SOUTH CAROLINA LOW INCOME HOUSING TAX CREDIT DEVELOPMENT

PROCESS, PROCEDURES & PROPOSAL

DEERWOOD AVENUE

NORTH CHARLESTON, SC

by
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A practicum thesis submitted to Johns Hopkins University in conformity with the requirements for the degree of Master of Science in Real Estate

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ATTACHED APPENDICES

EXECUTIVE SUMMARY

This proposal examines the feasibility of the development of 8.3 acres of land on Deerwood Avenue in North Charleston, South Carolina for affordable housing through IRS Section 42 Low Income Housing Tax Credit (LIHTC) Program. The proposed development site is currently under Option for Purchase. The proposal examines the feasibility of proceeding with the application and development of a 54 unit LIHTC Development, which will be age restricted to tenants aged 62 years or older (Elderly).

First, we will look at the history of LIHTC program and provide a general overview of how the program works.

The proposal will then get into site specifics, such as zoning regulations, area demographics and surrounding land use.

A Market Study will focus on the primary market area surrounding the site which will be analyzed through the use of Census Data. The study will look at our target tenant base and calculate demand, capture rate, absorption, and assess comparable LIHTC properties. In conjunction with our market study, we will highlight specific market analysis data points that are used by the South Carolina Housing Authority to score prospective developments for Tax Credit award.

The proposal will then focus on the State of South Carolina's process and procedures for the application and allocation of Tax Credits through their 2010 Qualified Allocation Plan (QAP). We will analyze the South Carolina State Housing and Finance Development Authority's (SCHFDA) site requirements for prospective LIHTC funding and compare them to Deerwood Avenue.

The financial feasibility analysis will look at underwriting requirements by the SCHFDA, and compare them to market data collected by our team. This will allow us to identify potential investment growth areas. We will look at financing vehicles, how they interact, and propose a development plan which offers the highest risk adjusted return.

The proposal will look at partnership structure and analyze both the Investor's and Sponsor's achievable returns. Finally, we will make conclusions on the merits and risks associated with investment.

TAX CREDIT OVERVIEW

The Low Income Housing Tax Credit Program began with the passage of the Tax Reform Act of 1986. While the Tax Reform Act is remembered by many as Reagan's efforts to close tax loopholes in passive income, and create a more simplified tax structure, the Low Income Housing Tax Credit program was born from this bill.

The Low Income Housing Tax Credit Program (LIHTC) program promotes the development & rehabilitation of housing for lower income families and individuals through Section 42 of the Federal tax code. The Department of Treasury, through the efforts of Internal Revenue Service, provides "dollar-for-dollar" tax credits that investors can utilize to offset their federal income tax liability. The "credits" are awarded in exchange for the investment in the development or rehabilitation of affordable housing. The Treasury awards the credits to states based on a state's population. The 2010 Tax Credit allocation by State was calculated by multiplying $2.10 by the state's population. For example, South Carolina's allocation is $2.10 multiplied by its population of 4,561,000 which is equal $9,767,100 in tax credits.

4% & 9% Tax Credit

There are two types LIHTC awards, the 4% credit and the 9% credit. Both the 4% credit and the 9% credit fall under the same income rental restrictions, but the 9% credit provides the tax credit developer with more than twice the proceeds to construct or rehabilitate his or her project through the LIHTC program. The 4% credit is generally combined with other Federal financing sources, while the 9% Credit is not subsidized by additional federal financing dollars. The 9% credit award is generally oversubscribed and seen in new construction projects and major renovation or rehab projects, while the 4% credit is more commonly seen in renovation projects. Roger Jones, a developer experienced in 4% credit development, has never seen a 4% credit award used in ground-up development and while it may exist, the 4% credit is generally used in renovation, and not ground-up development.[1]

Tax Credit Basis

According to Novogradac, a renowned tax credit advisory firm, one calculates their eligible tax credit basis by multiplying 4% or 9% (depending on development) by costs related to project construction.[2] What can be counted toward the eligible basis is regulated by the IRS, but generally most costs associated with development of LIHTC properties are eligible. Land costs, syndication costs, operating reserves and construction interest are not part of the tax credit basis. Interestingly, all of the fees associated with property development are counted toward basis. The total eligible basis items are multiplied by the tax credit percentage to arrive at the annual tax credits available for a project. For illustrative purposes, I have included the table below. The table shows a construction budget for a proposed development. The right hand column shows which items will be eligible in the tax credit basis calculation. The table will be discussed in depth, as we get into the proposal.

