkway) and about 1.5 miles southeast of downtown Fort Oglethorpe. This property is located in Catoosa County within the Chattanooga MSA. Studios do not include washer/dryer hookups and have murphy beds.

Rent Comparable 5

General Data

Property Name:	Lakeshore Apartments II
Property Address:	1000 Lakeshore Drive
City:	Fort Oglethorpe
County:	Catoosa
MSA:	Chattanooga
State:	GA
Zip:	30742
Typical Tenancy:	Non-Age Restricted
Rent Type:	Market

Property Data

		Bedrooms	Baths	Type	Size (rsf)	Rent	Rent/rsf
Year Built:	1988	0	1.0	Garden	276	$430	$1.56
Size (Number of Units):	70	1	1.0	Garden	576	$435	$0.76
Rentable Size (rsf):	39,120	2	1.0	Garden	876	$595	$0.68
		2	2.0	Garden	876	$595	$0.68
Floors:	1						
Exterior:	Siding						

Landlord Paid Utilities

N Cable	Y Sewer
N Electric	Y Trash
N Gas	Y Water

Tenant Paid Utilities

Y Cable	N Sewer
Y Electric	N Trash
Y Gas	N Water

Unit Amenities

Y Refrigerator	N Fireplace
Y Range	N Balcony/Patio
N Microwave	N Att. Garage
N Dishwasher	N Carport
Y Garbage Disposal	N Basement
N Air Conditioning	Y Ceiling Fans
N Washer/Dryer	N Vaulted Ceilings
Y W/D Hookups	N Security System

Complex Amenities

N Pool	N Laundry
N Clubhouse	N Det. Garages
N Tennis	N Cov. Storage
N Jacuzzi	N Open Storage
N Fit. Center	N Car Wash
N Lake	N Elevators
N Gated	N Playground
Y Bus. Center	N Racquetball

Other Comments

This property is located along Lakeshore Drive, just south of SR 2 (Battlefield Parkway) and about 1.5 miles southeast of downtown Fort Oglethorpe. This property is located in Catoosa County within the Chattanooga MSA. Studios do not include washer/dryer hookups or ceiling fans. Units are equiped with window A/C.

Analysis

LaFayette Gardens Apartments: The subject has 20-units, was built in 1986, and is in average physical and functional condition. It is more fully described and discussed in the Property Description section of the report. It is summarized below.

LaFayette Gardens Apartments
Property and Unit Amenity Summary

Street Address	709 Patterson Road	Year Built	1986	Floors	2
City	Lafayette	Total Units	20	Occupancy	95.0%

Unit Types	# units	Size (sf)
1 Bed, 1 Bath	1	550
2 Bed, 1 Bath	19	750

Utilities (L-landlord, T-tenant, na-not applicable)

Water	Sewer	Electric	Heat	Trash	Cable
T	T	T	T	L	T

Complex Amenities (Y/N)

Pool	N	Bus. Ctr.	N	Lake	N
Clubhouse	N	Laundry	N	Gated	N
Tennis	N	Det. Garages	N	Car Wash	N
Jacuzzi	N	Cov. Storage	N	Elevators	N
Fit. Ctr	N	Open Storage	N	Playground	Y

Unit Amenities (Y/N)

Refrigerator	Y	Disposal	N	Fireplace	N	Central A/C	Y	Ceil. Fans	N
Range	Y	Double Sink	Y	Patio	N	Wall A/C	N	Vlt Ceiling	N
Microwave	N	Fan Hood	Y	Balcony	N	W/D hk ups	Y	Sec Sys	N
Dishwasher	N	Att Garage	N	Bsmt	N	W/D	N	Storage	N

Market Rent Conclusions

Apartment Survey Ranges
LaFayette Gardens Apartments

		Unit Size		Adj. Monthly Rent		Rent/sf	
As-Is	***1 Bed, 1 Bath***						
	LaFayette Gardens Apartments		550		$435		$0.79
	Comparable Properties	576 -	660	$377 -	$470	$0.65 -	$0.71
	average of comparables		600		$418		$0.70
As-Is	***2 Bed, 1 Bath***						
	LaFayette Gardens Apartments		750		$565		$0.75
	Comparable Properties	750 -	953	$479 -	$605		$0.63
	average of comparables		876		$532		$0.61
As Ren.	***1 Bed, 1 Bath***						
	LaFayette Gardens Apartments		550		$500		$0.91
	Comparable Properties	576 -	660	$437 -	$540	$0.76 -	$0.82
	average of comparables		600		$482		$0.80
As Ren.	***2 Bed, 1 Bath***						
	LaFayette Gardens Apartments		750		$630		$0.84
	Comparable Properties	750 -	953	$539 -	$675	$0.71 -	$0.72
	average of comparables		876		$594		$0.68

Source: *Crown Appraisal Group*

The chart above details the as-is and as renovated market-derived rents for the subject as well as the range of rents offered at the comparable properties.

Adjustments are made to the comparables for perceived, material differences. (For example, while a given comparable unit might be 3 square feet larger than a given subject unit, there is no material difference in the unit size, so no adjustment is warranted, nor made.) Adjustments are considered for property attributes such as location (specific or general), condition/street appeal, or complex amenities, as well as unit attributes such as unit size, configuration (number of bedrooms or bathrooms, style), utility payment structure, unit amenities, and any concessions. If no adjustment is made, it is because there is no perceived difference between the comparable and the subject.

The charts that follow detail the analysis, and show the adjustments considered appropriate.

As-is Market Rent, 1 br-1 ba

The subject is comprised of 1 of these units. Comparable properties from the area are used to develop the as-is rent conclusion.

1 Bed, 1 Bath
As is

	Subject	Rent 1	Rent 2	Rent 3	Rent 4	Rent 5
Name	LaFayette Gardens Apartments	Creekview Estates	Newtown Apartments	Fountain Brook Apartments	Lakeshore Apartments I	Lakeshore Apartments II
Address	709 Patterson Road	112 Creekview Drive	265 Newtown Road Northeast	100 Brookhaven Circle	1100 Lakeshore Drive	1000 Lakeshore Drive
Unadjusted Rent		$395	$450	$575	$456	$435
Location						
Address	709 Patterson Road	112 Creekview Drive	265 Newtown Road Northeast	100 Brookhaven Circle	1100 Lakeshore Drive	1000 Lakeshore Drive
City	Lafayette	Calhoun	Calhoun	Fort Oglethorpe	Fort Oglethorpe	Fort Oglethorpe
Population	7,428	15,655	15,655	9,799	9,799	9,799
		Superior	*Superior*	*Similar*	*Similar*	*Similar*
		-$5	-$5	$0	$0	$0
Year Built	1986	*1979*	*2000*	*2000*	*1984*	*1988*
Condition/Street Appeal		*Inferior*	*Superior*	*Superior*	*Similar*	*Similar*
		$5	-$10	-$10	$0	$0
Unit Size (sf)	550	600	700	850	576	576
		Superior	*Superior*	*Superior*	*Superior*	*Superior*
		-$10	-$30	-$60	-$5	-$5
Bedrooms	1	1	1	1	1	1
		Similar	*Similar*	*Similar*	*Similar*	*Similar*
		$0	$0	$0	$0	$0
Bathrooms	1.0	1.0	1.0	1.0	1.0	1.0
		Similar	*Similar*	*Similar*	*Similar*	*Similar*
		$0	$0	$0	$0	$0
Utilities (who pays?)						
Heat	Tenant	Tenant	Tenant	Tenant	Tenant	Tenant
Electric	Tenant	Tenant	Tenant	Tenant	Tenant	Tenant
Water	Tenant	Tenant	Tenant	Tenant	Tenant	Landlord
Sewer	Tenant	Tenant	Tenant	Tenant	Tenant	Landlord
Trash	Landlord	Tenant	Tenant	Landlord	Tenant	Landlord
Cable	Tenant	Tenant	Tenant	Tenant	Tenant	Tenant
		Inferior	*Inferior*	*Similar*	*Inferior*	*Superior*
		$5	$5	$0	$5	-$20
Unit Amenities	*Ref, Range, A/C, W/D HU*	*Ref, Range, DW, Disp., A/C, W/D HU, FP*	*Ref, Range, DW, A/C, W/D HU, Ceil. Fans*	*Ref, Range, DW, Disp., Micro., A/C, W/D HU, Patio/Bal., Ceil. Fans*	*Ref, Range, Disp., Win. A/C, W/D HU, Patio, Ceil. Fans, Storage*	*Ref, Range, Disp., Win. A/C, W/D HU, Ceil. Fans*
		Superior	*Superior*	*Superior*	*Superior*	*Superior*
		-$10	-$5	-$25	-$25	-$5
Complex Amenities	*Playground*	*None*	*None*	*Pool, CH, Storage*	*Laundry, Lake, Picnic*	*None*
		Inferior	*Inferior*	*Superior*	*Superior*	*Inferior*
		$5	$5	-$10	-$10	$5
Concessions	*None*	*1st Month's Rent is $300*	*None*	*None*	*None*	*None*
		-$8	$0	$0	$0	$0
Net Adjustment		-$18	-$40	-$105	-$35	-$25
Adjusted Rent		**$377**	**$410**	**$470**	**$421**	**$410**
Market Rent Conclusion	***$435***					

Source: *Crown Appraisal Group*

Adjustments are made for the perceived differences. The comparables range in size from 576 sf – 850 sf. After making the adjustments considered appropriate, the rent range is $377-$470. Central tendencies are $418 (average) and $410 (median). Rent Comparable 3, 4, and 5 are more similar in location when compared to the subject. An as-is market rent of $435/month, within the range of Rent Comparable 3, 4, and 5, is concluded to be appropriate.

As Renovated Market Rent, 1 br-1 ba

Comparable properties from the area are used to develop the as-renovated rent conclusion.

1 Bed, 1 Bath
As Renovated

	Subject	Rent 1	Rent 2	Rent 3	Rent 4	Rent 5
Name	LaFayette Gardens Apartments	Creekview Estates	Newtown Apartments	Fountain Brook Apartments	Lakeshore Apartments I	Lakeshore Apartments II
Address	709 Patterson Road	112 Creekview Drive	5 Newtown Road Northe	100 Brookhaven Circle	1100 Lakeshore Drive	1000 Lakeshore Drive
Unadjusted Rent		$395	$450	$575	$456	$435
Location						
Address	709 Patterson Road	112 Creekview Drive	5 Newtown Road Northe	100 Brookhaven Circle	1100 Lakeshore Drive	1000 Lakeshore Drive
City	Lafayette	Calhoun	Calhoun	Fort Oglethorpe	Fort Oglethorpe	Fort Oglethorpe
Population	7,428	15,655	15,655	9,799	9,799	9,799
		Superior	*Superior*	*Similar*	*Similar*	*Similar*
		-$5	-$5	$0	$0	$0
Year Built	1986/2013R	*1979*	*2000*	*2000*	*1984*	*1988*
Condition/Street Appeal		*Inferior*	*Inferior*	*Inferior*	*Inferior*	*Inferior*
		$55	$40	$40	$50	$50
Unit Size (sf)	550	600	700	850	576	576
		Superior	*Superior*	*Superior*	*Superior*	*Superior*
		-$10	-$30	-$60	-$5	-$5
Bedrooms	1	1	1	1	1	1
		Similar	*Similar*	*Similar*	*Similar*	*Similar*
		$0	$0	$0	$0	$0
Bathrooms	1.0	1.0	1.0	1.0	1.0	1.0
		Similar	*Similar*	*Similar*	*Similar*	*Similar*
		$0	$0	$0	$0	$0
Utilities (who pays?)						
Heat	Tenant	Tenant	Tenant	Tenant	Tenant	Tenant
Electric	Tenant	Tenant	Tenant	Tenant	Tenant	Tenant
Water	Tenant	Tenant	Tenant	Tenant	Tenant	Landlord
Sewer	Tenant	Tenant	Tenant	Tenant	Tenant	Landlord
Trash	Landlord	Tenant	Tenant	Landlord	Tenant	Landlord
Cable	Tenant	Tenant	Tenant	Tenant	Tenant	Tenant
		Inferior	*Inferior*	*Similar*	*Inferior*	*Superior*
		$5	$5	$0	$5	-$20
Unit Amenities	*Ref, Range, DW, A/C, Ceil. Fans, Patio, W/D HU*	*Ref, Range, DW, Disp., A/C, W/D HU, FP*	*Ref, Range, DW, A/C, W/D HU, Ceil. Fans*	*Ref, Range, DW, Disp., Micro., A/C, W/D HU, Patio/Bal., Ceil. Fans*	*Ref, Range, Disp., Win. A/C, W/D HU, Patio, Ceil. Fans, Storage*	*Ref, Range, Disp., Win. A/C, W/D HU, Ceil. Fans*
		Superior	*Similar*	*Superior*	*Superior*	*Similar*
		-$5	$0	-$10	-$10	$0
Complex Amenities	*Playground, Picnic*	*None*	*None*	*Pool, CH, Storage*	*Laundry, Lake, Picnic*	*None*
		Inferior	*Inferior*	*Superior*	*Superior*	*Inferior*
		$10	$10	-$5	-$5	$10
Concessions	*None*	*1st Month's Rent is $300*	*None*	*None*	*None*	*None*
		-$8	$0	$0	$0	$0
Net Adjustment		$42	$20	-$35	$35	$35
Adjusted Rent		**$437**	**$470**	**$540**	**$491**	**$470**
Market Rent Conclusion	***$500***					

Source: *Crown Appraisal Group*

Adjustments are made for the perceived differences. The comparables range in size from 576 sf – 850 sf. After making the adjustments considered appropriate, the rent range is $437-$540. Central tendencies are $482 (average) and $470 (median). Rent Comparable 3, 4, and 5 are more similar in location when compared to the subject. An as-renovated market rent of $500/month, within the range of Rent Comparable 3, 4, and 5, is concluded to be appropriate.

As-is Market Rent, 2 br-1 ba

The subject is comprised of 19 of these units. Comparable properties from the area are used to develop the as-is rent conclusion.

