

# **Wadley II Housing, LLLP**

Forest View Apartments (DCA Project #2014-045)  
Certification of Actual Costs  
March 7, 2017

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## INDEPENDENT AUDITOR'S REPORT

March 22, 2017

Office of Affordable Housing  
Georgia Department of Community Affairs  
60 Executive Park South NE  
Atlanta, GA 30329

Owner's Name:	<u>Wadley II Housing, LLLP</u>
Project Name:	<u>Forest View Apartments</u>
Project Number:	<u>2014-045</u>

### Report on the Cost Certification

We have audited the costs included in the accompanying Georgia Department of Community Affairs (DCA) Certification of Actual Costs (Cost Certification) of Wadley II Housing, LLLP (Owner) related to the development of Forest View Apartments (Project) as of March 7, 2017.

### Management's Responsibility for the Cost Certification

Management is responsible for the preparation and fair presentation of the Cost Certification in accordance with the accounting practices prescribed by the Internal Revenue Service (IRS), under the accrual method of accounting, and in conformity with the format and Qualified Allocation Plan (QAP) rules set by DCA. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 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 Cost Certification is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Cost Certification. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 Cost Certification.

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

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AUDIT | TAX | CONSULTING

**Opinion**

In our opinion, the Cost Certification referred to above presents fairly, in all material respects, the actual development costs incurred of \$5,491,911 and eligible basis of \$4,795,287 of the Owner for the Project as of March 7, 2017, on the basis of accounting described above.

**Basis of Accounting**

We draw attention to Note 1 to the Cost Certification, which describes the basis of accounting. The accompanying Cost Certification was prepared to present the actual development costs incurred and eligible basis of the Owner for the Project defined in the conformity with the accounting practices prescribed by the IRS, under the accrual method of accounting, and in conformity with the format and QAP rules set by DCA, 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.

**Other Matters**

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

**Restriction on Use**

Our report on the Cost Certification is intended solely for the information and use of the Owner and the Owner's management and for filing with DCA and is not intended to be and should not be used by anyone other than these specified parties.

*RSM US LLP* |

Birmingham, Alabama  
March 22, 2017

PART FOUR - USES OF FUNDS - Forest View - 2014-045

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												
<b>PRE-DEVELOPMENT COSTS</b>																	
Property Appraisal	7,100			4,500	2,600												
Market Study	5,000			5,000													
Environmental Report(s)	6,550			6,550													
Soil Borings	3,000			3,000													
Boundary and Topographical Survey	10,051			10,051													
Zoning/Site Plan Fees																	
Other: Physical Needs Assessment	6,000			6,000													
<b>Subtotal</b>	<b>37,701</b>	<b>-</b>	<b>-</b>	<b>35,101</b>	<b>2,600</b>												
<b>ACQUISITION</b>																	
Land	23,000				23,000												
Demolition																	
Acquisition Legal Fees (if existing structures)	7,250		7,150		100												
Existing Structures	1,222,000		1,222,000														
<b>Subtotal</b>	<b>1,252,250</b>		<b>1,229,150</b>		<b>23,100</b>												
<b>SITE IMPROVEMENTS</b>																	
Site Preparation (On-site)																	
Site Preparation (Off-site)																	
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>												
<b>UNIT/BUILDING CONSTRUCTION</b>																	
Unit/Building Construction/New Construction																	
Unit/Building Construction/Rehab	2,245,527			2,245,527													
Project Amenities / Accessory Buildings																	
Other:																	
<b>Subtotal</b>	<b>2,245,527</b>	<b>-</b>	<b>-</b>	<b>2,245,527</b>	<b>-</b>												
<b>CONTRACTOR SERVICES</b>																	
Builder's Overhead: 2.00%	44,911			44,910													
Builder Profit: 6.00%	134,732			132,447													
General Requirements 6.00%	134,732			134,482													
Payment/performance bond or letter-of-credit fee or premium																	
<b>Subtotal</b>	<b>311,839</b>	<b>-</b>	<b>-</b>	<b>311,839</b>	<b>-</b>												
<table border="0"> <tr> <td><i>Total Construction Costs</i></td> <td><i>71,037.94 per unit</i></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td><i>2,557,366</i></td> <td><i>89.65 per sq ft</i></td> <td></td> <td></td> <td></td> <td></td> </tr> </table>						<i>Total Construction Costs</i>	<i>71,037.94 per unit</i>					<i>2,557,366</i>	<i>89.65 per sq ft</i>				
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PART FOUR - USES OF FUNDS - Forest View - 2014-045

