

Independent Auditor's Report

**Certification of Actual Cost and Opinion as
to Eligible Basis, Owner's Certification of Funding
Sources and Project Subsidy
and
Building Allocation of Qualified Basis**

Allen Wilson III, LP

July 31, 2014

Independent Auditor's Report

Owner's Name: Allen Wilson III, LP
Project Name: Allen Wilson – Phase III
Project Number: 2012-059

We have audited the costs included in the accompanying Georgia Department of Community Affairs (“DCA”) Certification of Actual Cost and opinion as to Eligible Basis, the Owner’s Certification of Funding Sources and Project Subsidy, and the building allocation of Qualified Basis Worksheet (the “Final Cost Certification”) of Allen Wilson III, LP (the “Owner”) for Allen Wilson – Phase III (“the Project”) as of July 31, 2014.

Management's Responsibility for the Final Cost Certification

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Final Cost Certification. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Final Cost Certification, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Final Cost Certification in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Final Cost Certification.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Final Cost Certification referred to above presents fairly, in all material respects, the actual costs of \$10,192,990 and adjusted eligible basis of \$8,653,298 of the Owner for the Project as of July 31, 2014, in accordance with financial reporting provisions and qualified allocation plan rules established by DCA.

Restriction on Use

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

Other

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

A handwritten signature in cursive script that reads "Cohn Reznick LLP".

Atlanta, Georgia
July 28, 2014

PART THREE - SOURCES OF FUNDS - Allen Wilson - Phase III - 2012-059

I. PERMANENT FINANCING

Financing Type	Name of Financing Entity	Principal Amount	Interest Rate	Term (Years)	Amort. (Years)	Annual Debt Svc Per Terms Given	Loan Type	Balloon?
First Mortgage	The Housing Authority of the City of Decatur, Georgia	874,319	4.000%	50	50	40,468	Amortizing	No
Second Mortgage								
Third Mortgage								
Other Source (specify) _____								
Other Source (specify) _____								
Deferred Developer Fees	Preserving Affordable Housing, Inc.	40,112						
Federal Grant								
State, Local, or Private Grant								
Federal Housing Credit Equity	Hudson Allen Wilson III, LLC	6,601,777						
State Housing Credit Equity	Georgia Fund 2012 X, LLC	1,986,351						
Historic Credit Equity								
Investment Earnings from Tax-Exempt Bonds								
Investment Earnings from Taxable Bonds								
Income from Operations								
Other Source (specify) <u>GP Contribution</u>	The Housing Authority of the City of Decatur, Georgia	690,431						
Other Source (specify) _____								
Other Source (specify) _____								
Total Permanent Financing:		10,192,990						
Total Development Costs from Development Cost Schedule:		10,192,990						
Surplus/(Shortage) of Permanent Funds to Development Costs:		0						

See Independent Auditor's Report.

CERTIFICATION OF ACTUAL COST AND OPINION AS TO ELIGIBLE BASIS

I. DEVELOPMENT COST SCHEDULE

	TOTAL COST	New Construction Basis	Acquisition Basis	Rehabilitation Basis	Amortizable or Non-Depreciable Basis
PRE-DEVELOPMENT COSTS					
Property Appraisal					
Market Study	8,900	8,900			
Environmental Report(s)	6,249	6,249			
Soil Borings	4,520	4,520			
Boundary and Topographical Survey	6,406	6,406			
Zoning/Site Plan Fees	216	216			
Other: _____					
Subtotal	26,291	26,291	-	-	-
ACQUISITION					
Land					
Demolition	282,256				282,256
Acquisition Legal Fees (if existing structures)					
Existing Structures					
Subtotal	282,256		-		282,256
SITE IMPROVEMENTS					
Site Preparation (On-site)	1,126,818	930,837			195,981
Site Preparation (Off-site)					
Subtotal	1,126,818	930,837	-	-	195,981
UNIT/BUILDING CONSTRUCTION					
Unit/Building Construction/New Construction	4,860,299	4,860,299			
Unit/Building Construction/Rehab					
Project Amenities / Accessory Buildings					
Other: _____		-			
Subtotal	4,860,299	4,860,299	-	-	-
CONTRACTOR SERVICES					
Builder's Overhead: 2.00%	119,742	109,934			
Builder Profit: 6.00%	359,227	329,802			
General Requirements: 6.00%	359,227	231,896			
Payment/performance bond or letter-of-credit fee or premium	56,726	56,726			
Subtotal	728,358	728,358	-	-	-
Total Construction Costs	94,584.15 per unit				
	6,715,475				
	87.41 per sq ft				