2 Bed, 1 Bath
As is

	Subject	Rent 1	Rent 2	Rent 3	Rent 4	Rent 5	
Name	LaFayette Gardens Apartments	Creekview Estates	Newtown Apartments	Fountain Brook Apartments	Lakeshore Apartments I	Lakeshore Apartments II	
Address	709 Patterson Road	112 Creekview Drive	55 Newtown Road Northe:	100 Brookhaven Circle	1100 Lakeshore Drive	1000 Lakeshore Drive	
Unadjusted Rent		$495	$550	$775	$595	$595	
Location							
Address	709 Patterson Road	112 Creekview Drive	55 Newtown Road Northe:	100 Brookhaven Circle	1100 Lakeshore Drive	1000 Lakeshore Drive	
City	Lafayette	Calhoun	Calhoun	Fort Oglethorpe	Fort Oglethorpe	Fort Oglethorpe	
Population	7,428	15,655	15,655	9,799	9,799	9,799	
		Superior	*Superior*	*Similar*	*Similar*	*Similar*	
		-$5	-$5	$0	$0	$0	
Year Built	1986	*1979*	*2000*	*2000*	*1984*	*1988*	
Condition/Street Appeal		*Inferior*	*Superior*	*Superior*	*Similar*	*Similar*	
		$5	-$10	-$10	$0	$0	
Unit Size (sf)	750	750	975	1,300	864	876	
		Similar	*Superior*	*Superior*	*Superior*	*Superior*	
		$0	-$45	-$110	-$23	-$25	
Bedrooms	2	2	2	2	2	2	
		Similar	*Similar*	*Similar*	*Similar*	*Similar*	
		$0	$0	$0	$0	$0	
Bathrooms	1.0	1.0	1.5	1.5	1.0	1.0	
		Similar	*Superior*	*Superior*	*Similar*	*Similar*	
		$0	-$15	-$15	$0	$0	
Utilities (who pays?)							
Heat	Tenant	Tenant	Tenant	Tenant	Tenant	Tenant	
Electric	Tenant	Tenant	Tenant	Tenant	Tenant	Tenant	
Water	Tenant	Tenant	Tenant	Tenant	Tenant	Landlord	
Sewer	Tenant	Tenant	Tenant	Tenant	Tenant	Landlord	
Trash	Landlord	Tenant	Tenant	Landlord	Tenant	Landlord	
Cable	Tenant	Tenant	Tenant	Tenant	Tenant	Tenant	
		Inferior	*Inferior*	*Similar*	*Inferior*	*Superior*	
		$5	$5	$0	$5	-$25	
Unit Amenities	*Ref, Range, A/C, W/D HU*	*Ref, Range, DW, Disp., A/C, W/D HU, FP*	*Ref, Range, DW, A/C, W/D HU, Ceil. Fans*	*Ref, Range, DW, Disp., Micro., A/C, W/D HU, Patio/Bal., Ceil. Fans*	*Ref, Range, Disp., Win. A/C, W/D HU, Patio, Ceil. Fans, Storage*	*Ref, Range, Disp., Win. A/C, W/D HU, Ceil. Fans*	
		Superior	*Superior*	*Superior*	*Superior*	*Superior*	
		-$10	-$5	-$25	-$25	-$5	0
Complex Amenities	*Playground*	*None*	*None*	*Pool, CH, Storage*	*Laundry, Lake, Picnic*	*None*	
		Inferior	*Inferior*	*Superior*	*Similar*	*Inferior*	
		$5	$5	-$10	$0	$5	
Concessions	*None*	*1st Month's Rent is $300*	*None*	*None*	*None*	*None*	
		-$16	$0	$0	$0	$0	
Net Adjustment		-$16	-$70	-$170	-$43	-$50	
Adjusted Rent		**$479**	**$480**	**$605**	**$552**	**$545**	
Market Rent Conclusion	***$565***						

Source: *Crown Appraisal Group*

Adjustments are made for the perceived differences. The comparables range in size from 750 sf – 1,300 sf. After making the adjustments considered appropriate, the rent range is $479-$605. Central tendencies are $532 (average) and $545 (median). Rent Comparable 3, 4, and 5 are more similar in location when compared to the subject. An as-is market rent of $565/month, within the range of Rent Comparable 3, 4, and 5, is concluded to be appropriate.

As Renovated Market Rent, 2 br-1 ba

Comparable properties from the area are used to develop the as-renovated rent conclusion.

2 Bed, 1 Bath
As Renovated

	Subject	Rent 1	Rent 2	Rent 3	Rent 4	Rent 5
Name	LaFayette Gardens Apartments	Creekview Estates	Newtown Apartments	Fountain Brook Apartments	Lakeshore Apartments I	Lakeshore Apartments II
Address	709 Patterson Road	112 Creekview Drive	265 Newtown Road Northeast	100 Brookhaven Circle	1100 Lakeshore Drive	1000 Lakeshore Drive
Unadjusted Rent		$495	$550	$775	$595	$595
Location						
Address	709 Patterson Road	112 Creekview Drive	265 Newtown Road Northeast	100 Brookhaven Circle	1100 Lakeshore Drive	1000 Lakeshore Drive
City	Lafayette	Calhoun	Calhoun	Fort Oglethorpe	Fort Oglethorpe	Fort Oglethorpe
Population	7,428	15,655	15,655	9,799	9,799	9,799
		Superior	*Superior*	*Similar*	*Similar*	*Similar*
		-$5	-$5	$0	$0	$0
Year Built	1986/2013R	*1979*	*2000*	*2000*	*1984*	*1988*
Condition/Street Appeal		*Inferior*	*Inferior*	*Inferior*	*Inferior*	*Inferior*
		$55	$40	$40	$50	$50
Unit Size (sf)	750	750	975	1,300	864	876
		Similar	*Superior*	*Superior*	*Superior*	*Superior*
		$0	-$45	-$110	-$23	-$25
Bedrooms	2	2	2	2	2	2
		Similar	*Similar*	*Similar*	*Similar*	*Similar*
		$0	$0	$0	$0	$0
Bathrooms	1.0	1.0	1.5	1.5	1.0	1.0
		Similar	*Superior*	*Superior*	*Similar*	*Similar*
		$0	-$15	-$15	$0	$0
Utilities (who pays?)						
Heat	Tenant	Tenant	Tenant	Tenant	Tenant	Tenant
Electric	Tenant	Tenant	Tenant	Tenant	Tenant	Tenant
Water	Tenant	Tenant	Tenant	Tenant	Tenant	Landlord
Sewer	Tenant	Tenant	Tenant	Tenant	Tenant	Landlord
Trash	Landlord	Tenant	Tenant	Landlord	Tenant	Landlord
Cable	Tenant	Tenant	Tenant	Tenant	Tenant	Tenant
		Inferior	*Inferior*	*Similar*	*Inferior*	*Superior*
		$5	$5	$0	$5	-$25
Unit Amenities	*Ref, Range, DW, A/C, Ceil. Fans, Patio, W/D HU*	*Ref, Range, DW, Disp., A/C, W/D HU, FP*	*Ref, Range, DW, A/C, W/D HU, Ceil. Fans*	*Ref, Range, DW, Disp., Micro., A/C, W/D HU, Patio/Bal., Ceil. Fans*	*Ref, Range, Disp., Win. A/C, W/D HU, Patio, Ceil. Fans, Storage*	*Ref, Range, Disp., Win. A/C, W/D HU, Ceil. Fans*
		Superior	*Similar*	*Superior*	*Superior*	*Similar*
		-$5	$0	-$10	-$10	$0
Complex Amenities	*Playground, Picnic*	*None*	*None*	*Pool, CH, Storage*	*Laundry, Lake, Picnic*	*None*
		Inferior	*Inferior*	*Superior*	*Superior*	*Inferior*
		$10	$10	-$5	-$5	$10
Concessions	*None*	*1st Month's Rent is $300*	*None*	*None*	*None*	*None*
		-$16	$0	$0	$0	$0
Net Adjustment		$44	-$10	-$100	$17	$10
Adjusted Rent		**$539**	**$540**	**$675**	**$612**	**$605**
Market Rent Conclusion	***$630***					

Source: *Crown Appraisal Group*

Adjustments are made for the perceived differences. The comparables range in size from 750 sf – 1,300 sf. After making the adjustments considered appropriate, the rent range is $539-$675. Central tendencies are $594 (average) and $605 (median). Rent Comparable 3, 4, and 5 are more similar in location when compared to the subject. An as-renovated market rent of $630/month, within the range of Rent Comparable 3, 4, and 5, is concluded to be appropriate.

Market Vacancy Conclusion

Five market rate properties have been detailed. There are relatively few market rate rent comparables. Occupancy of the comparable properties ranges from 94.6% to 100.0%.

Apartment Vacancy
LaFayette Gardens Apartments

Name	Location	Total Units	Occ.	Vacancy
LaFayette Gardens Apartments	709 Patterson Road	20	95.0%	5.0%
Creekview Estates	112 Creekview Drive	56	94.6%	5.4%
Newtown Apartments	265 Newtown Road Northeast	78	100.0%	
Fountain Brook Apartments	100 Brookhaven Circle	224	98.2%	1.8%
Lakeshore Apartments I	1100 Lakeshore Drive	79	100.0%	
Lakeshore Apartments II	1000 Lakeshore Drive	70	95.7%	4.3%
	Minimum		94.6%	
	Maximum		100.0%	5.4%
	Totals and average (excluding subject)	507	98.0%	2.0%

Source: *Area Managers; Crown Appraisal Group*

The subject has historically operated as a government subsidized property. Most of the units are available for rental assistance, with the tenant paying 30% of their income towards the rent figure. Historic vacancy at LaFayette Gardens Apartments has been low. When inspected, there was one vacant unit.

After consideration of the market vacancy and the area supply/demand components, a figure of 5% is considered to be applicable when developing the as-is and as-renovated market value of the property.

Property Description

This section will present a description of the physical and economic characteristics of the site and building improvements. The description is based upon an inspection of the property, discussions with local municipal authorities, and data provided by the client and management.

General Location

The subject is located on the north side of Patterson Street, just south of SR 136 (East Villanow Street) and about one mile southeast of downtown LaFayette. The property is in Walker County. LaFayette is the county seat of Walker County and is located in northwestern Georgia. The property has an address of 709 Patterson Road, LaFayette, Georgia. The maps in the preceding section show the property's location.

Access, Ingress, Egress, Visibility

Overall, access is average from both a neighborhood (local) perspective, as well as a macro (regional) perspective. Ingress/egress to the property is from Patterson Street. The ingress and egress attributes are average. Visibility to the subject is considered average.

History of the Property

According to public records, the subject is owned by LaFayette Garden Apartments LP. The current owner purchased the property in 1996. The subject has not been sold during the past three years. The property is part of a portfolio of apartment properties in Georgia that are to transfer ownership in the near term. While the sale price is in the final stages of negotiation, the price is expected to be about $440,469. The transfer is assumed to be between related parties and not one that is considered to be arms-length. As the transfer is presumably not arms-length, no credence is given to this purchase price when determining the said values of the subject property. Subsequent to the sale, ownership plans to renovate the subject with funding from a combination of mortgage monies, sale proceeds of Section 42 Low Income Housing Tax Credits, and equity. Following the acquisition the existing Section 515 loan will remain at the property. (The loan is expected to be restated under new rates and terms.) The developer estimates the renovation cost to be about $28,245 per unit, or about $564,900. Renovations will be extensive and will include interior unit renovation as well as exterior unit renovation. It is expected that the air conditioning units will be replaced, windows will be repaired/replaced, new roofs will be installed, parking areas will be repaired, and kitchens and bathrooms will be updated as needed.

Easements

No detrimental easements that would substantially deter development are known to exist. Others, such as utility easements, allow for development of the site and are considered beneficial to the tract.

Soil Conditions

Soil conditions are assumed to be adequate. The site appears to be well drained. No engineering or soil testing has been performed to the knowledge of the appraisers, and no further conclusion as to the condition of the foundation or soil condition is made. There is no reason to suspect that hazardous materials are on the property. **Note: The appraisers are not experts in environmental matters. It is assumed that the site is clean from an environmental standpoint. The user of the report is instructed to seek the advice of an expert if further questions arise pertaining to environmental issues.**

Third Party Reports

A market study completed by Bowen National was provided. No warranty is made for the completeness and accuracy of this report or any other third party report that may exist.

Topography

The topography at the site is level to slightly sloping.

Flood Plain

According to FEMA's flood insurance rate map community panel number 13295C0184 D, dated September 5, 2007, the subject is located in Zone X. Zone X is identified as not being in a flood plain.

Zoning

The property is zoned R-3: Multifamily Residential. According to local government officials, the current use is a legal, conforming use under this zoning classification.

Utilities

The subject site is serviced by the following utilities (the payor of the utilities is also shown):

Utility Details
Lafayette Gardens Apartments

Service	Paid by
Heat	Tenant
Electric	Tenant
Water	Tenant
Sewer	Tenant
Trash	Landlord
Cable	Tenant

Source: *Management*

Improvements

The subject improvements include a 20-unit apartment complex (housed in three 2-story buildings). The improvements were initially developed in 1986.

The buildings have a poured concrete foundation. The buildings have a combination brick and siding exterior, and a pitched roof covered with shingles.

Each unit has a living room/living area, kitchen, one or two bedrooms, and one bathroom. The floors in the units are a combination of carpet and tile. Windows are sliders. Exterior doors are metal; interior doors are hollow core wood. Interior walls are painted drywall; ceilings are painted drywall. Ceiling height is generally 8 feet. Hot water is supplied via individual water heaters. Each unit includes a washer/dryer hook-up. Kitchens have vinyl flooring. They are equipped with a refrigerator, double sink, fan hood, and range. After renovations, the kitchen will also include a dishwasher.

Each unit has an individual forced air furnace. The units have central air conditioning. The units have battery powered and hard wired smoke alarms.

Property amenities include a playground. After renovations, there will also be a picnic area.

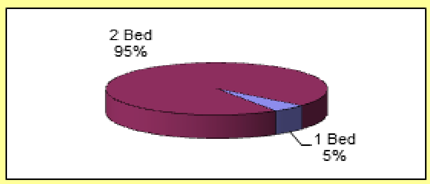
Parking areas are in average condition. There appears to be sufficient parking for the property. Overall parking at the subject is adequate.

Unit Mix

The composition of the property is shown in the chart below.

LaFayette Gardens Apartments
Unit Mix

Description	Total Units	% of total units	Vacant Units	Size (sf)
1 Bed, 1 Bath	1	5%	1	550
2 Bed, 1 Bath	19	95%	0	750
Overall Totals/Averages	***20***	***100%***	***1***	***14,800***



Source: *Property Management*

Physical and Functional Condition

The improvements were completed in 1986 and renovated periodically over time. The property has been maintained on an as needed basis. The one bedroom unit has significant water damage. It is currently offline and being remedied. No other deferred maintenance was noted.

The total building size is 14,800 sf. This is the sum of the apartment units (1 Bedroom - 550 sf/unit * 1 unit – 550 sf plus 2 Bedroom – 750 sf/unit * 19 units – 14,250 sf). The subject includes an on-site office space in the northern building. Square footage for the office was requested but not provided.

A major renovation is planned for the property improvements. Planned renovations include replacement of all existing flooring, replacement of kitchen cabinets and countertops, replacement of existing kitchen appliances, plumbing fixtures, lighting fixtures, bathroom cabinets and countertops, HVAC, repainting, re-roofing (new shingles), as well as exterior upgrades and improvements, and re-paving and re-striping of drive and parking areas. Furthermore, all Section 504 accessibility issues will be addressed and corrected as appropriate. The renovation is expected to cost about $28,245 per unit, or about $564,900.