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
<b>CONSTRUCTION PERIOD FINANCING</b>				<b>CONSTRUCTION PERIOD FINANCING</b>	
Construction Loan Fee					
Construction Loan Interest					
Construction Legal Fees					
Construction Period Real Estate Tax	14,572			14,572	
Construction Insurance	9,034			9,034	
Bridge Loan Fee and Bridge Loan Interest					
Other: Construction inspection fees & other interest	22,126			6,120	16,006
<b>Subtotal</b>	<b>45,732</b>	<b>-</b>	<b>-</b>	<b>29,726</b>	<b>16,006</b>
<b>PROFESSIONAL SERVICES</b>				<b>PROFESSIONAL SERVICES</b>	
Architectural Fee - Design	56,990			56,990	
Architectural Fee - Supervision	12,960			12,960	
Engineering	3,000			3,000	
Real Estate Attorney	111,724			111,324	400
Accounting	40,500			40,000	500
Other: Green Building and Accessibility Fees	31,375			31,375	
<b>Subtotal</b>	<b>256,549</b>	<b>-</b>	<b>-</b>	<b>255,649</b>	<b>900</b>
<b>LOCAL GOVERNMENT FEES</b>				<b>LOCAL GOVERNMENT FEES</b>	
Building Permits	6,753			6,753	
Impact Fees					
Water Tap Fees <i>waived?</i>					
Sewer Tap Fees <i>waived?</i>					
Real Estate Taxes					
<b>Subtotal</b>	<b>6,753</b>	<b>-</b>	<b>-</b>	<b>6,753</b>	<b>-</b>
<b>PERMANENT FINANCING FEES</b>				<b>PERMANENT FINANCING FEES</b>	
Permanent Loan Fees					
Permanent Loan Legal Fees					
Title and Recording Fees	26,560				26,560
As-Built Survey					
Bond Issuance Premium					
Cost of Issuance / Underwriter's Discount					
Other:					
<b>Subtotal</b>	<b>26,560</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>26,560</b>

**PART FOUR - USES OF FUNDS - Forest View - 2014-045**

**CERTIFICATION OF ACTUAL COST AND OPINION AS TO ELIGIBLE BASIS**

**I. DEVELOPMENT COST SCHEDULE**

	<b>TOTAL COST</b>	<b>New Construction Basis</b>	<b>Acquisition Basis</b>	<b>Rehabilitation Basis</b>	<b>Amortizable or Non Depreciable Basis</b>
<b>DCA-RELATED COSTS</b>					
DCA Loan Application Fee					
Tax Credit Application Fee	6,500				6,500
DCA Waiver Fees	3,000				3,000
LIHTC Allocation Processing Fee	26,008				29,967
LIHTC Compliance Monitoring Fee	25,200				14,400
DCA Front End Analysis Fee (when ID of Interest)					
DCA Final Inspection Fee	3,000				3,000
Other:					
<b>Subtotal</b>	<b>56,867</b>				<b>56,867</b>
<b>EQUITY COSTS</b>					
Partnership Organization Fees	39,341				39,341
Tax Credit Legal Opinion					
Other: Prepaid Asset Management Fees	78,000				78,000
<b>Subtotal</b>	<b>117,341</b>	-	-	-	<b>117,341</b>
<b>DEVELOPER'S FEE</b>					
Developer's Overhead					
Consultant's Fee					
Developer's Fee	684,690		180,980	500,310	3,400
<b>Subtotal</b>	<b>684,690</b>	-	<b>180,980</b>	<b>500,310</b>	<b>3,400</b>
<b>START-UP AND RESERVES</b>					
Marketing	25,488				25,488
Rent -Up Reserves	74,628				74,628
Operating Deficit Reserve:	88,706				88,706
Replacement Reserve	157,000				157,000
Furniture, Fixtures and Equipment					
Other: Acquired Reserves	35,082				35,082
<b>Subtotal</b>	<b>380,904</b>	-	-	-	<b>380,904</b>
<b>OTHER COSTS</b>					
Relocation	68,733				68,733
Other: Miscellaneous soft costs	465			252	213
Other:					
<b>Subtotal</b>	<b>69,198</b>	-	-	<b>252</b>	<b>68,946</b>
<b>TOTAL DEVELOPMENT COST</b>	<b>5,491,911</b>	-	<b>1,410,130</b>	<b>3,385,157</b>	<b>696,624</b>
<b>Per Unit</b>	<b>152,553.08</b>				
<b>Per Square Foot</b>	<b>192.52</b>				

