

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
Pauldoe Redevelopment Phase III, LP**

November 30, 2017

COHN REZNICK
ACCOUNTING • TAX • ADVISORY

Pauldoe Redevelopment Phase III, LP

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Independent Auditor's Report

Owner's Name: Pauldoe Redevelopment Phase III, LP
Project Name: Pauldoe Redevelopment Phase III
Project Number: 2014-016

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 Pauldoe Redevelopment Phase III, LP (the "Owner") for Pauldoe Redevelopment Phase III ("the Project") as of November 30, 2017.

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 \$23,618,214 and adjusted eligible basis of \$26,111,648 of the Owner for the Project as of November 30, 2017, 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.

CohnReznick LLP

Atlanta, Georgia
January 18, 2018

PART THREE - SOURCES OF FUNDS - Pauldoe Redevelopment Phase III - 2014-016

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	3,200,000	5.970%	18	30	229,487	Amortizing	
Second Mortgage	AHA RHF Loan	3,550,000	2.620%	30			Cash Flow	
Third Mortgage	AHA Home Loan	1,000,000	3.000%	30			Cash Flow	Yes
Other Source (specify)	AHA Capital Loan	1,000,000	1.900%	30			Cash Flow	
Deferred Developer Fees	New Affordable Housing Partners, LLC	469,654						
Federal Grant								
State, Local, or Private Grant								
Federal Housing Credit Equity	STCC Pauldoe Redevelopment Phase III, LLC	9,449,055						
State Housing Credit Equity	STCC Pauldoe Redevelopment Phase III, LLC	4,949,505						
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:		23,618,214						
Total Development Costs from Development Cost Schedule:		23,618,214						
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 - Pauldoe Redevelopment Phase III - 2014-016

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	3,600	3,600			
Environmental Report(s)	12,340	12,340			
Soil Borings					
Boundary and Topographical Survey	31,290	31,290			
Zoning/Site Plan Fees					
Other: Earthcraft and Sustainability Cert., ADA and UFAS consulting	55,700	55,700			
Other: Construction Material Testing & Geotech	107,161	105,266			1,895
Subtotal	210,091	208,196	-	-	1,895
ACQUISITION					
Land					
Demolition					
Acquisition Legal Fees (if existing structures)					
Existing Structures					
Subtotal	-	-	-	-	-
SITE IMPROVEMENTS					
Site Preparation (On-site)	3,221,176	1,604,193			1,616,983
Site Preparation (Off-site)					
Subtotal	3,221,176	1,604,193	-	-	1,616,983
UNIT/BUILDING CONSTRUCTION					
Unit/Building Construction/New Construction	13,569,711	12,874,213			695,498
Unit/Building Construction/Rehab					
Project Amenities / Accessory Buildings					
Other:					
Subtotal	13,569,711	12,874,213	-	-	695,498
CONTRACTOR SERVICES					
Builder's Overhead: 2.00%	335,818	292,582			
Builder Profit 6.00%	1,007,453	801,821			
General Requirements 6.00%	1,007,453	664,532			
Payment/performance bond or letter-of-credit fee or premium	131,947	131,947			
Subtotal	1,890,882	1,890,882	-	-	-
Total Construction Costs	135,375.14 per unit				
	18,681,769	116.14 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	141,387	99,661			41,706
Construction Loan Interest	506,660	460,275			46,385
Construction Legal Fees	123,020	65,591			57,429
Construction Period Real Estate Tax					
Construction Insurance	39,339	19,265			20,074
Bridge Loan Fee and Bridge Loan Interest					
Other:					
<i>Subtotal</i>	810,386	644,792	-	-	165,594
PROFESSIONAL SERVICES					
Architectural Fee - Design	332,176	332,176			
Architectural Fee - Supervision					
Engineering	191,756	191,756			
Real Estate Attorney					
Accounting	80,550	80,550			
Other: Accessibility Consultant	1,500	1,500			
Other: Inspection Fees	8,050	8,050			
Other: Landscaping	39,251	39,251			
<i>Subtotal</i>	653,283	653,283	-	-	-
LOCAL GOVERNMENT FEES					
Building Permits	93,548	93,548			
Impact Fees					
Water Tap Fees <i>waived?</i>					
Sewer Tap Fees <i>waived?</i>					
Real Estate Taxes					
<i>Subtotal</i>	93,548	93,548	-	-	-
PERMANENT FINANCING FEES					
Permanent Loan Fees	39,376				39,376
Permanent Loan Legal Fees	34,432				34,432
Title and Recording Fees	67,664	67,664			
As-Built Survey					
Bond Issuance Premium					
Cost of Issuance / Underwriter's Discount					
Other:					
<i>Subtotal</i>	141,472	67,664	-	-	73,808