Upon completion of the renovations, the property's marketability, overall quality, and aesthetic appeal will be increased and enhanced. Following the renovations, the subject is projected to have a remaining economic life – assuming normal maintenance and repairs - of 55 years. If the property were not renovated, the remaining economic life (the "as-is remaining economic life") is estimated at 30 years.

Current Rent Parameters/Rent Roll

The chart below illustrates the current rent parameters. As has been discussed, there are LIHTC restrictions applicable to the units at the property. The as-is market rent and as-renovated market rent (CRCU) conclusions are well below the maximum LIHTC rent figure.

LaFayette Gardens Apartments
Rent Parameters

	Total Units	% of total	Vacant Units	% of unit type	Size (sf)	Total Size (sf)	Basic Rent	Max Rents LIHTC	Max Rents FMR	CRCU As-Is	CRCU As-Renovated
1 Bed, 1 Bath	1	5%	1	100%	550	550	$470	$652	$584	$435	$500
2 Bed, 1 Bath	19	95%	0	0%	750	14,250	$495	$783	$727	$565	$630
Overall Totals/Averages	***20***	***100%***	***1***	***5%***	***740***	***14,800***					

LIHTC is gross rent, prior to Utility allowance deduction
FMR is effective 10-1-12
Source: *Property Management*

Operating History

The chart below shows the recent operating history for the subject.

LaFayette Gardens Apartments
Operating History 20 units

Revenue	2009	Per Unit	2010	Per Unit	2011	Per Unit	2012	Per Unit
Apartment Rental Income	103,602	5,180	105,496	5,275	112,490	5,625	115,362	5,768
Plus: Other Income	361	18	645	32	647	32	519	26
Effective Gross Income	***103,963***	***5,198***	***106,141***	***5,307***	***113,137***	***5,657***	***115,881***	***5,794***
Operating Expenses								
Real Estate Taxes	5,257	263	5,340	267	4,652	233	4,643	232
Insurance	4,826	241	5,108	255	5,198	260	5,199	260
Repairs & Maintenance	15,172	759	12,266	613	16,004	800	11,436	572
General & Administrative	5,958	298	7,776	389	8,443	422	7,489	374
Management Fees	9,711	486	9,988	499	10,591	530	10,547	527
Utilities								
Electric	2,679	134	3,138	157	3,453	173	3,205	160
Water/Sewer	120	6	492	25	80	4	66	3
Total Utilities	2,800	140	3,630	182	3,533	177	3,272	164
Payroll	24,214	1,211	23,240	1,162	24,298	1,215	26,577	1,329
Marketing	116	6	60	3	119	6	154	8
Total Expenses	***68,054***	***3,403***	***67,408***	***3,370***	***72,838***	***3,642***	***69,318***	***3,466***
operating expense ratio		***65.5%***		***63.5%***		***64.4%***		***59.8%***
Net Operating Income	***35,909***	***1,795***	***38,733***	***1,937***	***40,299***	***2,015***	***46,563***	***2,328***

Source: *Property Management*

While individual line items will vary depending upon the specific valuation developed later in the report, the following generally holds true:

Interest Appraised	Comment
As-is market value, unrestricted rents	The effective gross income, which is comprised primarily of apartment rent, should be above historic levels. The apartment rent will be constrained by market rent levels. The total operating expense estimate will be less than historic primarily due to reduced Repairs & Maintenance, General & Administrative, Management Fee, and Payroll expenses. The Marketing expense will be higher than historic, and there will be an explicit Reserve expense.
Market value, subject to restricted rents (RD)	The effective gross income, which is comprised primarily of apartment rent, should be above historic levels. The apartment rent will be constrained by basic rent levels. The total operating expense estimate will be similar to historic expenses at the subject. There will be an explicit Reserve expense.
Prospective market value of the fee simple estate, upon completion of renovation and as stabilized, subject to restricted rents (RD).	The effective gross income, which is comprised primarily of apartment rent, should be above historic levels. The apartment rent will recognize the economic benefits of the renovation as the units will be in better physical (and functional) condition. The apartment rent will be constrained by the lesser of market rent or LIHTC constraints With respect to operating expense line items, Real Estate Taxes, Insurance, General & Administrative, Management Fee, Utilities, and Marketing should be near historic. Repairs & Maintenance should be lower due to the renovations. Payroll should also be lower, also due to the renovation. An explicit Reserve will be recognized.
Prospective market value of the fee simple estate, upon completion of renovation and as stabilized, as conventional or unrestricted.	The effective gross income, which is comprised primarily of apartment rent, should be above historic levels. The apartment rent will recognize the economic benefits of the renovation as the units will be in better physical (and functional) condition. The apartment rent will based on the (prospective) market rent figures. The total operating expense estimate should be lower due to renovation (reduced Repairs & Maintenance as well as Payroll) as well as reduced General & Administrative and Management

expenses. The Marketing expense should be higher than historic, and there will be an explicit Reserve expense.

Real Estate Taxes and Assessments

The chart below shows the tax details.

Real Estate Taxes
LaFayette Gardens Apartments

Parcel Number		1049-019
	Appraised	Assessed
Land	$33,130	$13,252
Improvements	379,990	151,996
Total	413,120	165,248

Real Estate Taxes	$4,144
Taxes/unit	$207

Source: *County Auditor*

Highest and Best Use

Highest and best use is defined in The Appraisal of Real Estate, Thirteenth Edition, Appraisal Institute, as follows:

> *…the reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, and financially feasible, and that results in the highest value.*

Some of the more germane comments from this publication regarding highest and best use are noted in the following bullet points:

- …highest and best use relies on that analysis to then identify the most profitable, competitive use to which the subject can be put.
- In general, if the value of a property as improved is greater than the value of the land as though vacant, the highest and best use is the use of the property as improved.
- …a property's existing use may represent an interim use, which begins with the land value for the new highest and best use and adds the contributory value of the current improvements until the new highest and best use can be achieved.
- These criteria [legally permissible, physically possible, financially feasible, maximally productive] are generally considered sequentially.

After consideration of the data, the following conclusions are drawn:

As If Vacant:

Physically Possible Uses:	Physical constraints include site area, shape, and adjacent uses. The site has all public utilities available. Noted easements are typical, and soil conditions are assumed to be adequate. There are acceptable access and visibility attributes. Based on location and site constraints, the most probable physically possible uses would be an intensive use. The existing improvements are such a use, and effectively utilize the site.
Legally Permissible Uses:	According to government officials, the current multi-family use is a permissible use.
Financially Feasible Uses:	The subject has a good location and is convenient to major traffic arteries. The surrounding area has been developed with a number of properties, including single-family residential properties, multi-family properties, retail properties, office and institutional uses (churches, schools, parkland). The residential users in the immediate area appear to have met with market acceptance. If vacant, a similar use is appropriate. The existing improvements develop a return in excess of that if the property were not improved.

Conclusion/Maximum Productivity: Of those uses that are physically possible, legally permissible, and financially supported, a residential development is concluded to be the highest and best use of the site as if vacant. Given the area demographics, development should not be speculative – rather, development should only occur with an identified end user in place.

As Improved:

Physically Possible Uses:	The presence of the improvements demonstrate their physical possibility.
Legally Permissible Uses:	The current multi-family use is a permissible use.
Financially Feasible Uses:	As is shown in the valuation, the existing improvements develop a return well in excess of that if the property were not improved.

Conclusion/Maximum Productivity: The existing improvements are considered to be financially feasible. The chart below demonstrates that the proposed renovation is appropriate and financially viable – when considering the inclusion of the additional value from the interest credit subsidy and LIHTC. As shown, the sum of the prospective market value, interest credit values, and LIHTC values are in excess of the property's as is value plus renovation costs. Therefore, the proposed renovations provide a higher return to the property than if the property were not renovated, and the highest and best as improved is concluded to be with the renovations made to the property.

Financial Feasiblility
LaFayette Gardens Apartments

Initial Test of Financial Feasibility	
Value 3, prospective, subject to restricted rents	$1,180,000
Value 1, as-is, as conventional or unrestricted	$920,000
Incremental difference	$260,000
Renovation Cost	$564,900
Benefit (cost) of renovating *before* consideration of other benefits	-$304,900
Other Benefits	
Value 6, interest credit subsidy (existing loan re-financed)	$223,000
Value 7, LIHTC	$455,930
Value of additional benefits of renovation	$678,930
Net benefits, or added value, of renovation	*$374,030*

Initial Test of Financial Feasibility	
Value 3, prospective, subject to restricted rents	$1,180,000
Value 2, subject to restricted rents	$640,000
Incremental difference	$540,000
Renovation Cost	$564,900
Benefit (cost) of renovating *before* consideration of other benefits	-$24,900
Other Benefits	
Value 6, interest credit subsidy (existing loan re-financed)	$223,000
Value 7, LIHTC	$455,930
Value of additional benefits of renovation	$678,930
Net benefits, or added value, of renovation	*$654,030*

These thoughts are carried to the Valuation section.

Valuation

The valuation process involves the gathering of data in order to develop opinions of value for the subject. A number of value opinions are provided. The value opinions are detailed below; the applicable approaches to value are also identified.

Value Opinion 1	Market value within 7 CFR Part 3560.752(b)(1)(ii), Premised Upon A Hypothetical Condition As-If Unsubsidized Conventional Housing in compliance with 7 CFR Part 3560.656(c)(1)(i). *Note - using the hypothetical condition "as unsubsidized conventional housing" according to 7 CFR Part 3560.656(c)(1)(i) means that when the appraiser develops their highest and best use analysis they will not recognize any Rural Development restrictions or subsidies and must only consider the property as continued use as housing.* The intended use of this appraised value is to determine the value of the property that qualifies for an Incentive Offer within 7 CFR Part 3560.656 for sale/purchase and to determine the amount and availability of any equity. For ease of communication throughout the report, every effort is made to identify this value either by the complete definition or "Value Opinion 1, market, unrestricted". The income capitalization and sales comparison approaches are used.
Value Opinion 2	Market Value, within 7 CFR Part 3560.752(b)(1)(ii). *Note – this value opinion must consider all existing restrictions and prohibitions including Restrictive-Use Provisions (RUPs).* The intended use of this appraised value is to determine the value of the property for sale/purchase and to determine the amount and availability of any equity. For ease of communication throughout the report, every effort is made to identify this value either by the complete definition or "Value Opinion 2, market, restricted". The income capitalization approach is used.
Value Opinion 3	Prospective Market Value, Subject To Restricted Rents within 7 CFR Part 3560.752(b)(1)(i). *Note – this value opinion must consider any rent limits, rent subsidies, expense abatements, and restrict-use conditions that will affect the property. All intangible assets must be evaluated individually and separately from real estate.* The intended use of this appraised value for a new or subsequent loan is to assist the underwriter with calculating the security value for the basis of a loan or loan guarantee. For ease of communication throughout the report, every effort is made to identify this value either by the complete definition or "Value Opinion 3, prospective, restricted". The income capitalization and cost approaches are used.
Value Opinion 4	Prospective Market Value within 7 CFR Part 3560.752(b)(1)(ii), Premised Upon A Hypothetical Condition As-If-Conventional Housing. *Note – this value opinion is based upon a highest and best use analysis as-if not*

	encumbered by USDA program provisions. The intended use of this appraised value is for reasonable analysis and comparison as to how the USDA restrictions affect the property. It should not be used as the basis of a loan or loan guarantee. For ease of communication throughout the report, every effort is made to identify this value either by the complete definition or "Value Opinion 4, prospective, unrestricted". The income capitalization approach is used.
Value Opinion 5	Market value of underlying land. This value is developed within the cost approach valuation used for Value Opinion 3.
Value Opinion 6	Value of the interest credit subsidy from assumed 515 loan. The income capitalization approach is used.
Value Opinion 7	Market value of LIHTC (tax credits). The income capitalization approach is used.
Value Opinion 8	Insurable Value. The cost approach is used.

As-Is Market Valuation

An opinion of the market value, unrestricted rents (fee simple estate, as conventional or unrestricted, as of the date of valuation) is subject to the hypothetical condition that the subject property is operated as a conventional, market rate property. Historically, the subject property has been operated as a subsidized property. Both the income capitalization approach and the sales comparison approach are utilized to arrive at opinions of the as-is market value of LaFayette Gardens Apartments (value 1). The income capitalization approach is used to arrive at the market value, subject to restricted rents opinion (value 2).

Income Capitalization Approach

as conventional or unrestricted – Value 1

The income capitalization approach to value opinion is based on the economic principle of anticipation--that the value of an income producing property is the present value of anticipated future net benefits. Other appraisal principles and concepts upon which this approach is based include supply and demand, change, substitution, and externalities.

Net operating income projections (future net benefits) are translated into a present value indication using a capitalization process. In this appraisal, a pro forma technique is explicitly used. Market value is developed through the use of market derived financial opinions and return parameters. More specifically, the capitalization process steps in the pro forma technique are as follows:

- The effective gross revenue is estimated by the sum of the market rents on the units less an allowance for vacancy, plus other income.
- Expenses inherent in the operation of the property, including real estate taxes, insurance, repairs and maintenance, general and administrative, management, utilities, payroll, marketing, and reserve are estimated.
- The net operating income is derived by deducting the operating expenses from the effective gross revenue.
- The net operating income is then capitalized to obtain an indication of value.

With respect to this valuation, the effective gross income, which is comprised primarily of apartment rent, should be above historic levels. The apartment rent will be based on market rent figures.

The total operating expense estimate will be less than historic primarily due to reduced Repairs & Maintenance, General & Administrative, Management Fee, and Payroll expenses. The Marketing expense will be higher than historic, and there will be an explicit Reserve expense.

Pro Forma Capitalization

Base Rent Revenue – is based on the market rent levels for the units at the subject. The annual market rent is shown in the chart below.

LaFayette Gardens Apartments — ***as-is***
Base Rent Revenue — ***as conventional or unrestricted***
Value 1

	Total Units	% of total	Size (rsf)	Total rsf	Rent/Month	Market Rent Rent/sf	Market Rent Monthly	Market Rent Yearly
1 Bed, 1 Bath	1	5%	550	550	$435	$0.79	$435	$5,220
2 Bed, 1 Bath	19	95%	750	14,250	$565	0.75	10,735	128,820
Overall Totals/Averages	***20***	***100%***	***740***	***14,800***	***559***	***0.75***	***11,170***	***134,040***

Source: *Crown Appraisal Group*

Vacancy – Stabilized vacancy has been discussed in the Market Area Overview section. Vacancy is estimated at 5%, and is applied to base rent revenue.

Other Income – Other revenues include laundry income, late/nsf charges, application fees, forfeited deposits, termination/restoration fees and other miscellaneous incomes. Other revenue is estimated at $30/unit. This is a net income line item component, with vacancy inherently considered.

