

**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  
City Lights Associates I, LP  
December 31, 2016**

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# City Lights Associates I, LP

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Independent Auditor's Report

Owner's Name: City Lights Associates I, LP  
Project Name: City Lights  
Project Number: 2014HN-506

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 City Lights Associates I, LP (the "Owner") for City Lights ("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 \$14,372,660 and eligible basis of \$12,500,466 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.

*CohnReznick LLP*

Atlanta, Georgia  
January 20, 2017

**PART THREE - SOURCES OF FUNDS - City Lights - 2014HN-506**

**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	Prudential FHA Financing	5,000,000	5.300%	40	40		Amortizing	
Second Mortgage	DCA HOME Loan	1,100,000	1.000%	30	30		Cash Flow	
Third Mortgage	Invest Atlanta Opportunity Credit	600,000	3.000%	40	40		Cash Flow	
Other Source (specify)	City of Atlanta HOME Loan	570,000	1.000%	30	30		Cash Flow	
Other Source (specify)								
Deferred Developer Fees	Wingate Capital Partners, LLC/ New Affordable Housing Partners, LLC	60,205						
Federal Grant								
State, Local, or Private Grant								
Federal Housing Credit Equity	Community Equity Fund XIX, LP	4,869,744						
State Housing Credit Equity	Georgia Fund 2014 IX, LLC	2,141,588						
Historic Credit Equity								
Investment Earnings from Tax-Exempt Bonds								
Investment Earnings from Taxable Bonds								
Income from Operations	City Lights Associates I, LP	31,123						
Other Source (specify)								
Other Source (specify)								
Other Source (specify)								
Total Permanent Financing:		<b>14,372,660</b>						
Total Development Costs from Development Cost Schedule:		<b>14,372,660</b>						
Surplus/(Shortage) of Permanent Funds to Development Costs:		<b>0</b>						

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 - City Lights - 2014HN-506**

**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>PRE-DEVELOPMENT COSTS</b>					
Property Appraisal	11,500	11,500			
Market Study	10,450	9,850			600
Environmental Report(s)	19,200	19,200			
Soil Borings	49,513	49,513			
Boundary and Topographical Survey	26,165	26,165			
Zoning/Site Plan Fees	21,851	21,851			
Other: <u>Green Building Certification/Registration</u>	32,644	32,644			
<b>Subtotal</b>	<b>171,323</b>	<b>170,723</b>	-	-	600
<b>ACQUISITION</b>					
Land	550,018				550,018
Demolition					
Acquisition Legal Fees (if existing structures)					
Existing Structures					
<b>Subtotal</b>	<b>550,018</b>		-		550,018
<b>SITE IMPROVEMENTS</b>					
Site Preparation (On-site)	603,952	523,537			80,415
Site Preparation (Off-site)					
<b>Subtotal</b>	<b>603,952</b>	<b>523,537</b>	-	-	80,415
<b>UNIT/BUILDING CONSTRUCTION</b>					
Unit/Building Construction/New Construction	7,570,225	7,570,225			
Unit/Building Construction/Rehab					
Project Amenities / Accessory Buildings					
Other:					
<b>Subtotal</b>	<b>7,570,225</b>	<b>7,570,225</b>	-	-	-
<b>CONTRACTOR SERVICES</b>					
Builder's Overhead: 2.00%	163,484				
Builder Profit: 6.00%	490,451				
General Requirements 6.00%	490,451	583,078			
Payment/performance bond or letter-of-credit fee or premium	60,480	60,480			
<b>Subtotal</b>	<b>643,558</b>	<b>643,558</b>	-	-	-
<b>Total Construction Costs</b>	<b>110,221.69 per unit</b>				
	<b>8,817,735</b>				
		<b>94.48 per sq ft</b>			