PART FOUR - USES OF FUNDS - Forest View - 2014-045

CERTIFICATION OF ACTUAL COST AND OPINION AS TO ELIGIBLE BASIS

II. TAX CREDIT CALCULATION - BASIS METHOD

	New Construction Basis	4% Acquisition Basis	Rehabilitation Basis
<b>Subtractions From Eligible Basis</b>			
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			
<b>Total Subtractions From Basis:</b>	<b>0</b>		<b>0</b>
<b>Eligible Basis Calculation</b>			
Total Basis	0	1,410,130	3,385,157
Less Total Subtractions From Basis (see above)	0		0
Total Eligible Basis	0	1,410,130	3,385,157
Eligible Basis Adjustment for DDA/QCT Location			130.00%
Adjusted Eligible Basis	0	1,410,130	4,400,704
Multiply Adjusted Eligible Basis by Applicable Fraction	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>
Qualified Basis	0	1,410,130	4,400,704
Multiply Qualified Basis by Applicable Credit Percentage		3.22%	9.00%
Maximum Tax Credit Amount	0	45,406	396,063
Total Basis Method Tax Credit Calculation		<b>441,470</b>	

III. TAX CREDIT CALCULATION - GAP METHOD

<b>Equity Gap Calculation</b>			
Total Development Cost	5,491,911		
Subtract Non-LIHTC (excluding deferred fee) Source of Funds	1,107,709		
Equity Gap	4,384,202		
Divide Equity Gap by 10	/ 10		
Annual Equity Required	438,420		
Enter Final Federal and State Equity Factors (not including GP contribution)	1.1800	=	Federal 0.8000 + State 0.3800
Total Gap Method Tax Credit Calculation	<b>371,543</b>		

IV. TAX CREDIT CARRYOVER ALLOCATION

Allocation Year

**374,584**

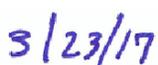
V. FINAL TAX CREDIT ALLOCATION REQUEST

**371,543**

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

CERTIFICATION OF ACTUAL COST AND OPINION AS TO ELIGIBLE BASIS

VI. OWNER COMMENTS AND CLARIFICATIONS


## Wadley II Housing, LLLP

### Notes to Certification of Actual Costs

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#### **Note 1. Nature of Organization and Significant Accounting Policies**

**Nature of organization:** Wadley II Housing, LLLP (Owner) is an Alabama limited liability limited partnership that was formed to develop, construct, own and operate an apartment complex with 36 rental units named Forest View Apartments (Project) located in Wadley, Georgia. The Project was constructed to provide housing to low and moderate-income individuals subject to the requirements of Section 42 of the Internal Revenue Code.

**Basis of presentation:** The accompanying Certification of Actual Costs was prepared to present the actual development costs incurred and eligible basis of the Owner for the Project defined in the conformity with the accounting practices prescribed by the IRS, under the accrual method of accounting, and in conformity with the format and QAP rules set by DCA, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The most significant of these differences is that costs are to be exclusive of kickbacks, rebates or discounts.

**Subsequent events:** The Owner has evaluated subsequent events through March 22, 2017, the date on which the Certification of Actual Costs was available for issuance.