Operating Expenses – are those costs necessary to maintain the property at or near a maximum level of economic performance. These expenses are categorized as real estate taxes, insurance, repairs and maintenance, general and administrative, management fees, utilities, payroll, and marketing. In addition, reserves are also considered. Estimated operating expenses are based on historical figures, and support from market data. The market data information is of properties similar in size, age, condition, and location relative to the subject that have been appraised by Crown Appraisal Group. All of these properties are RD properties – none are market rate ones. Like the subject, the operating histories reflect the benefits – and costs – associated with operating as a rural property subject to various RD operating costs.

With respect to operating expense line items, Real Estate Taxes, Insurance, and Utilities should be near historic. Repairs & Maintenance, General & Administrative, Management Fees and Payroll should be lower than historic due to the nature of market rate operations as compared to subsidized operations. Marketing should be above historic, also due to the nature of market rate operations. An explicit Reserve will be recognized.

Operating Expense Comparables
LaFayette Gardens Apartments

	1	2	3	4	5	6	7	8	9	10
Units	28	20	25	24	34	24	52	72	29	49
Year	2012	2012	2012	2012	2012	2012	2012	2012	2012	2011
Per Unit Basis										
Real Estate Taxes	343	455	150	277	510	300	240	386	285	479
Insurance	260	279	260	271	229	260	262	191	251	261
Repairs and Maintenance	637	740	854	511	361	531	479	1,255	455	402
General and Administrative	278	300	352	349	245	323	275	479	288	348
Management Fees	532	534	522	553	471	525	531	553	508	519
Utilities										
Electric	249	173	138	83	108	153	101	247	111	98
Water/Sewer	395	30	466	178	362	594	405	378	357	63
Total Utilities	644	203	604	261	470	747	506	663	468	161
Payroll	687	1,064	742	1,169	533	567	800	1,340	1,073	579
Marketing	6	7	23	2	2	10	7	1	23	3
Total	***3,388***	***3,580***	***3,506***	***3,393***	***2,822***	***3,263***	***3,099***	***4,868***	***3,350***	***2,753***

Per Unit Basis				
Category	Minimum	Maximum	Average	Median
Real Estate Taxes	150	510	343	321
Insurance	191	279	252	260
Repairs and Maintenance	361	1,255	622	521
General and Administrative	245	479	324	312
Management Fees	471	553	525	528
Utilities				
Electric	83	249	146	125
Water/Sewer	30	594	323	370
Total Utilities	161	747	473	488
Payroll	533	1,340	855	771
Marketing	1	23	8	7
Total	***2,753***	***4,868***	***3,402***	***3,369***

Source: *Apartment Management, Crown Appraisal Group*

The line item operating expenses are presented in the chart below. The chart details the median and average operating expenses by the operating expense comparables, the historic operating expenses at the subject, and the pro forma operating expense projections.

LaFayette Gardens Apartments ***as-is***

Operating Expense Estimates ***as conventional or unrestricted***

Value 1

Real Estate Taxes

Source	Comparables				2009	2010	2011	2012	Pro Forma	Amount
Cost/unit	321	med	343	avg	263	267	233	232	207	$4,144

Insurance

Source	Comparables				2009	2010	2011	2012	Pro Forma	Amount
Cost/unit	260	med	252	avg	241	255	260	260	260	$5,200

Repairs & Maintenance

Source	Comparables				2009	2010	2011	2012	Pro Forma	Amount
Cost/unit	521	med	622	avg	759	613	800	572	650	$13,000

General & Administrative

Source	Comparables				2009	2010	2011	2012	Pro Forma	Amount
Cost/unit	312	med	324	avg	298	389	422	374	325	$6,500

Management

Source	Comparables				2009	2010	2011	2012	Pro Forma	Amount
Cost/unit	528	med	525	avg	486	499	530	527	320	$6,397

Electric Utilities

Source	Comparables				2009	2010	2011	2012	Pro Forma	Amount
Cost/unit	125	med	146	avg	134	157	173	160	160	$3,200

Water & Sewer

Source	Comparables				2009	2010	2011	2012	Pro Forma	Amount
Cost/unit	370	med	323	avg	6	25	4	3	5	$100

Total Utilities

Source	Comparables				2009	2010	2011	2012	Pro Forma	Amount
Cost/unit	488	med	473	avg	140	182	177	164	165	$3,300

Payroll

Source	Comparables				2009	2010	2011	2012	Pro Forma	Amount
Cost/unit	771	med	855	avg	1,211	1,162	1,215	1,329	875	$17,500

Marketing

Source	Comparables				2009	2010	2011	2012	Pro Forma	Amount
Cost/unit	7	med	8	avg	6	3	6	8	20	$400

Total Operating Expenses (including consideration of Reserve)

Source	Comparables				2009	2010	2011	2012	Pro Forma	Amount
Cost/unit	3,369	med	3,402	avg	3,403	3,370	3,642	3,466	3,172	$63,441

Source: *Property Management; Crown Appraisal Group*

LaFayette Gardens Apartments
Operating Expense Estimates

as-is
as conventional or unrestricted
Value 1

Operating Expense	Cost/unit		Discussion
Real Estate Taxes	207		Based on the current real estate taxes of the subject as reported by the county.
Insurance	260		Based on historic with support from market.
Repairs & Maintenance	650		Below historic; property would not be as well maintained if it were to be operated as a market rate one.
General & Administrative	325		Below historic; market rate properties have lower general & administrative costs than subsidized properties.
Management	5.00%		Percent of effective gross income rather than fee per occupied door per month.
Utilities	160	Electric	Based on historic with support from market.
	5	Water and sewer	Based on historic with support from market.
Payroll	875		Based on the size of the property, a total cost per year, or a cost per month, is the appropriate manner in which to develop this operating expense estimate. The expense is based on the probable cost if the property were operated as a market rate one.
Marketing	20		Above historic; market rate properties require a higher cost for marketing.
Reserve	350		Based on market participant attitudes.

Total Operating Expenses – The chart below compares historical and market derived operating expense data with the pro forma. Notice the market estimates are lower than the historical figures as government subsidized properties typically cost more to operate than market rate.

Pro Forma Operating Expense Estimate & Comparisons (per unit basis)
LaFayette Gardens Apartments

as-is
as conventional or unrestricted
Value 1

	Crown Appraisal Group Survey				Year End Historical				Subject
	Low	High	Avg.	Med.	2009	2010	2011	2012	Pro Forma
Real Estate Taxes	150	510	343	321	263	267	233	232	207
Insurance	191	279	252	260	241	255	260	260	260
Repairs and Maintenance	361	1,255	622	521	759	613	800	572	650
General and Administrative	245	479	324	312	298	389	422	374	325
Management Fees	471	553	525	528	486	499	530	527	320
Utilities									
Electric	83	249	146	125	134	157	173	160	160
Water/Sewer	30	594	323	370	6	25	4	3	5
Total Utilities	161	747	473	488	140	182	177	164	165
Payroll	533	1,340	855	771	1,211	1,162	1,215	1,329	875
Marketing	1	23	8	7	6	3	6	8	20
Reserve	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	350
Total Operating Expenses	2,753	4,868	3,402	3,369	3,403	3,370	3,642	3,466	3,172

Note: columns with median and average figures may not add to total

Source: *Property Managers; Crown Appraisal Group*

The net operating income is estimated by deducting the operating expenses from the effective gross income. The pro forma is shown below.

Pro Forma Operating Statement			***as conventional or unrestricted***	
LaFayette Gardens Apartments				***as-is***
		20 units		***Value 1***
		% of EGI	Per Unit	Amount
Potential Rental Revenue		104.8%	$6,702	$134,040
Less: Vacancy and Collection Loss @	5.0%	-5.2%	-335	-6,702
Effective Rent		99.5%	6,367	127,338
Plus Other Revenue:				
Other Income		0.5%	30	600
Effective Gross Income		**100.0%**	**6,397**	**127,938**
Less: Operating Expenses				
Real Estate Taxes		3.2%	207	4,144
Insurance		4.1%	260	5,200
Repairs and Maintenance		10.2%	650	13,000
General and Administrative		5.1%	325	6,500
Management Fees @	5.0%	5.0%	320	6,397
Utilities				
Electric		2.5%	160	
Water/Sewer		0.1%	5	
Total Utilities		2.6%	165	3,300
Payroll		13.7%	875	17,500
Marketing		0.3%	20	400
Reserve		5.5%	350	7,000
Total Operating Expenses		49.6%	3,172	63,441
Net Operating Income		***50.4%***	***3,225***	***64,497***

Source: *Crown Appraisal Group*

Capitalization Rate Discussion

Capitalization is the process by which net operating income is converted into a value indication. A capitalization rate is utilized that most accurately represents the risk associated with receiving the property's net operating income. A property that has a "safer" income stream is one that has less risk.

In order to arrive at an appropriate range, emphasis was put on data provided by comparable sales and analysis of financing techniques.

Comparable Sales

The comparable sales utilized in the Sales Comparison Approach section indicate an overall capitalization rate range as shown below. Other data is shown, including the dates of the sales. Overall, the sales properties are comparable in the sense that they are recent sales of similar apartment complexes in the greater market area.

Comparable Sales
Overall Capitalization Rates

Name/Location	Sale Date	Year Built	Units	Sale Price	Price/Unit	OAR
207 Old Zion Cemetery Rd Loganville, GA	Mar-11	1985	15	670,000	44,667	7.1%
Lealand Place Apts Lawrenceville, GA	Dec-11	1999	192	11,370,000	59,219	6.9%
Legacy Century Center Atlanta, GA	Aug-12	1978	178	11,850,000	66,573	6.3%
Waldan Pond Apartments Acworth, GA	Oct-12	1987	124	4,800,000	38,710	6.5%
Forest Pointe Apts Macon, GA	Dec-12	1984	200	10,200,000	51,000	6.8%
Average, Median, Range		***6.7%***	***6.8%***			***6.3% - 7.1%***

Source: *Crown Appraisal Group*

A number of differences between the properties and the specifics of transaction, however, make correlation to a specific rate within the range problematic. The sales do represent current market activity and characteristics of the properties that are similar to the subject. An overall rate near the range is appropriate. Certainly, the market data alone does not support the selection of a rate below 6.3% or a rate above 7.1%. If the sales were the only data source from which to select the overall capitalization rate, a rate near the low to middle of the range is most appropriate given the net operating income figure.

Final consideration of an appropriate rate is through an analysis of lender requirements. After all, properties such as the subject are usually transferred only after financing has been arranged. The debt coverage ratio technique calculates an overall rate by multiplying the mortgage constant by the loan-to-value ratio and then by the debt coverage figure.

Financing Techniques

Debt Coverage Ratio

The debt coverage ratio technique places emphasis on lender requirements while inherently providing for a reasonable equity return. Rather than developing an explicit equity dividend, the equity position is left with a residual dividend return. This has good applicability for properties such as the subject. Using current parameters, development of the overall rate can be seen in the following chart.

Overall Rate Derivation
Debt Coverage Ratio Technique

Mtg. Rate	Term of Mtg.	Mtg. Constant	Loan to Value	DCR		OAR
5.25%	30	0.0663	70.0%	1.25		5.80%
5.25%	30	0.0663	75.0%	1.20		5.96%
5.50%	30	0.0681	70.0%	1.25		5.96%
5.50%	30	0.0681	75.0%	1.20		6.13%
5.75%	30	0.0700	70.0%	1.25		6.13%
5.75%	30	0.0700	75.0%	1.20		6.30%
			rounded to	***5.8%***	**-**	***6.3%***

Source: *Crown Appraisal Group*

Given the specific characteristics of the property, the overall capitalization rate range derived from the debt coverage ratio appears to be reasonable.

Band of Investment

There are two primary components utilized in the band of investment technique. These are the debt and equity components. Both are explicitly developed. A weighted average, which combines these two components, is used to capitalize the net operating income. The strength of the band of investment is that it has long been used by real estate market participants in developing an overall rate. The band of investment technique quantifies the appropriate overall rate as follows:

Overall Rate Derivation
Band of Investment Technique

Interest Rate	Amort.				Constant		Weighted Average
5.25%	30	75%	(loan to value)	x	0.0663	=	4.970%
		25%	(equity to value)	x	6.0%	=	1.500%
					Overall Rate	=	6.470%
					Rounded To:		*6.5%*

Source: *Crown Appraisal Group*

Conclusion

In summarizing, most of the market-based indicators suggest that a rate toward the middle of the range is most appropriate. The weakness in the rates indicated by the comparable sales is that the figures are historic. The overall rates from the comparable sales are also suspect to relatively wide fluctuations when relatively minor changes are made (as an example, an change to the net operating income of only $1,000 on a $1,000,000 sale impacts the overall rate by 10 basis points). The strength in the debt coverage and the band of investment techniques, is that they are based on real participants and real mortgage rates. The information from the latter analysis suggests that the appropriate rate is in the low 6.0% range.

In the final analysis, an overall rate that lies between the comparable sale and financing technique analysis of 7.00% is selected as being appropriate to accurately reflect the risk characteristics arising from the income stream. The rate selected falls within the ranges indicated by comparable sales, and the quantitative overall rate derivation techniques (band of investment and debt coverage ratio). Application of the rate to the pro forma net operating income is shown in the chart below.

Pro Forma Technique Value Conclusion	***as-is***
LaFayette Gardens Apartments	***as conventional or unrestricted***
	Value 1
Net Operating Income	$64,497
Overall Capitalization Rate	7.00%
Value Conclusion	921,391
Rounded To:	***$920,000***

Source: *Crown Appraisal Group*

Income Capitalization Approach
as restricted – Value 2

A pro forma is used. Much of the valuation is based on the analysis previously presented. Major differences (and similarities) are detailed below.

Base Rent

The appropriate unit rent to use is the basic rent figure.

LaFayette Gardens Apartments
Base Rent Revenue

subject to restricted rents
as-is
Value 2

	Total Units	% of total	Size (rsf)	Total rsf	Market Rent Rent/Month	Rent/sf	Monthly	Yearly
1 Bed, 1 Bath	1	5%	550	550	$470	$0.85	$470	$5,640
2 Bed, 1 Bath	19	95%	750	14,250	$495	0.66	9,405	112,860
Overall Totals/Averages	***20***	***100%***	***740***	***14,800***	***494***	***0.67***	***9,875***	***118,500***

Source: *Crown Appraisal Group*

Vacancy

Utilized historic levels.

Operating Expenses

The operating expenses are largely based on recent history at the subject. Figures used are shown below.

LaFayette Gardens Apartments
Operating Expense Estimates

as-is
subject to restricted rents
Value 2

Operating Expense	Cost/unit		Discussion
Real Estate Taxes	207		Based on the current real estate taxes of the subject as reported by the county.
Insurance	260		Based on historic with support from market.
Repairs & Maintenance	700		Near the recent historic figures with the recognition that some of the historic amounts have some costs better categorized as capital expenditures.
General & Administrative	375		Based on historic.
Management	44.50		Based on cost per occupied door per month.
Utilities	160	Electric	Based on historic with support from market.
	5	Water and sewer	Based on historic with support from market.
Payroll	1,300		Based on historic.
Marketing	5		Based on historic.
Reserve	350		Based on market participant attitudes.