I. DEVELOPMENT COST SCHEDULE

	TOTAL COST	New Construction Basis	Acquisition Basis	Rehabilitation Basis	Amortizable or Non-Depreciable Basis
CONSTRUCTION PERIOD FINANCING					
Construction Loan Fee	59,852	33,195			26,658
Construction Loan Interest	87,787	18,400			69,387
Construction Legal Fees	38,575	11,918			26,658
Construction Period Real Estate Tax					
Construction Insurance	14,664	14,664			
Bridge Loan Fee and Bridge Loan Interest					
Other: <u>Gen Liab and Bldr Risk Insurance</u>	35,487	35,487			
Subtotal	236,365	113,663	-	-	122,702
PROFESSIONAL SERVICES					
Architectural Fee - Design	316,873	316,873			
Architectural Fee - Supervision					
Green Building Consultant Fee	11,425	11,425			
Green Building Program Certification Fee (LEED or Earthcraft)					
Accessibility Inspections and Plan Review	8,935	8,935			
Construction Materials Testing	49,019	49,019			
Engineering	73,840	73,840			
Real Estate Attorney	49,934	40,350			9,584
Accounting	44,830	44,830			
Other: <u>Construction Mngmt & Inspections</u>	66,491	66,491			-
Subtotal	621,347	611,763	-	-	9,584
LOCAL GOVERNMENT FEES					
Building Permits	48,866	48,866			
Impact Fees					
Water Tap Fees <i>waived?</i>	7,139	7,139			
Sewer Tap Fees <i>waived?</i>					
Real Estate Taxes					
Subtotal	56,005	56,005	-	-	-
PERMANENT FINANCING FEES					
Permanent Loan Fees					
Permanent Loan Legal Fees					
Title and Recording Fees	27,374	27,374			-
As-Built Survey					
Bond Issuance Premium					
Cost of Issuance / Underwriter's Discount					
Other:					
Subtotal	27,374	27,374	-	-	-

I. DEVELOPMENT COST SCHEDULE

	TOTAL COST	New Construction Basis	Acquisition Basis	Rehabilitation Basis	Amortizable or Non-Depreciable Basis
DCA-RELATED COSTS					
DCA Loan Application Fee					
Tax Credit Application Fee	5,500				5,500
DCA Waiver Fees	4,000				4,000
LIHTC Allocation Processing Fee	49,659 56,753				56,753
LIHTC Compliance Monitoring Fee	49,700 56,800				56,800
DCA Front End Analysis Fee (when ID of Interest)					
DCA Final Inspection Fee	3,000				3,000
Other: _____					
Subtotal	126,053				126,053
EQUITY COSTS					
Partnership Organization Fees	90,503				90,503
Tax Credit Legal Opinion	20,000				20,000
Other: <u>Syndicator Legal Fees</u>	70,000	-	-	-	70,000
Subtotal	180,503	-	-	-	180,503
DEVELOPER'S FEE					
Developer's Overhead					
Consultant's Fee					
Developer's Fee	1,296,843	1,291,380			5,463
Subtotal	1,296,843	1,291,380	-	-	5,463
START-UP AND RESERVES					
Marketing	160				160
Rent -Up Reserves	98,900				98,900
Operating Deficit Reserve:	197,700				197,700
Replacement Reserve	17,750				17,750
Furniture, Fixtures and Equipment	7,328	7,328			
Other: <u>ACC Reserve</u>	282,000				282,000
Subtotal	603,838	7,328	-	-	596,510
OTHER COSTS					
Relocation	20,640				20,640
Other: _____					
Other: _____					
Subtotal	20,640	-	-	-	20,640
TOTAL DEVELOPMENT COST	10,192,990	8,653,298	-	-	1,539,692
Per Unit	143,563.24				
Per Square Foot	132.67				