I. DEVELOPMENT COST SCHEDULE

	TOTAL COST	New Construction Basis	Acquisition Basis	Rehabilitation Basis	Amortizable or Non-Depreciable Basis
<b>CONSTRUCTION PERIOD FINANCING</b>					
Construction Loan Fee	231,859	39,344			192,515
Construction Loan Interest	221,750	221,750			-
Construction Legal Fees					
Construction Period Real Estate Tax	84,969	66,089			18,880
Construction Insurance	120,923	116,807			4,116
Bridge Loan Fee and Bridge Loan Interest					
Other: Construction Period and Accessibility Inspections	74,782	74,782			
<b>Subtotal</b>	<b>734,283</b>	<b>518,772</b>	-	-	<b>215,511</b>
<b>PROFESSIONAL SERVICES</b>					
Architectural Fee - Design	593,985	593,985			
Architectural Fee - Supervision					
Engineering	56,491	56,491			
Real Estate Attorney	380,679	282,489			98,190
Accounting	65,500	65,500			
Other:					
<b>Subtotal</b>	<b>1,096,655</b>	<b>998,465</b>	-	-	<b>98,190</b>
<b>LOCAL GOVERNMENT FEES</b>					
Building Permits	146,873	146,873			
Impact Fees	61,250	61,250			
Water Tap Fees <i>waived?</i>	49,187	49,187			
Sewer Tap Fees <i>waived?</i>					
Real Estate Taxes					
<b>Subtotal</b>	<b>257,310</b>	<b>257,310</b>	-	-	-
<b>PERMANENT FINANCING FEES</b>					
Permanent Loan Fees	10,000				10,000
Permanent Loan Legal Fees					
Title and Recording Fees	50,289	43,637			6,652
As-Built Survey					
Bond Issuance Premium					
Cost of Issuance / Underwriter's Discount	293,177	261,793			31,384
Other: Negative Arbitrage	74,339				74,339
<b>Subtotal</b>	<b>427,805</b>	<b>305,430</b>	-	-	<b>122,375</b>

I. DEVELOPMENT COST SCHEDULE

	TOTAL COST	New Construction Basis	Acquisition Basis	Rehabilitation Basis	Amortizable or Non-Depreciable Basis
<b>DCA-RELATED COSTS</b>					
DCA Loan Application Fee					
Tax Credit Application Fee	6,500				6,500
DCA Waiver Fees					
LIHTC Allocation Processing Fee	41,862 41,440				41,440
LIHTC Compliance Monitoring Fee	56,000 32,000				32,000
DCA Front End Analysis Fee (when ID of Interest)					
DCA Final Inspection Fee	3,000				3,000
Other: _____					
<b>Subtotal</b>	<b>82,940</b>				<b>82,940</b>
<b>EQUITY COSTS</b>					
Partnership Organization Fees	10,000				10,000
Tax Credit Legal Opinion					
Other: _____					
<b>Subtotal</b>	<b>10,000</b>	-	-	-	<b>10,000</b>
<b>DEVELOPER'S FEE</b>					
Developer's Overhead					
Consultant's Fee					
Developer's Fee	1,249,000	1,249,000			
<b>Subtotal</b>	<b>1,249,000</b>	<b>1,249,000</b>	-	-	-
<b>START-UP AND RESERVES</b>					
Marketing	47,145				47,145
Rent -Up Reserves	225,000				225,000
Operating Deficit Reserve:	385,000				385,000
Replacement Reserve	40,000				40,000
Furniture, Fixtures and Equipment	263,446	263,446			
Other: Insurance Deductible Reserve	15,000				15,000
<b>Subtotal</b>	<b>975,591</b>	<b>263,446</b>	-	-	<b>712,145</b>
<b>OTHER COSTS</b>					
Relocation					
Other: _____					
Other: _____					
<b>Subtotal</b>	-	-	-	-	-
<b>TOTAL DEVELOPMENT COST</b>	<b>14,372,660</b>	<b>12,500,466</b>	-	-	<b>1,872,194</b>
<b>Per Unit</b>	<b>179,658.25</b>				
<b>Per Square Foot</b>	<b>153.99</b>				

See Independent Auditor's Report.

**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

**Total Subtractions From Basis:**

	New Construction Basis	4% Acquisition Basis	Rehabilitation Basis
<b>Total Subtractions From Basis:</b>	<b>0</b>		<b>0</b>

**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

12,500,466	0	0
0		0
12,500,466	0	0
130%		
16,250,606	0	0
<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>
16,250,606	0	0
3.22%		
523,270	0	0
<b>Total Basis Method Tax Credit Calculation</b>	<b>523,270</b>	

**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

14,372,660			
7,301,123			
7,071,537			
/ 10			
707,154			
1.3400	=	Federal 0.9400	+ State 0.4000
<b>527,727</b>			

**IV. TAX CREDIT CARRYOVER ALLOCATION**

Allocation Year

**V. FINAL TAX CREDIT ALLOCATION REQUEST**

**523,270**

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.



**PART ELEVEN - 50% TEST - City Lights - 2014HN-506**

Project Name: City Lights

DCA Project Nbr: 2014HN-506

1.) Tax-exempt bond proceeds:

7,279,753

2.) Aggregate basis of building and land:

12,500,466

3.) Percentage of aggregate basis financed by tax-exempt bonds:

58.2%

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