The pro forma is shown below.

Pro Forma Operating Statement				*subject to restricted rents*
LaFayette Gardens Apartments				*as-is*
		20 units		*Value 2*
		% of EGI	Per Unit	Amount
Potential Rental Revenue		101.5%	$5,925	$118,500
Less: Vacancy and Collection Loss @	2.0%	-2.0%	-119	-2,370
Effective Rent		99.5%	5,807	116,130
Plus Other Revenue:				
Other Income		0.5%	30	600
Effective Gross Income		**100.0%**	**5,837**	**116,730**
Less: Operating Expenses				
Real Estate Taxes		3.5%	207	4,144
Insurance		4.5%	260	5,200
Repairs and Maintenance		12.6%	700	14,683
General and Administrative		6.4%	375	7,500
Management Fees		9.0%	523	10,466
Utilities				
Electric		2.7%	160	
Water/Sewer		0.1%	5	
Total Utilities		2.8%	165	3,300
Payroll		22.3%	1,300	26,000
Marketing		0.1%	5	100
Reserve		6.0%	350	7,000
Total Operating Expenses		67.2%	3,920	78,393
Net Operating Income		***32.8%***	***1,917***	***38,337***

Source: *Crown Appraisal Group*

Capitalization Rate Discussion

The appropriate rate selected should recognize two primary characteristics. There is a need for affordable housing in the area. Second, the net operating income developed is within the range at that seen during the prior three years. In that sense, the net operating income is one that is relatively "safe". The conclusion is that the appropriate overall rate should be less than that selected for the as-is market, unrestricted. The question is, of course, how much lower. There is some information available from RD that helps answer this. The consensus is that, for properties that are comprised of all (or mostly all) RA units, the appropriate rate should be about 100 basis points less than the market rate conclusion (the rate used for as-is market unrestricted). For properties that do not have a high percentage of RA units, the overall rate should not be significantly different than the overall rate used in the as-is, unrestricted valuation. The value is developed below.

Pro Forma Technique Value Conclusion	***as-is***
LaFayette Gardens Apartments	***subject to restricted rents***
	Value 2
Net Operating Income	$38,337
Overall Capitalization Rate	6.00%
Value Conclusion	638,948
Rounded To:	***$640,000***

Source: *Crown Appraisal Group*

Sales Comparison Approach

as conventional or unrestricted – Value 1

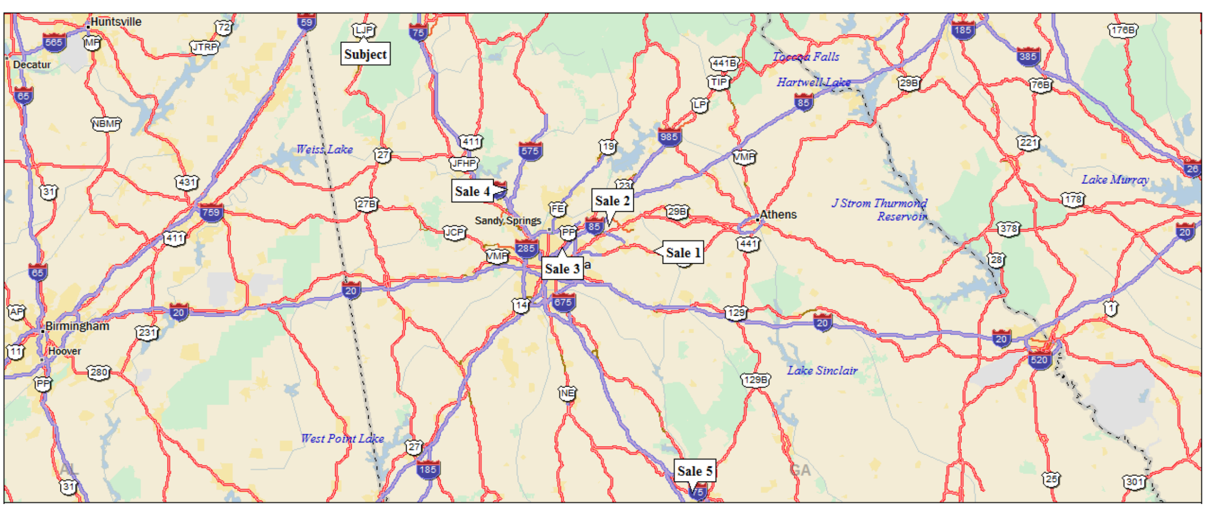
The sales comparison approach is based upon the theory that an informed purchaser will pay no more for a property than the cost of acquiring an equally desirable substitute property. The principle of substitution confirms that the maximum value of a property is set by the cost of acquisition of an equally desirable and valuable substitute property, assuming that substitution can be made without costly delay. Other appraisal principles and concepts relating to the approach include supply and demand, balance, and externalities.

In order to obtain an indication of value from the sales comparison approach, recent sales of similar properties have been analyzed and the sales prices adjusted to reflect dissimilarities between these properties and the subject. From these sales prices an indication of market value for the subject has been developed.

One of the fundamental considerations in the sales comparison approach is defining substitute or comparable properties. Issues that are involved in this consideration involve determination of physically similar properties as well as similarly located properties. Sales properties analyzed involve small to medium-sized multi-family properties. All are located in the regional area.

The accuracy of this approach relies upon the similarities, or lack thereof, between the sales properties and the subject. The greater the differences, the more subjective this valuation technique becomes. Multi-family properties, like any specialized real estate product, are complex and involve a variety of considerations. A comparison of sales properties includes reviewing size, location, financing and date of transaction. In essence, these categories are all tied to one over-riding factor--the financial aspects and implications arising from the improvements.

The initial sales search was limited to sales of similar size properties, built during the same time period as the subject, having the same general economic characteristics, and having occurred within the immediate market area during the past six months. There were no sales meeting these criteria. When expanding the time frame and geographical area, a sufficient number of comparable sales were uncovered. While the research uncovered several sales properties which share similar attributes with the subject, dissimilarities do exist. The map below locates the comparable sales that were utilized. A detailed write up page and photograph of each sale can be found after the map.



Sale Comparable 1

General Data

Property Name:	207 Old Zion Cemetery Road
Property Address:	207 Old Zion Cemetery Road
City:	Loganville
County:	Walton
MSA:	Atlanta-Sandy Springs-Marietta
State:	GA
Zip:	30052
Typical Tenancy:	Non-Age Restricted
Rent Type:	Market
Buyer (Grantee):	Huntington National Investments
Seller (Grantor):	AFB&T

Sale and Economic Data

			Total	Per Unit	Per rsf	% of EGI
Sale Price	$670,000	Effective Gross Income:	97,200	6,480	7.20	100.0%
Size (number of units)	15	Operating Expenses:	49,600	3,307	3.67	51.0%
Sale Price/unit:	$44,667	Net Operating Income:	47,600	3,173	3.53	49.0%
Rentable Size (rsf):	13,500					
Sale Price/rsf:	$49.63	Overall rate:	7.1%			
		EGIM:	6.9			
		Occupancy at time of sale:	100.0%			
Sale Date:	Mar-11					

Physical Data

		Bedrooms	Baths	Type	Size (rsf)	Units
Year Built:	1985	2	1.5	Townhouse	900	15
Site Size (acres):	1.100					
Density (units/acre)	13.6					
Floors:	2					
Exterior:	Brick					

Landlord Paid Utilities

N Cable	Y Sewer
N Electric	Y Trash
N Gas	Y Water

Tenant Paid Utilities

Y Cable	N Sewer
Y Electric	N Trash
Y Gas	N Water

Unit Amenities

Y Refrigerator	N Fireplace
Y Range	N Balcony/Patio
N Microwave	N Att. Garage
N Dishwasher	N Carport
N Garbage Disposal	N Basement
Y Air Conditioning	N Ceiling Fans
N Washer/Dryer	N Vaulted Ceilings
N W/D Hookups	N Security System

Complex Amenities

N Pool	N Laundry
N Clubhouse	N Det. Garages
N Tennis	N Cov. Storage
N Jacuzzi	N Open Storage
N Fit. Center	N Car Wash
N Lake	N Elevators
N Gated	N Playground
N Bus. Center	N Racquetball

Other Comments

The property is located on the south side of Old Zion Cemetery Road, about 1/4 mile north of US 78/SR 10 (Atlanta Highway) and about one mile southeast of downtown Loganville. This location is about 30 miles northeast of the Atlanta CBD. The property is located in Walton County within the Atlanta-Sandy Springs-Marietta MSA.

Sale Comparable 2

General Data

Property Name:	Lealand Place Apartments
Property Address:	2945 Cruse Road
City:	Lawrenceville
County:	Gwinnett
MSA:	Atlanta-Sandy Springs-Marietta
State:	GA
Zip:	30044
Typical Tenancy:	Non-Age Restricted
Rent Type:	Market
Buyer (Grantee):	Cruse Road Apartments, LLC
Seller (Grantor):	Lealand Place, LLC

Sale and Economic Data

			Total	Per Unit	Per rsf	% of EGI
Sale Price	$11,370,000	Effective Gross Income:	1,526,004	7,948	7.92	100.0%
Size (number of units)	192	Operating Expenses:	739,200	3,850	3.84	48.4%
Sale Price/unit:	$59,219	Net Operating Income:	786,804	4,098	4.09	51.6%
Rentable Size (rsf):	192,558					
Sale Price/rsf:	$59.05	Overall rate:	6.9%			
		EGIM:	7.5			
		Occupancy at time of sale:	95.0%			
Sale Date:	Dec-11					

Physical Data

		Bedrooms	Baths	Type	Size (rsf)	Units
Year Built:	1999	1	1.0	Garden	817	102
Site Size (acres):	9.410	2	2.0	Garden	1,157	72
Density (units/acre)	20.4	3	2.0	Garden	1,440	18
Floors:	2					
Exterior:	Combination					

Landlord Paid Utilities

N Cable	Y Sewer
N Electric	Y Trash
N Gas	Y Water

Tenant Paid Utilities

Y Cable	N Sewer
Y Electric	N Trash
N Gas	N Water

Unit Amenities

Y Refrigerator	N Fireplace
Y Range	Y Balcony/Patio
N Microwave	N Att. Garage
Y Dishwasher	N Carport
Y Garbage Disposal	N Basement
Y Air Conditioning	N Ceiling Fans
N Washer/Dryer	N Vaulted Ceilings
Y W/D Hookups	N Security System

Complex Amenities

Y Pool	Y Laundry
N Clubhouse	N Det. Garages
N Tennis	N Cov. Storage
N Jacuzzi	N Open Storage
N Fit. Center	N Car Wash
N Lake	N Elevators
N Gated	N Playground
N Bus. Center	N Racquetball

Other Comments

Lealand Place is located on the north side of Cruse Road Northwest, about 2 miles south of the I-85/SR 316 (University Parkway) interchange and about 6 miles west of downtown Lawrenceville. This location is about 20 miles northeast of the Atlanta CBD. The property is located in Gwinnett County within the Atlanta-Sandy Springs-Marietta MSA.

Sale Comparable 3

General Data

Property Name:	Legacy Century Center
Property Address:	100 Windmont Drive
City:	Atlanta
County:	DeKalb
MSA:	Atlanta-Sandy Springs-Marietta
State:	GA
Zip:	30329
Typical Tenancy:	Non-Age Restricted
Rent Type:	Market
Buyer (Grantee):	CSP Clairmont, LLC
Seller (Grantor):	Deville Windmont Partners LLC

Sale and Economic Data

			Total	Per Unit	Per rsf	% of EGI
Sale Price	$11,850,000					
Size (number of units)	178					
Sale Price/unit:	$66,573	Net Operating Income:	740,625	4,161	5.25	100.0%
Rentable Size (rsf):	141,150					
Sale Price/rsf:	$83.95	Overall rate:	6.3%			
		EGIM:	16.0			
		Occupancy at time of sale:	96.0%			
Sale Date:	Aug-12					

Physical Data

		Bedrooms	Baths	Type	Size (rsf)	Units
Year Built:	1978	1	1.0	Garden	680	44
Site Size (acres):	6.780	1	1.0	Garden	740	43
Density (units/acre)	26.3	1	1.0	Garden	870	43
Floors:	3	2	2.0	Garden	875	48
Exterior:	Combination					

Other Comments

Legacy Century Center is located on the west side of US 23 (Clairmont Road NE), about one mile north of the I-85/US 23 interchange and about 8 miles northeast of the Atlanta CBD. The property is located in DeKalb County, within the Atlanta-Sandy Springs-Marietta MSA.

Sale Comparable 4

General Data

Property Name:	Waldan Pond Apartments
Property Address:	450 Waldan Circle
City:	Acworth
County:	Cherokee
MSA:	Atlanta-Sandy Springs-Marietta
State:	GA
Zip:	30102
Typical Tenancy:	Non-Age Restricted
Rent Type:	Market
Buyer (Grantee):	Waldan Pond Apartments LLC
Seller (Grantor):	RDZ Waldan Pond Partners LLC

Sale and Economic Data

			Total	Per Unit	Per rsf	% of EGI
Sale Price	$4,800,000					
Size (number of units)	124					
Sale Price/unit:	$38,710	Net Operating Income:	312,000	2,516	2.54	100.0%
Rentable Size (rsf):	122,840					
Sale Price/rsf:	$39.08	Overall rate:	6.5%			
		EGIM:	15.4			
		Occupancy at time of sale:	95.0%			
Sale Date:	Oct-12					

Physical Data

		Bedrooms	Baths	Type	Size (rsf)	Units
Year Built:	1987	1	1.0	Garden	750	28
Site Size (acres):	12.250	2	1.0	Garden	1,020	47
Density (units/acre)	10.1	2	2.0	Garden	1,100	49
Floors:	2					
Exterior:	Combination					

Other Comments

Walden Pond Apartments are located on the west side of Bells Ferry Road, about 0.25 miles south of SR 92 (Alabama Road NE). This location is about 6 miles north of the I-75/I-575 interchange and about 6 miles northeast of downtown Acworth. The property is located about 25 miles northwest of the Atlanta CBD.

Sale Comparable 5

General Data

Property Name:	Forest Pointe Apartments
Property Address:	444 Forest Hill Road
City:	Macon
County:	Bibb
MSA:	Macon
State:	GA
Zip:	31210
Typical Tenancy:	Non-Age Restricted
Rent Type:	Market
Buyer (Grantee):	Forest Pointe, LLC
Seller (Grantor):	Forest Pointe Apartments, LLC

Sale and Economic Data

			Total	Per Unit	Per rsf	% of EGI
Sale Price	$10,200,000	Effective Gross Income:	1,582,000	7,910	7.46	100.0%
Size (number of units)	200	Operating Expenses:	892,000	4,460	4.20	56.4%
Sale Price/unit:	$51,000	Net Operating Income:	690,000	3,450	3.25	43.6%
Rentable Size (rsf):	212,202					
Sale Price/rsf:	$48.07	Overall rate:	6.8%			
		EGIM:	6.4			
		Occupancy at time of sale:				
Sale Date:	Dec-12					

Physical Data

Year Built:	1984
Site Size (acres):	14.790
Density (units/acre)	13.5
Floors:	2
Exterior:	Siding

Other Comments

Forest Pointe Apartments are located on the west side of Forest Hill Road, about 0.50 miles north of US 41 (Forsyth Road) and about 1.75 miles west of the I-75/US 23 interchange. This location is about 3 miles northwest of downtown Macon. The property is located in Bibb County within the Macon MSA.