II. TAX CREDIT CALCULATION - BASIS METHOD

Subtractions From Eligible Basis

Amount of federal grant(s) used to finance qualifying development costs
 Amount of federal below market rate loan
 Amount of nonqualified nonrecourse financing
 Costs of Nonqualifying units of higher quality
 Nonqualifying excess portion of higher quality units
 Historic Tax Credit (Residential Portion Only)
 Other

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

Eligible Basis Calculation

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

8,653,298	0	0
0		0
8,653,298	0	0
100.00%		
8,653,298	0	0
100.00%	100.00%	100.00%
8,653,298	0	0
9.00%		
778,797	0	0
778,797		

III. TAX CREDIT CALCULATION - GAP METHOD

Equity Gap Calculation

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

10,192,990
1,564,750
8,628,240
/ 10
862,824
1.2106
712,724

=

Federal
0.9400

 +

State
0.2706

IV. TAX CREDIT CARRYOVER ALLOCATION

Allocation Year

709,411

V. FINAL TAX CREDIT ALLOCATION REQUEST

709,411

I certify that all information provided above is true, correct, complete and reflects the full extent of all project costs and eligible basis which apply (or are expected to apply) to the above-mentioned development.

Owner Signature _____

Name - Please Type _____

Date _____

PART EIGHT - BUILDING BY BUILDING CREDIT ALLOCATION - Allen Wilson - Phase III - 2012-059

Cost Certification Date: 7/31/2014 Carryover Allocation Date: 1/2/2013 Project Address: 1450 Commerce Drive, Decatur GA 30030
 Type of Activity: New Construction

Please do NOT include common space employee units!

Building Address	Building Identification Number	Total Nbr of Residntl Units	Total Residential Square Footage	Nbr of Low Income Units	Low Income Square Footage	Building's Eligible Basis	QCT/ DDA Boost	Building's Adjusted Basis	Building's Applicable Fraction	Building's Qualified Basis	Date Placed In Service	Applic. Credit %	Tax Credit Amount	FINAL Tax Credit Allocation Request	
														Building's Qualified Basis	Tax Credit Amount
263 Robin St Decatur, GA 30030	GA-13-25901	20	21,576	20	21,576	2,430,150	100%	2,430,150	100.00%	2,430,150	12/20/2013	9.00%	218,714	2,213,639	199,228
210 Electric Ave. Decatur, GA 30030	GA-13-25902	19	21,220	19	21,220	2,390,053	100%	2,390,053	100.00%	2,390,053	12/23/2013	9.00%	215,105	2,177,114	195,940
200 Electric Ave. Decatur, GA 30030	GA-13-25903	6	6,358	6	6,358	716,115	100%	716,115	100.00%	716,115	12/31/2013	9.00%	64,450	652,314	58,708
190 Electric Ave. Decatur, GA 30030	GA-13-25904	4	4,300	4	4,300	484,318	100%	484,318	100.00%	484,318	12/31/2013	9.00%	43,589	441,168	39,705
180 Electric Ave. Decatur, GA 30030	GA-13-25905	6	6,358	6	6,358	716,115	100%	716,115	100.00%	716,115	12/31/2013	9.00%	64,450	652,314	58,708
170 Electric Ave. Decatur, GA 30030	GA-13-25906	3	3,179	3	3,179	358,057	100%	358,057	100.00%	358,057	12/31/2013	9.00%	32,225	326,157	29,354
160 Electric Ave. Decatur, GA 30030	GA-13-25907	6	6,358	6	6,358	716,114	100%	716,114	100.00%	716,114	12/31/2013	9.00%	64,450	652,313	58,709
150 Electric Ave. Decatur, GA 30030	GA-13-25908	7	7,479	7	7,479	842,376	100%	842,376	100.00%	842,376	12/31/2013	9.00%	75,814	767,325	69,059
		71	76,828	71	76,828	8,653,298		8,653,298		8,653,298			778,797	7,882,344	709,411