I. DEVELOPMENT COST SCHEDULE

	TOTAL COST	New Construction Basis	Acquisition Basis	Rehabilitation Basis	Amortizable or Non-Depreciable Basis
DCA-RELATED COSTS					
DCA Loan Application Fee					6,500
Tax Credit Application Fee	6,500				6,500
DCA Waiver Fees					
LIHTC Allocation Processing Fee	63,000				72,000
LIHTC Compliance Monitoring Fee	96,600				110,400
DCA Front End Analysis Fee (when ID of Interest)					
DCA Final Inspection Fee	3,000				3,000
Other: Qualification Determination	1,000				1,000
Subtotal	192,900				192,900
EQUITY COSTS					
Partnership Organization Fees					
Tax Credit Legal Opinion					
Other:					
Subtotal	-	-	-	-	-
DEVELOPER'S FEE					
Developer's Overhead	315,000	315,000			
Consultant's Fee					
Developer's Fee	1,485,000	1,485,000			
Subtotal	1,800,000	1,800,000	-	-	-
START-UP AND RESERVES					
Marketing	46,162				46,162
Rent-Up Reserves	137,818				137,818
Operating Deficit Reserve:	405,000				405,000
Replacement Reserve					
Furniture, Fixtures and Equipment	192,615	192,615			
Other: Public Housing Subsidy	130,000				130,000
Subtotal	911,595	192,615	-	-	718,980
OTHER COSTS					
Relocation					
Other: Utility Fees	100,675	56,497			44,178
Other: Miscellaneous Expenses & Soft Cost	22,495				22,495
Subtotal	123,170	56,497	-	-	66,673
TOTAL DEVELOPMENT COST	23,618,214	20,085,883	-	-	3,632,331
Per Unit	171,146.48				
Per Square Foot	146.83				

II. TAX CREDIT CALCULATION - BASIS METHOD

	New Construction Basis	4% Acquisition Basis	Rehabilitation Basis
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:	0		0
Eligible Basis Calculation			
Total Basis	20,085,883	0	0
Less Total Subtractions From Basis (see above)	0		0
Total Eligible Basis	20,085,883	0	0
Eligible Basis Adjustment for DDA/QCCT Location	130.00%		
Adjusted Eligible Basis	26,111,648	0	0
Multiply Adjusted Eligible Basis by Applicable Fraction	66.87%	66.87%	66.87%
Qualified Basis	17,460,567	0	0
Multiply Qualified Basis by Applicable Credit Percentage	9.00%		
Maximum Tax Credit Amount	1,571,452		
Total Basis Method Tax Credit Calculation		1,571,452	

III. TAX CREDIT CALCULATION - GAP METHOD

Equity Gap Calculation			
Total Development Cost	23,618,214		
Subtract Non-LIHTC (excluding deferred fee) Source of Funds	8,750,000		
Equity Gap	14,868,214		
Divide Equity Gap by 10	/ 10		
Annual Equity Required	1,486,821		
Enter Final Federal and State Equity Factors (not including GP contribution)	1.6000	=	Federal 1.0500 + State 0.5500
Total Gap Method Tax Credit Calculation	929,263		

IV. TAX CREDIT CARRYOVER ALLOCATION

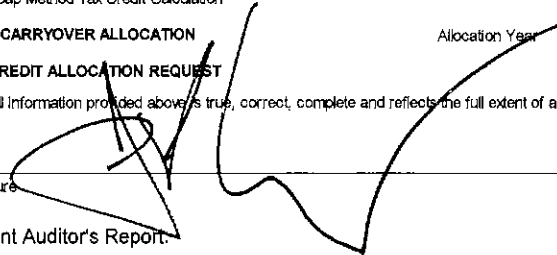
Allocation Year 2015

900,000
900,000

V. FINAL TAX CREDIT ALLOCATION REQUEST

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

Owner Signature



Name - Please Type

JAMES S. GRAVELLY

Date

1/23/2018

See Independent Auditor's Report.

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