Comparable Sales Data

The sales that were utilized to develop the value of the subject are detailed in the chart that follows. The sale price per unit of comparison is used to develop the value of the subject. To arrive at a value conclusion, the comparables are adjusted for dissimilarities to the subject with respect to property rights conveyed, financing terms, conditions of sale, date of sale, location, physical and economic attributes. Adjustments are made based on a comparison with one another as well as the appraisers' knowledge about the sales as they relate to the subject. The chart also notes the adjustments.

LaFayette Gardens Apartments
Improved Sales

Sale	Subject	1	2	3	4	5
Name	LaFayette Gardens Apartments	207 Old Zion Cemetery Rd	Lealand Place Apts	Legacy Century Center	Waldan Pond Apartments	Forest Pointe Apts
Location	709 Patterson Road	207 Old Zion Cemetery Rd	2945 Cruse Road	100 Windmont Dr	450 Waldan Cir	444 Forest Hill Rd
City or Township	Lafayette	Loganville	Lawrenceville	Atlanta	Acworth	Macon
County	Walker	Walton	Gwinnett	DeKalb	Cherokee	Bibb
MSA	rd msa	Atlanta	Atlanta-Sandy Springs-Marietta	Atlanta	Atlanta	Macon
Reference Number		9711	10387	11915	11914	11285
Date of Sale		March-11	December-11	August-12	October-12	December-12
Sale Price		$670,000	$11,370,000	$11,850,000	$4,800,000	$10,200,000
Building Size (units)	20	15	192	178	124	200
Building Size (inc. community)	14,800	13,500	193,090	132,024	136,722	212,202
Sale Price/Unit		$44,667	$59,219	$66,573	$38,710	$51,000
Sale Price/sf		$49.63	$58.88	$89.76	$35.11	$48.07
Year Built	1986	1985	1999	1978	1987	1984
Site Size	3.750	1.100	9.410	6.780	12.250	N/A
Coverage	9%	28%	47%	45%	26%	N/A
Average Unit Size (sf)	740	900	1,006	742	1,103	1,061
Units per Acre	5.3	13.6	20.4	26.3	10.1	N/A
EGI/unit	$6,397	$6,480	$7,948	$4,161	$2,516	$7,910
EGIM		6.9	7.5	16.0	15.4	6.4
Expenses/Unit	$3,072	$3,307	$3,850	$0	$0	$4,460
NOI/unit	$3,325	$3,173	$4,098	$4,161	$2,516	$3,450
OAR		7.1%	6.9%	6.3%	6.5%	6.8%
Sale Adjustments						
Property Rights Conveyed	*Fee Simple*	*Similar*	*Similar*	*Similar*	*Similar*	*Similar*
		0%	0%	0%	0%	0%
Financing Terms	*Market*	*Similar*	*Similar*	*Similar*	*Similar*	*Similar*
		0%	0%	0%	0%	0%
Conditions of Sale	*Arm's Length*	*Similar*	*Similar*	*Similar*	*Similar*	*Similar*
		0%	0%	0%	0%	0%
Market Conditions	*Current*	*Similar*	*Similar*	*Similar*	*Similar*	*Similar*
		0%	0%	0%	0%	0%
Total Sale Adjustments		0%	0%	0%	0%	0%
Adjusted Price per Unit		***$44,667***	***$59,219***	***$66,573***	***$38,710***	***$51,000***
Property Adjustments						
Location	709 Patterson Road	207 Old Zion Cemetery Rd	2945 Cruse Road	100 Windmont Dr	450 Waldan Cir	444 Forest Hill Rd
	Lafayette	Loganville	Lawrenceville	Atlanta	Acworth	Macon
	Walker	Walton	Gwinnett	DeKalb	Cherokee	Bibb
Population	7,428	11,460	443,261	443,261	21,463	58,738
Comparison to subject		*Superior*	*Superior*	*Superior*	*Superior*	*Superior*
		-10%	-10%	-25%	-10%	-10%
Physical						
Avg. Unit Size	740	900	1,006	742	1,103	1,061
Comparison to subject		*Superior*	*Superior*	*Similar*	*Superior*	*Superior*
		-5%	-10%	0%	-15%	-10%
Age	1986	1985	1999	1978	1987	1984
Quality/Condition	Average	Average	Average	Below Average	Average	Average
Comparison to subject		*Similar*	*Similar*	*Inferior*	*Similar*	*Similar*
		0%	0%	10%	0%	0%
Total Property Adjustments		-15%	-20%	-15%	-25%	-20%
Value Indication per Unit		**$37,967**	**$47,375**	**$56,587**	**$29,032**	**$40,800**

Source: *Crown Appraisal Group*

As shown, no sale adjustments are indicated as appropriate for property rights conveyed, financing terms, conditions of sale, and market conditions, as they are considered to be the same as the subject. With respect to property adjustments, all location, physical, and economic attributes were reviewed – the analysis of each comparable sale is below.

207 Old Zion Cemetery Road (Comparable 1) - The comparable is considered to have a superior location when compared to the subject due to its location in a more densely populated area near Atlanta. The comparable is adjusted downward. On average, the unit size at the comparable is larger, which is considered to be a superior attribute as compared to the average unit size at the subject, and the comparable is adjusted downward. Combined, the adjustments total -15%. This results in a value indication of $37,967/unit for LaFayette Gardens Apartments.

Lealand Place Apartments (Comparable 2) - The comparable is considered to have a superior location when compared to the subject due to its location in a more densely populated area near

Atlanta. The comparable is adjusted downward. On average, the unit size at the comparable is larger, which is considered to be a superior attribute as compared to the average unit size at the subject, and the comparable is adjusted downward. Combined, the adjustments total -20%. This results in a value indication of $47,375/unit for LaFayette Gardens Apartments.

Legacy Century Center (Comparable 3) - The comparable is considered to have a superior location when compared to the subject due to its location in a more densely populated area near Atlanta. The comparable is adjusted downward. The general physical aspects of the comparable (such as age and quality/condition attributes) were inferior to the subject due to its older age and below average condition. An upward adjustment is made. Combined, the adjustments total -15%. This results in a value indication of $56,587/unit for LaFayette Gardens Apartments.

Waldan Pond Apartments (Comparable 4) - The comparable is considered to have a superior location when compared to the subject due to its location in a more densely populated area near Atlanta. The comparable is adjusted downward. On average, the unit size at the comparable is larger, which is considered to be a superior attribute as compared to the average unit size at the subject, and the comparable is adjusted downward. Combined, the adjustments total -25%. This results in a value indication of $29,032/unit for LaFayette Gardens Apartments.

Forest Pointe Apartments (Comparable 5) - The comparable is considered to have a superior location when compared to the subject due to its location in a more densely populated area near Macon. The comparable is adjusted downward. On average, the unit size at the comparable is larger, which is considered to be a superior attribute as compared to the average unit size at the subject, and the comparable is adjusted downward. Combined, the adjustments total -20%. This results in a value indication of $40,800/unit for LaFayette Gardens Apartments.

All of the sales were given credence when determining the value via this approach. This approach is used only as support for the primary approach, and the value conclusion reflects a hypothetical condition. This value indication is concluded to as representative of the property's as-is value as if operated under the hypothetical conventional, market rate scenario. ***A value conclusion of $41,000/unit or $820,000 is selected to represent the as-is market value as of the date of valuation.*** The following summarizes the projections of value via the sales comparison approach.

Sales Comparison Approach Summary			***Value 1***
LaFayette Gardens Apartments			
Unadjusted Value Range Per Unit	38,710	-	66,573
Indicated Value Range (rounded)	800,000	-	1,300,000
Adjusted Value Range Per Unit	29,032	-	56,587
Indicated Value Range (rounded)	600,000	-	1,100,000
Average, Median (adjusted)	42,352		40,800
Indicated Value (rounded)		***820,000***	
Value per Unit		***41,000 /unit***	
Source: *Crown Appraisal Group*			

Prospective Market Value

The prospective market value subject to restricted rents is projected under the extraordinary assumption that the proposed renovations to the subject property are complete. This valuation also assumes that the subject is operated as a subsidized, rural housing property. Both the income capitalization approach and the cost comparison approach are utilized to project the prospective market value subject to restricted rents (value 3). The income capitalization approach is used to arrive at the prospective market value, as conventional or unrestricted (value 4).

Income Capitalization Approach, subject to restricted rents (RD) as restricted – Value 3

The income capitalization approach to value opinion is based on the economic principle of anticipation--that the value of an income producing property is the present value of anticipated future net benefits. Other appraisal principles and concepts upon which this approach is based include supply and demand, change, substitution, and externalities.

Net operating income projections (future net benefits) are translated into a present value indication using a capitalization process. In this appraisal, a pro forma technique is explicitly used. A discounted case flow technique is not considered appropriate. Market value is projected through the use of market derived financial projections and return parameters. More specifically, the capitalization process steps in the pro forma technique are as follows:

- The effective gross revenue is projected by the rents on the units less an allowance for vacancy, plus other income.

- Expenses inherent in the operation of the property, including real estate taxes, insurance, repairs and maintenance, general and administrative, management, utilities, payroll, marketing, and reserve are projected.

- The net operating income is derived by deducting the operating expenses from the effective gross revenue.

- The net operating income is then capitalized to obtain an indication of value.

With respect to this valuation, the effective gross income, which is comprised primarily of apartment rent, should be above historic levels. The apartment rent will recognize the economic benefits of the renovation as the units will be in better physical (and functional) condition. The apartment rent will be constrained by the lesser of market rent or LIHTC constraints.

With respect to operating expense line items, Real Estate Taxes, Insurance, General & Administrative, Management Fee, Utilities, and Marketing should be near historic. Repairs & Maintenance should be lower due to the renovations. Payroll should also be lower, also due to the renovation. An explicit Reserve will be recognized.

Pro Forma Capitalization

Base Rent Revenue – is based on the market rent levels for the units at the subject. The annual market rent is shown in the chart below. The rent is based on the lesser of market rent or LIHTC restrictions.

LaFayette Gardens Apartments
Base Rent Revenue

subject to restricted rents
prospective
Value 3

	Rent Constraint	Total Units	% of total	Size (rsf)	Total rsf	Market Rent Rent/Month	Rent/sf	Monthly	Yearly
1 Bed, 1 Bath	Market	1	5%	550	550	500	$0.91	$500	$6,000
2 Bed, 1 Bath	Market	19	95%	750	14,250	630	$0.84	$11,970	143,640
Overall Totals/Averages		***20***	***100%***	***740***	***14,800***	***624***	***0.84***	***12,470***	***149,640***

Source: *Crown Appraisal Group*

Vacancy – Stabilized vacancy has been discussed in the Market Area Overview section. Vacancy is estimated at 5%, and is applied to base rent revenue.

Other Income – Other revenues include laundry income, late/nsf charges, application fees, forfeited deposits, termination/restoration fees and other miscellaneous incomes. Other revenue is estimated at $30/unit. This is a net income line item component, with vacancy inherently considered.

Operating Expenses – are based on historic and comparable data. The comparable data has been presented previously. As noted, Real Estate Taxes, Insurance, General & Administrative, Management Fee, Utilities, and Marketing should be near historic. Repairs & Maintenance should be lower due to the renovations. Payroll should also be lower, also due to the renovation. An explicit Reserve will be recognized.

LaFayette Gardens Apartments
Operating Expense Estimates

prospective
subject to restricted rents
Value 3

Operating Expense	Cost/unit		Discussion
Real Estate Taxes	228		Based on the current real estate taxes of the subject as reported by the county, and increased to reflect the renovations.
Insurance	260		Based on historic with support from market.
Repairs & Maintenance	650		Lower end of the historic range reflecting the renovation.
General & Administrative	375		Based on historic.
Management	44.50		Based on cost per occupied door per month.
Utilities	160	Electric	Based on historic with support from market.
	5	Water and sewer	Based on historic with support from market.
Payroll	1,000		Near the lower end of historic range reflecting the renovation.
Marketing	5		Based on historic.
Reserve	350		Based on market participant attitudes recognizing the renovation.

Total Operating Expenses – The chart below compares historical and market derived operating expense data with the pro forma.

Pro Forma Operating Expense Estimate & Comparisons (per unit basis)
LaFayette Gardens Apartments

prospective
subject to restricted rents
Value 3

	Crown Appraisal Group Survey				Year End Historical				Subject
	Low	High	Avg.	Med.	2009	2010	2011	2012	Pro Forma
Real Estate Taxes	150	510	343	321	263	267	233	232	228
Insurance	191	279	252	260	241	255	260	260	260
Repairs and Maintenance	361	1,255	622	521	759	613	800	572	650
General and Administrative	245	479	324	312	298	389	422	374	375
Management Fees	471	553	525	528	486	499	530	527	507
Utilities									
Electric	83	249	146	125	134	157	173	160	160
Water/Sewer	30	594	323	370	6	25	4	3	5
Total Utilities	161	747	473	488	140	182	177	164	165
Payroll	533	1,340	855	771	1,211	1,162	1,215	1,329	1,000
Marketing	1	23	8	7	6	3	6	8	5
Reserve	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	350
Total Operating Expenses	2,753	4,868	3,402	3,369	3,403	3,370	3,642	3,466	3,540

Note: columns with median and average figures may not add to total

Source: *Property Managers; Crown Appraisal Group*

The net operating income is estimated by deducting the operating expenses from the effective gross income. The pro forma is shown below.

Pro Forma Operating Statement — ***subject to restricted rents***

LaFayette Gardens Apartments — ***prospective***

20 units — ***Value 3***

		% of EGI	Per Unit		Amount
Potential Rental Revenue		104.8%	$7,482		$149,640
Less: Vacancy and Collection Loss @	5.0%	-5.2%	-374		-7,482
Effective Rent		99.6%	7,108		142,158
Plus Other Revenue:					
Other Income		0.4%	30		600
Effective Gross Income		**100.0%**	**7,138**		**142,758**
Less: Operating Expenses					
Real Estate Taxes		3.2%	228		4,558
Insurance		3.6%	260		5,200
Repairs and Maintenance		9.1%	650		13,000
General and Administrative		5.3%	375		7,500
Management Fees		7.1%	507		10,146
Utilities					
Electric		2.2%	160	3,200	
Water/Sewer		0.1%	5	100	
Total Utilities		2.3%	165		3,300
Payroll		14.0%	1,000		20,000
Marketing		0.1%	5		100
Reserve		4.9%	350		7,000
Total Operating Expenses		49.6%	3,540		70,804
Net Operating Income		***50.4%***	***3,598***		***71,954***

Source: *Crown Appraisal Group*

Capitalization Rate Discussion

Capitalization is the process by which net operating income is converted into a value indication. A capitalization rate is utilized that most accurately represents the risk associated with receiving the property's net operating income. A property that has a "safer" income stream is one that has less risk.

