

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**

North Grove, LP

December 31, 2016

North Grove, LP

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Independent Auditor's Report

Owner's Name: North Grove, LP
Project Name: North Grove Apartments
Project Number: 2014-006

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 North Grove, LP (the "Owner") for North Grove Apartments ("the Project") as of December 31, 2016.

Management's Responsibility for the Final Cost Certification

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the Final Cost Certification referred to above presents fairly, in all material respects, the actual costs of \$15,438,438 and eligible basis of \$13,684,818 of the Owner for the Project as of December 31, 2016, in accordance with financial reporting provisions and qualified allocation plan rules established by DCA.

Basis of Accounting

We draw attention to the financial reporting provisions of DCA, which require the Owner to account for actual costs and adjusted eligible basis in accordance with the basis of accounting the Owner uses for income tax purposes and to comply with the provisions of DCA's qualified allocation plan, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Restriction on Use

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

Other

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

A handwritten signature in cursive script that reads "CohnReznick LLP".

Atlanta, Georgia
March 7, 2017

PART THREE - SOURCES OF FUNDS - North Grove, LP - 2014-006

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	SunTrust Bank	1,950,000	5.760%	18	30	136,705	Amortizing	
Second Mortgage								
Third Mortgage								
Other Source (specify) _____								
Other Source (specify) _____								
Deferred Developer Fees	Prestwick Development Company	14,348						
Federal Grant								
State, Local, or Private Grant								
Federal Housing Credit Equity	STCC North Grove, LLC	9,099,090						
State Housing Credit Equity	CDC Special Limited Partner, LLC	4,375,000						
Historic Credit Equity								
Investment Earnings from Tax-Exempt Bonds								
Investment Earnings from Taxable Bonds								
Income from Operations								
Other Source (specify) _____								
Other Source (specify) _____								
Other Source (specify) _____								
Total Permanent Financing:		15,438,438						
Total Development Costs from Development Cost Schedule:		15,438,438						
Surplus/(Shortage) of Permanent Funds to Development Costs:		0						

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

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

VII. OWNER COMMENTS AND CLARIFICATIONS

See Independent Auditor's Report.

PART FOUR - USES OF FUNDS - North Grove, LP - 2014-006

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	7,750			7,750	
Market Study	5,700			5,700	
Environmental Report(s)	44,954			44,954	
Soil Borings					
Boundary and Topographical Survey					
Zoning/Site Plan Fees					
Other: 3rd Party Cost Review	2,115			2,115	-
Subtotal	60,519	-	-	60,519	-
ACQUISITION					
Land	615,758				615,758
Demolition					
Acquisition Legal Fees (if existing structures)					
Existing Structures	2,559,242		2,559,242		
Subtotal	3,175,000		2,559,242		615,758
SITE IMPROVEMENTS					
Site Preparation (On-site)	1,093,821			894,924	198,897
Site Preparation (Off-site)					-
Subtotal	1,093,821	-	-	894,924	198,897
UNIT/BUILDING CONSTRUCTION					
Unit/Building Construction/New Construction					
Unit/Building Construction/Rehab	6,210,679			6,210,679	
Project Amenities / Accessory Buildings					
Other:					
Subtotal	6,210,679	-	-	6,210,679	-
CONTRACTOR SERVICES					
Builder's Overhead: 2.00%	146,090			146,090	
Builder Profit: 6.00%	438,270			446,433	
General Requirements 6.00%	438,270			430,061	
Payment/performance bond or letter-of-credit fee or premium					
Subtotal	1,022,584	-	-	1,022,584	-
<i>Total Construction Costs</i>	<i>65,055.34 per unit</i>				
	<i>8,327,084</i>				
	<i>63.88 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	95,000			1,919	93,081
Construction Loan Interest	253,053			253,053	-
Construction Legal Fees	30,000			606	29,394
Construction Period Real Estate Tax	135,054			23,947	111,107
Construction Insurance	113,246			30,782	82,464
Bridge Loan Fee and Bridge Loan Interest					
Other: _____					
Subtotal	626,353	-	-	310,307	316,046
PROFESSIONAL SERVICES					
Architectural Fee - Design	260,108			260,108	
Architectural Fee - Supervision	40,690			40,690	
Engineering	81,114			81,114	
Real Estate Attorney	155,000		10,000	55,000	90,000
Accounting	32,000			32,000	-
Other: Accessibility Consultant	5,300			5,300	
Other: Inspection Fees	9,200			9,200	
Other: _____					
Subtotal	583,412	-	10,000	483,412	90,000
LOCAL GOVERNMENT FEES					
Building Permits	33,758			33,758	
Impact Fees					
Water Tap Fees <i>waived?</i>					
Sewer Tap Fees <i>waived?</i>					
Real Estate Taxes					
Subtotal	33,758	-	-	33,758	-
PERMANENT FINANCING FEES					
Permanent Loan Fees	19,500				19,500
Permanent Loan Legal Fees					
Title and Recording Fees	50,742			49,066	1,676
As-Built Survey					
Bond Issuance Premium					
Cost of Issuance / Underwriter's Discount					
Other: _____					
Subtotal	70,242	-	-	49,066	21,176