In order to arrive at an appropriate range, emphasis was put on data provided by comparable sales and analysis of financing techniques.

It is noted that Attachment 7-A of Chapter 7 of the USDA Rural Development handbook states the following:

> *Use of an overall rate from the conventional market, which reflects conventional financing, is appropriate because all favorable financing will be valued separately from the market value, subject to restricted rents, of the real estate.*

The handbook also notes that there is additional value of RA (rental assistance) to the net operating income stream through reducing the risk of investment by improving the durability of the [rental] income stream (through the assistance of the rent subsidy). The handbook further recognizes that the overall rate can be adjusted downward to account for the reduced risk due to RA.

Before consideration of the ramifications of the RA units, an overall rate of 7.00% is selected as being appropriate to accurately reflect the risk characteristics arising from the income stream. The rate selected falls within the ranges indicated by comparable sales, and the quantitative overall rate derivation techniques (band of investment and debt coverage ratio).

Attachment 7-A of Chapter 7 of the USDA Rural Development handbook states the following:

> *When the subject property has RA, the appraisal must include a discussion of the Section 521 Rental Assistance Program, the number of RA units at the subject, and how RA affects the market value, subject to restricted rents, of the property. Rental assistance is a rent subsidy provided to owners of 514/515 projects. The renter of an RA unit is required to pay a tenant contribution toward the approved shelter cost (rent plus tenant based utilities) of the unit that is equal to no more than 30 percent of his/her income. RA is the portion of the approved shelter cost paid by the Agency to compensate a borrower for the difference between the approved shelter cost and the tenant contribution. RA usually adds value to a 514/515 project in three ways: 1) it guarantees that the scheduled base rate rent for all occupied RA units will be attained; 2) it usually increases demand for the subject's units and consequently decreases the vacancy rate; and 3) it reduces the risk of investment in the subject project by improving the durability of the income stream. Rental assistance need not be separately valued; the value of RA can be incorporated within the market value, subject to restricted rents. This can be accomplished within the Income Approach by taking into account the three ways that RA increases value, listed above, as follows. 1) Base rate rents should be included as Potential Gross Income (PGI) in the restricted pro forma; 2) a vacancy and collection loss factor that reflects the amount of RA at the property should be included; and 3) a capitalization rate for the subject may be adjusted downward to account for the reduced risk to the investor due to RA.*

Based on market participant attitudes and prior experience in the valuation of subsidized properties, overall capitalization rates for properties that have 100% subsidized tenancy typically are ±50 basis points lower than the overall capitalization rates of similar properties than are market rate properties. This is due to market participant attitudes that view the income that is provided by a government funded source to be "safer" than income that is provided from market rate tenants.

When arriving at an opinion of the *Market Value of the fee simple estate, as conventional or unrestricted, subject to the short term leases as of the date of valuation* a weighted average technique is utilized to arrive at an overall capitalization rate conclusion. The weighted average technique take the relative "safeness" of the income streams attributable to the rental assistance and non rental assistance units at the property into consideration. The chart below summarizes the technique utilized to arrive at a final overall capitalization rate opinion for the *Market Value of the fee simple estate, as conventional or unrestricted, subject to the short term leases as of the date of valuation*.

Overall Capitalization Rate Selection ***Value 3***
Prospective Market Value Subject to Restricted Rents

Lease Guarantor	# of Units	% of Total	Selected OAR	Weighted Rate
Tenant	0	0.0%	7.00%	0.000%
Rental Assistance	20	100.0%	6.10%	6.100%
Total	20	100.0%		6.100%
			Indicated OAR	***6.10%***

Source: *Crown Appraisal Group*

Recognizing that 100% of the units have RA, an overall rate of 6.10% is selected as being appropriate to accurately reflect the risk characteristics arising from the subject income stream. Application of the rate to the pro forma net operating income is shown in the chart below.

Pro Forma Technique Value Conclusion ***prospective***
LaFayette Gardens Apartments ***subject to restricted rents***
Value 3

Net Operating Income	$71,954
Overall Capitalization Rate	6.10%
Value Conclusion	1,179,572
Rounded To:	***$1,180,000***

Source: *Crown Appraisal Group*

Income Capitalization Approach
as conventional or unrestricted – Value 4

As has been discussed, the prospective market value market value upon completion and as stabilized (unrestricted rents) assumes that the subject is operated as a conventional, market rate property.

The effective gross income, which is comprised primarily of apartment rent, should be above historic levels. The apartment rent will recognize the economic benefits of the renovation as the units will be in better physical (and functional) condition. The apartment rent will be constrained by market rent.

The total operating expense estimate should be lower due to renovation (reduced Repairs & Maintenance as well as Payroll) as well as reduced General & Administrative and Management expenses. The Marketing expense should be higher than historic, and there will be an explicit reserve expense.

Many of the parameters used in this valuation have been extensively discussed and analyzed. A summary of them follows.

LaFayette Gardens Apartments
Operating Expense Estimates

prospective
as conventional or unrestricted
Value 4

Operating Expense	Cost/unit		Discussion
Real Estate Taxes	228		Based on the current real estate taxes of the subject as reported by the county, and increased to reflect the renovations.
Insurance	260		Based on historic with support from market.
Repairs & Maintenance	600		Below historic; reflects the renovation as well as the recognition that the property would not be as well maintained if it were to be operated as a market rate one.
General & Administrative	325		Below historic; market rate properties have lower general & administrative costs than subsidized properties.
Management	5.00%		Percent of effective gross income rather than fee per occupied door per month.
Utilities	160	Electric	Based on historic with support from market.
	5	Water and sewer	Based on historic with support from market.
Payroll	875		Based on the size of the property, a total cost per year, or a cost per month, is the appropriate manner in which to develop this operating expense estimate. The expense recognizes the renovation and is based on the probable cost if the property were operated as a market rate one.
Marketing	20		Above historic; market rate properties require a higher cost for marketing.
Reserve	350		Based on market participant attitudes reflecting the renovation.

The pro forma and value conclusion are below.

LaFayette Gardens Apartments ***prospective***
Base Rent Revenue ***as conventional or unrestricted***
Value 4

	Total Units	% of total	Size (rsf)	Total rsf	Market Rent Rent/Month	Rent/sf	Monthly	Yearly
1 Bed, 1 Bath	1	5%	550	550	$500	$0.91	$500	$6,000
2 Bed, 1 Bath	19	95%	750	14,250	$630	0.84	11,970	143,640
Overall Totals/Averages	***20***	***100%***	***740***	***14,800***	***624***	***0.84***	***12,470***	***149,640***

Source: *Crown Appraisal Group*

Pro Forma Operating Statement ***prospective***
LaFayette Gardens Apartments ***as conventional or unrestricted***
20 units ***Value 4***

		% of EGI	Per Unit		Amount
Potential Rental Revenue		104.8%	$7,482		$149,640
Less: Vacancy and Collection Loss @	5.0%	-5.2%	-374		-7,482
Effective Rent		99.6%	7,108		142,158
Plus Other Revenue:					
Other Income		0.4%	30		600
Effective Gross Income		**100.0%**	**7,138**		**142,758**
Less: Operating Expenses					
Real Estate Taxes		3.2%	228		4,558
Insurance		3.6%	260		5,200
Repairs and Maintenance		8.4%	600		12,000
General and Administrative		4.6%	325		6,500
Management Fees		5.0%	357		7,138
Utilities					
Electric		2.2%	160	3,200	
Water/Sewer		0.1%	5	100	
Total Utilities		2.3%	165		3,300
Payroll		12.3%	875		17,500
Marketing		0.3%	20		400
Reserve		4.9%	350		7,000
Total Operating Expenses		44.5%	3,180		63,596
Net Operating Income		***55.5%***	***3,958***		***79,162***

Source: *Crown Appraisal Group*

Pro Forma Technique Value Conclusion ***prospective***
LaFayette Gardens Apartments ***as conventional or unrestricted***
Value 4

Net Operating Income	$79,162
Overall Capitalization Rate	7.00%
Value Conclusion	1,130,886
Rounded To:	***$1,130,000***

Source: *Crown Appraisal Group*

Cost Approach
as restricted – Value 3

The cost approach aggregates land value as if vacant, plus the cost to replace the existing improvements, less any accrued depreciation. The cost approach reflects value by recognizing that participants relate value to cost. Appraisal principles and concepts relating to this approach include substitution, supply and demand, balance, externalities, and highest and best use. Land valuation concepts and principles include anticipation, change, supply and demand, substitution, and balance. This approach provides an opinion of value principally based on the principle of substitution that states that:

> *No rational person would pay more for a property than that amount by which he or she can obtain, by purchase of a site and construction of a building, without undue delay, a property of equal desirability and utility.*

<u>Methodology</u>

The cost approach involves several steps (presented below) that have been employed to project the value of the subject:

- Comparable land sales are typically analyzed and adjusted to provide an estimate of the subject's site as if vacant. However, although due to the size and location of LaFayette, minimal development has taken place and land rarely trades in the area. Given this, the appraised courthouse land value estimate for the subject is utilized.

- The improvement cost was projected using the Marshall Valuation Service.

- The amount of accrued depreciation or obsolescence (physical, functional and economic) has been projected and deducted from the replacement cost opinion.

- The depreciated replacement cost opinion is then added to the land value projected for the subject site.

- The sum of these opinions produces an indication of value by the cost approach.

Land Valuation

Value 5

In order to obtain a value for the subject via the cost approach, land sales within the area are typically utilized. However, a search for comparable land sales in the subject's market area found no results. The reality is that few properties have been acquired to construct new multi-family properties in those parts of the state. This is understood through a review of the rent comparables – the newest of these was constructed in 2000 – more than 10 years ago. Given this, the courthouse appraised value of the subject land is utilized when estimating the value of the subject site.

The county appraised value of the ±3.750 acre site is $33,130. ***A point value of $33,130 is estimated for the subject land as of the date of valuation.***

Improvement Valuation

The Marshall Valuation service has been used to develop the replacement cost of the improvements. The chart below develops the improvement replacement cost, and the value via the cost approach.

Improvement Value
LaFayette Gardens Apartments

	Square feet	Unadjusted Cost/sf	Current Multiplier	Local Multiplier	Total Multiplier	Adjusted Cost/sf	Total Cost
Multiple Residences, Sec. 12, Average/Good, Class D	14,800	75.00	1.04	0.86	0.89	67.08	992,784
					Total Cost Estimate		992,784
					Less: Depreciation		
					Effective Age	5	
					Economic Life	55	
					Depreciation	9.1%	
					Total Depreciation		90,253
					Improvement Cost		902,531
					Improvement Cost (rounded)		***900,000***

Source: *Marshall Valuation; Crown Appraisal Group*

Briefly, the base cost includes average architect's and engineer's fees, plans, building permits and surveys, normal construction interest, typical site preparation, contractor's overhead and profit, builder's risk insurance, and of course, labor and materials. A base cost per square foot is developed. Adjustments are made for current and local multipliers; the adjusted cost is multiplied by the size of the improvements. After adjusting for the current and local cost multipliers, the undepreciated replacement cost estimate for the subject improvements is $992,784.

Depreciation/Obsolescence Estimates for Improvements

A depreciated age-life method is used to estimate depreciation. There are two types of depreciation and/or obsolescence that need to be considered for the improvements. Physical deterioration and functional/economic obsolescence are considered. Following renovations, the improvements will be in good physical and functional condition. Marshall Valuation estimates the economic life of the improvements at 55 years. The effective age of the building (following renovations) is estimated at 5 years. Total depreciation of the subject improvements is estimated at 9.1% or $90,253. The total depreciation is deducted from the undepreciated replacement cost opinion to arrive at a depreciated improvement cost opinion.

Entrepreneurial Incentive

Entrepreneurial incentive is defined in The Appraisal of Real Estate, Thirteenth Edition, Appraisal Institute, as follows:

> *A market derived figure that represents the amount an entrepreneur expects to receive for his or her contribution to a project and risk.*

Typically, properties like the subject are constructed as investment properties. Entrepreneurs, or developers/builders, of these properties usually seek profit margins of 12% to 25%. Rather than develop an explicit opinion of entrepreneurial incentive, this item is considered in the Reconciliation and Final Value Opinion section of the report. The reasoning for the treatment of entrepreneurial incentive in this manner is that entrepreneurial incentive is, in reality, only realized as a result of how well a particular property meets market [participant] attitudes. The reality is that the incentive may be less than anticipated by a developer, or may be more, depending upon the circumstances.

Conclusion

The cost approach value opinion is reached by adding the land value and depreciated improvement cost opinions. ***The following value indication, before entrepreneurial incentive, is reached for the subject.***

Cost Approach Summary	***land value***	***Value 5***
LaFayette Gardens Apartments	***cost approach total***	***Value 3***
Land Value		$33,130
Depreciated Improvement Cost		900,000
Cost Approach Value Estimate (rounded) before entrepreneurial incentive		***933,000***
Source: *Crown Appraisal Group*		

Reconciliation and Final Value Opinion

The purpose of this assignment is to develop and report an opinion of value for LaFayette Gardens Apartments. The specific real property interest, real estate, and type of value have been detailed within the body of this report. The values developed by the approaches are summarized as follows:

Reconciliation and Final Value Conclusions
LaFayette Gardens Apartments

	Value 1 as conventional or unrestricted	Value 2 subject to restricted rents	Value 3 subject to restricted rents	Value 4 as conventional or unrestricted
Income Capitalization Approach	920,000	640,000	1,180,000	1,130,000
Sales Comparison Approach	820,000	n/a	n/a	n/a
Cost Approach before entrepreneurial incentive	n/a	n/a	933,000	n/a

Source: *Crown Appraisal Group*

The methodology and applicability of each approach has been previously explained.

Value 1
The income capitalization approach is the primary approach, with support from the sales comparison approach.

Value 2
The income capitalization approach is the only approach considered applicable.

Value 3
The income capitalization approach is the primary approach, with support from the cost approach.

Value 4
The income capitalization approach is the only approach considered applicable.

The income capitalization approach is based on the principle of anticipation in the potential of receiving future income streams from the property. Its applicability is good, as the property being appraised was developed to produce income. As such, the property is typically valued by participants based on its ability to do so. Revenue, expense, and capitalization rate criteria were all derived from actual, market, and/or investor-based criteria. A pro forma technique was explicitly utilized and considered in developing all value opinions. The income capitalization approach is the primary approach for all value opinions.

The sales comparison approach is based on the principle of substitution, and is a viable technique when comparable properties have transferred ownership in the market. It is also viable when the participants base their investment decisions on the principle of substitution. This approach is rarely applicable in concluding a market value, subject to restricted rents, due to the lack of sales of subsidized apartments in small rural markets and the difficulty of making meaningful adjustments for financing terms to the sales comparables.

The cost approach is based on the principle of substitution. It is most appropriate when valuing properties with little applicable depreciation, obsolescence, or externalities. The cost approach is used when developing the Value 3 opinion. The applicability of the cost approach in developing this opinion of value is greatly diminished due to its subjectiveness and current market participant attitudes. The implied entrepreneurial incentive or difference between the value indicated by the cost approach and the final market value 3 opinion is 23.3%, within market parameters.

As noted, primary emphasis was placed on the income capitalization approach for point value opinions of the all market value opinions. Therefore, based upon the analyses and conclusions contained within this report and subject to the assumptions and limiting conditions contained herein, the value opinions, as of the as-is and prospective dates of valuation are:

Value Opinions	Date of Value	Value
Value 1 - as-is, as conventional or unrestricted	August 1, 2013	***$920,000***
Value 2 - as-is, subject to restricted rents	August 1, 2013	***$640,000***
Value 3 - prospective, subject to restricted rents	February 1, 2015	***$1,180,000***
Value 4 - prospective, as conventional or unrestricted	February 1, 2015	***$1,130,000***

Interest Credit Subsidy Value Opinion

Value 6

Interest credit is a form of federal assistance available to eligible borrowers that reduces the effective interest rate of a loan. The USDA Rural Housing Service (RHS or RD) offers direct loans with favorable terms for affordable housing in the Rural Rental Housing Program and the Farm Labor Housing Program. The 515 loan falls within this program. In this case, Section 515 permanent loans for new construction and subsequent loans for rehabilitation include interest rates as low as 1 percent. These loans are made at a "note rate" of interest, but a "basic rate" of interest to the borrower is typically 1 percent. A monthly mortgage payment is calculated at the note rate of interest, and the loan is amortized at the note rate of interest, but the borrower's actual mortgage payment is based on the basic rate of 1 percent. The difference between the note rate payment and the basic rate payment is the *interest credit*. The borrower is effectively subsidized with an income stream represented by the monthly *interest credit* that is available for the term of the loan.

In appraisals of Section 515 funded properties, valuation of the *interest credit subsidy* (favorable financing) is part of the assignment when the *market value, subject to restricted rents*, must be concluded. When *interest credit subsidy* is the only favorable financing involved, the security value, on which the loan is based, has two components: 1) the *market value, subject to restricted rents*, of the real estate, and 2) the value of the *interest credit subsidy*.

The value of the *interest credit subsidy* from RD direct loans on most existing properties can be calculated by subtracting the monthly debt service at the below-market rate of interest from the monthly payment at the current rate offered for conventional loans and discounting the difference by the current conventional interest rate over the remaining loan term. For the subject property interest credit subsidy values are calculated for the existing Section 515 loan and the subsequent Section 538 loan. These calculations are summarized in the following two charts:

Interest Credit Subsidy Valuation ***Value 6***
Existing Section 515 Loan/Restated 515 Loan Terms
LaFayette Gardens Apartments

Existing/Restated 515 Loan

Existing Lender's Terms (market rate)			
Principal Balance of	December 31, 2012	$434,469	
Conventional Loan Interest Rate		5.500%	
Term of Existing Section 515 Loan (years)		30	
Loan Monthly Payment		*$2,467*	
Restated Section 515 Loan Terms			
Principal Balance		$434,469	
Interest Rate		1.000%	
Term (years)		50	
Section 515 Loan Monthly Payment		*$920*	
Monthly Savings from Below Market Financing		$1,546	
Present Value of Monthly Savings from Below Market Financing			*$272,356*
Note Rate		3.125%	
Monthly Payment at Note Rate		$1,432	
Future Value of Balloon Payment		$255,361	
Present Value of Balloon Payment			*$49,227*
Value of Interest Credit Subsidy			*$223,128*
Existing Section 515 Loan Interest Credit Subsidy Value (Rounded)			***$223,000***

New 538 Loan

Market Rate		
Principal Balance	$638,000	
Conventional Loan Interest Rate	5.500%	
Term (years)	30	
Conventional Loan Monthly Payment	$3,622	
Section 538 Loan Terms		
Principal Balance	$638,000	
Interest Rate	3.125%	
Term (years)	30	
Section 538 Loan Monthly Payment	$2,733	
Monthly Savings from Below Market Financing	$889	
Present Value of Monthly Savings		*$156,653*
Value of Interest Credit Subsidy		*$156,653*
New Section 538 Loan Interest Credit Subsidy Value (Rounded)		***$157,000***

Source: *Greystone; Crown Appraisal Group*

LIHTC Value Opinion

Value 7

The Low Income Housing Tax Credit (LIHTC or Tax Credit) program was created by the Tax Reform Act of 1986 as an alternate method of funding housing for low- and moderate-income households, and has been in operation since 1987. Until 2000, each state received a tax credit of $1.25 per person that it can allocate towards funding housing that meets program guidelines (currently, legislation is pending to increase this per capita allocation). This per capita allocation was raised to $1.50 in 2001, to $1.75 in 2002, and adjusted for inflation beginning in 2003. These tax credits are then used to leverage private capital into new construction or acquisition and rehabilitation of affordable housing.

The tax credits are determined by the development costs, and are used by the owner. Often, because of IRS regulations and program restrictions, the owner of the property will not be able to use all of the tax credits, and therefore, many LIHTC properties are owned by limited partnership groups that are put together by syndicators. In this manner, a variety of companies and private investors participate within the LIHTC program, investing in housing development and receiving credit against their federal tax liability in return.

Tax Credits must be used for new construction, rehabilitation, or acquisition and rehabilitation and projects must also meet the following requirements:

- 20% or more of the residential units in the project are both rent restricted and occupied by individuals whose income is 50% or less of area median gross income *or* 40% or more of the residential units in the project are both rent restricted and occupied by individuals whose income is 60% or less of area median gross income.

- When the LIHTC program began in 1987, properties receiving tax credits were required to stay eligible for 15 years. This eligibility time period has since been increased to 30 years.

These are minimums. Because of the way states award credits, it is in the interest of developers to exceed these minimums, as most states look more favorably on projects serving a higher percentage of income-eligible households.

Most states determine the amount of tax credit an individual project receives based on its *qualified basis*. First, total project cost is calculated. Second, *eligible basis* is determined by subtracting non-depreciable costs, such as land, permanent financing costs, rent reserves and marketing costs. The project developer may also voluntarily reduce the requested eligible basis in order to gain a competitive advantage. If the development is located in a HUD designated high cost area (HCA), the eligible basis receives a 130% HCA adjustment. These areas include both Qualified Census Tracts (QCTs) and Difficult Development Areas (DDAs). Finally, to determine the qualified basis, the eligible basis is multiplied by the applicable fraction, which is the smaller of, (1) the percentage of low income units to total units, or, (2) the percentage of square footage of the low income units to the square footage of the total units, to arrive at the qualified basis.

The qualified basis is multiplied by the federal tax credit rate, published monthly by the IRS, to determine the maximum allowable tax credit allocation. For projects that are new construction or rehabilitation, which are not financed with a federal subsidy, the rate is approximately 9%. For projects involving a federal subsidy (including projects financed more than 50% with tax exempt bonds), the rate is approximately 4%. The 9% and 4% rates are used to determine a project's initial tax credit reservation. A project's final (placed-in-service) tax credit allocation is based on actual project sources and uses of funds, the financing shortfall and the actual applicable federal rate. The rate applicable to a project is the rate published for the month each building is placed in service or in an earlier month elected by the sponsor. The allocation cannot exceed the initial reservation amount and may be reduced if an analysis determines that the maximum allowable amount would generate excess equity proceeds to the project.

LaFayette Gardens Apartments LIHTC

An annual LIHTC of $39,646 is anticipated to be granted for the acquisition and rehabilitation of the subject. This low income housing tax credit will be granted annually over a 10-year term. The overall net sum of the LIHTC to the ownership entity of the subject over the 10-year term is $396,461. The tax credits reduce the owner’s tax liability. Thus, they have value to the owner. The tax credits can be transferred if the seller guarantees that the transfer will still maintain the LIHTC requirements.

Current LIHTC Market

Not surprising, LIHTC pricing has not remained static. In May, 2009, average pricing of LIHTC was about $0.70 per credit (data compiled and reported by Novogradac & Company). Pricing dropped to about $0.62 in March 2010, but has risen steadily. In November, 2011 (pricing was about $0.90 per credit. Since January 2011, pricing has been consistently above $0.80 per credit.

Specific to the subject (and the portfolio of properties to which it is a part), there is a contract to purchase the tax credits at $1.15 per gross credit. This is the best evidence of the appropriate value of the tax credits.

Value of Tax Credits

The value of the tax credits is a fairly simple calculation. The value is developed by taking the total tax credits and multiplying them by the appropriate pricing – in this case, $1.15 per tax credit. The value is shown below.

LIHTC Analysis	***LaFayette Gardens Apartments Value 7***
Period	
Annual Tax Credits	39,646
Years	10
Total Tax Credits	396,461
Total Pricing	1.15
Value of Tax Credits	455,930

Source: *Crown Appraisal Group*

Insurable Value Opinion

Value 8

The insurable value opinion is shown below. The insurable value opinion is based on Marshall Valuation Service figures. The reported cost is the opinion to replace the improvements described within this report with improvements of generally similar utility (physical condition, quality, and functionality), under the assumption that the improvements need to be completely replaced for insurance coverage purposes.

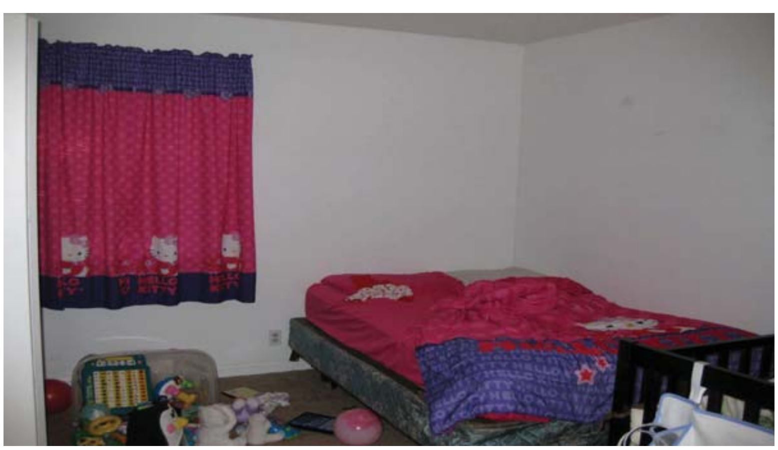
USDA Rural Development
Insurable Value Calculation — ***Value 8***

Property Name			LaFayette Gardens Apartments
Street Address			709 Patterson Road
City, County, State, Zip			Lafayette, Walker County, GA 30728
Base Cost			
Main Structure/sf			75.00
Sprinkler/sf			0.00
Other/sf			0.00
Adjustments and/or Multipliers	1.04 current cost	0.86 local cost	0.89
Total Base Cost per square foot			67.08
Building Area square footage			14,800
Total Replacement Cost New			***992,784***
Exclusions	per sf	percent	
Excavations	0.00	0.0%	0
Foundations	2.35	3.5%	34,747
Site Work	0.00	0.0%	0
Site Improvements	0.00	0.0%	0
Architect's Fees	0.00	0.0%	0
Underground Piping	0.00	0.0%	0
Total Exclusions	***2.35***	***3.5%***	***34,747***
Inclusions	per unit	units	
Applicance Packages	750	20	15,000
Patios/Balconies	250	0	0
Total Inclusions			***15,000***
Concluded Insurable Value			
Total Replacement Cost New			992,784
Less Total Exclusions			34,747
Plus Total Inclusions			15,000
Concluded Insurable Value			***973,037***

Source: *Marshall Valuation; Crown Appraisal Group*

ADDENDUM

SUBJECT PHOTOGRAPHS



Lafayette Gardens Deferred Maintenance

PROFESSIONAL QUALIFICATIONS
ANDREW J. MOYE, MAI

Business Experience

Crown Appraisal Group, Columbus, Ohio.
Principal
Real estate consulting, including appraisal and market study assignments for commercial real estate.

Vista Capital/Chemical Mortgage Company, Columbus, Ohio.
Vice President.
Responsible for appraisals and market studies of commercial real property.

Landauer Associates, Inc., West Palm Beach, Florida.
Assistant Vice President.
Valuation and evaluation of real property, and development of land use studies for large commercial and residential PUDs.

Education

Masters of Business Administration (Finance), The Ohio State University, Columbus, Ohio.

Bachelor of Science in Business Administration (Real Estate), The Ohio State University, Columbus, Ohio.

Professional Education

Appraisal Principles...AI Course 110
Appraisal Procedures ....AI Course 120
Basic Income Capitalization ....AI Course 310
General Applications ....AI Course 320
Standards of Professional Practice..AI Course 410
Standards of Professional Practice..AI Course 420
Advanced Income Capitalization..AI Course 510
Highest & Best Use and Market Analysis ....AI Course 520
Advanced Sales Comparison and Cost ....AI Course 530
Report Writing and Valuation Analysis..AI Course 540
Advanced Applications...AI Course 550

Professional Qualifications

MAI (Member, Appraisal Institute), Appraisal Institute
Young Advisory Council, Appraisal Institute
Certified General Appraiser, AL, AZ, CO, FL, GA, IN, KY, MI, MS, NC, NY, OH, SC, WV
Expert witness in Federal Bankruptcy Court, Common Pleas Courts throughout Ohio, various Boards of Revision, State Board of Tax Appeal

STATE OF GEORGIA

REAL ESTATE APPRAISERS BOARD

ANDREW JOHN MOYE

5464

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46535503

ANDREW JOHN MOYE

**5464**
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END OF RENEWAL
09/30/2014

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State of Georgia
Real Estate Commission
Suite 1000 - International Tower
229 Peachtree Street, N.E.
Atlanta, GA 30303-1605

WILLIAM L. ROGERS, JR.
Real Estate Commissioner

46535503

ANDREW JOHN MOYE

**5464**
Status **ACTIVE**

ORIGINALLY LICENSED
11/09/1995

END OF RENEWAL
09/30/2014

CERTIFIED GENERAL REAL PROPERTY APPRAISER

THIS LICENSE EXPIRES IF YOU FAIL TO PAY RENEWAL FEES OR IF YOU FAIL TO COMPLETE ANY REQUIRED EDUCATION IN A TIMELY MANNER.

State of Georgia
Real Estate Commission
Suite 1000 - International Tower
229 Peachtree Street, N.E.
Atlanta, GA 30303-1605

WILLIAM L. ROGERS, JR.
Real Estate Commissioner

46535503