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	6,500				6,500
DCA Waiver Fees	2,500				2,500
LIHTC Allocation Processing Fee	70,000 80,000				80,000
LIHTC Compliance Monitoring Fee	89,600 102,400				102,400
DCA Front End Analysis Fee (when ID of Interest)					
DCA Final Inspection Fee	3,000				3,000
Other: _____					
Subtotal	194,400				194,400
EQUITY COSTS					
Partnership Organization Fees					
Tax Credit Legal Opinion					
Other: _____					
Subtotal	-	-	-	-	-
DEVELOPER'S FEE					
Developer's Overhead	1,800,000		385,386	1,414,614	-
Consultant's Fee					
Developer's Fee					
Subtotal	1,800,000	-	385,386	1,414,614	-
START-UP AND RESERVES					
Marketing					
Rent -Up Reserves	8,726				8,726
Operating Deficit Reserve:	308,617				308,617
Replacement Reserve					
Furniture, Fixtures and Equipment	112,958			112,958	
Other: _____					
Subtotal	430,301	-	-	112,958	317,343
OTHER COSTS					
Relocation	137,369			137,369	-
Other: _____					
Other: _____					
Subtotal	137,369	-	-	137,369	-
TOTAL DEVELOPMENT COST	15,438,438	-	2,954,628	10,730,190	1,753,620
Per Unit	120,612.80				
Per Square Foot	118.42				

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

Total Subtractions From Basis:

	New Construction Basis	4% Acquisition Basis	Rehabilitation Basis
	0		0
Eligible Basis Calculation			
Total Basis	0	2,954,628	10,730,190
Less Total Subtractions From Basis (see above)	0		0
Total Eligible Basis	0	2,954,628	10,730,190
Eligible Basis Adjustment for DDA/QCT Location	0.00%		130.00%
Adjusted Eligible Basis	0	2,954,628	13,949,247
Multiply Adjusted Eligible Basis by Applicable Fraction	100.00%	100.00%	100.00%
Qualified Basis	0	2,954,628	13,949,247
Multiply Qualified Basis by Applicable Credit Percentage	0.00%	3.20%	9.00%
Maximum Tax Credit Amount	0	94,546	1,255,432
Total Basis Method Tax Credit Calculation	1,349,978		

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

	15,438,438		
	1,950,000		
	13,488,438		
	/ 10		
	1,348,844		
	1.3475	=	Federal
	1,000,997		0.9100
		+	State
			0.4375

TAX CREDIT CARRYOVER ALLOCATION

Allocation Year

1,000,000

FINAL TAX CREDIT ALLOCATION REQUEST

1,000,000

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 _____

See Independent Auditor's Report.

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