ACQUISITION COSTS	COST		ELIGIBLE FOR LIHTC BASIS
Land	$ 500,000		
HARD COSTS			
Residential Structures	$ 3,780,000		$ 3,780,000
Sitework	$ 1,080,000		$ 1,080,000
Impact Fees, Permits, Insurance	$ 67,500		$ 67,500
Profit & Overhead	$ 394,200	8%	$ 394,200
General Requirements	$ 197,100	4%	$ 197,100
Hard Cost Contingency	$ 243,000	5%	$ 243,000
SOFT COSTS			
Arch & Engineering	$ 64,800		$ 64,800
Insurance/Bond	$ 81,000		$ 81,000
RE Taxes During Construction	$ 5,400		
LIHTC Costs	$ 94,500		$ 94,500
Perm Loan Fees	$ 10,496	1%	$ 10,496
Construction Loan Interest	$ 512,940		
Lease-Up & Marketing	$ 67,500		$ 67,500
Soft Cost Contingency	$ 25,000		$ 25,000
Operating Reserve	$ 183,600		
Development Cost Less Fee	$ 7,307,037		$ 7,307,037
Developer Fee	$ 931,647	11%	
TOTAL PROJECT COST	**$ 8,238,684**		**$ 7,307,037**

In the example above, one would multiply $7.3 million by 9% which equals $657,000. The $657,000 would be awarded annually in equal annual allotments for 10 years.

LIHTC Rent Calculation

In exchange for the tax credit award, the beneficiary agrees to rent the subject property, to which the credits are tied, for 15 years (commonly referred to the compliance period) at a percentage of Area Median Income (AMI). The beneficiary must rent restrict the development at either at 20%/50% or 40%/60% during the compliance period. The 20%/50% is an agreement to rent 20% of the units at 50% of the AMI. The 40%/60% is an agreement to rent 40% of the units at 60% of the AMI. In addition to renting to an income restricted population base, the rent must not exceed 30% of the annual gross income of the tenant. In the 20/50 example below, the AMI is $60,000; therefore a prospective tenant for the unit cannot have an income greater than thirty thousand or 50% of the AMI. The Landlord cannot rent the unit for greater than 30% of that 50% AMI which equals $9,000 in gross annual rent. The gross rent and must include all utility charges. The Landlord is only required to rent restrict 20% of its units under this program, but in today's competitive development environment, Landlord's will rent restrict their entire project (dependent on the State) in hopes of winning the tax credits.[1]

20/50 INCOME RESTRICTION		
Area Median Income	$	60,000
Percent of Median Income		50%
Income Qualified Tenant Income	$	30,000
Maximum Rent Allocation		30%
Gross Rent Payable by IQ Tenant	$	9,000
Maximum Gross Monthly Rent	$	750

40/60 INCOME RESTRICTION		
Area Median Income	$	60,000
Percent of Median Income		60%
Income Qualified Tenant Income	$	36,000
Maximum Rent Allocation		30%
Gross Rent Payable by IQ Tenant	$	10,800
Maximum Gross Monthly Rent	$	900

Syndication/Partnership

In exchange for rent restricting their development, tax credit developers receive equity for their development through the syndication or sale of the federal tax credits to an investor. The investor will utilize the credits to offset their federal income tax liability. According to Matt Jackman, a LIHTC developer and former tax credit syndicator, affordable housing projects are largely financed through the sale or syndication of tax credits.[3] The syndication of the credits is generally handled through a syndicator, and investors range from affluent private investors, to large financial institutions, and even recently profitable tech companies.

The Syndicator puts the Investor and Sponsor together by serving as advisor, negotiator and asset manager to the Investor. The Syndicator, with the assistance of an attorney, negotiates the terms of the partnership between the Investor and Sponsor. The sale or transfer of rights to the tax credits is transferred with the creation of the partnership. The partnership is generally formed under either a Limited Liability Company or a Limited Partnership, with the Investor participating as a Non-Managing Member or a Limited Partner. While the Investor is a generally limited to the amount invested, they carry significant liability between acquisition and stabilization. Once they have purchased the rights to the Credits, their risk is that they will suffer "Recapture." This is when the Tax Credits are rescinded by the Federal Government due to a development default. It is an extremely rare occurrence, but the government will rescind the credits if the property to which the credits are tied is not constructed in accordance to the terms of the agreement between the Partnership (Sponsor/Investor) and the State. According to Bob Moss, a syndicator with Boston Financial, the partnership agreement between the Sponsor and Investor always includes a construction completion guarantee, an operating shortfall guarantee, and a credit delivery guarantee.[4]

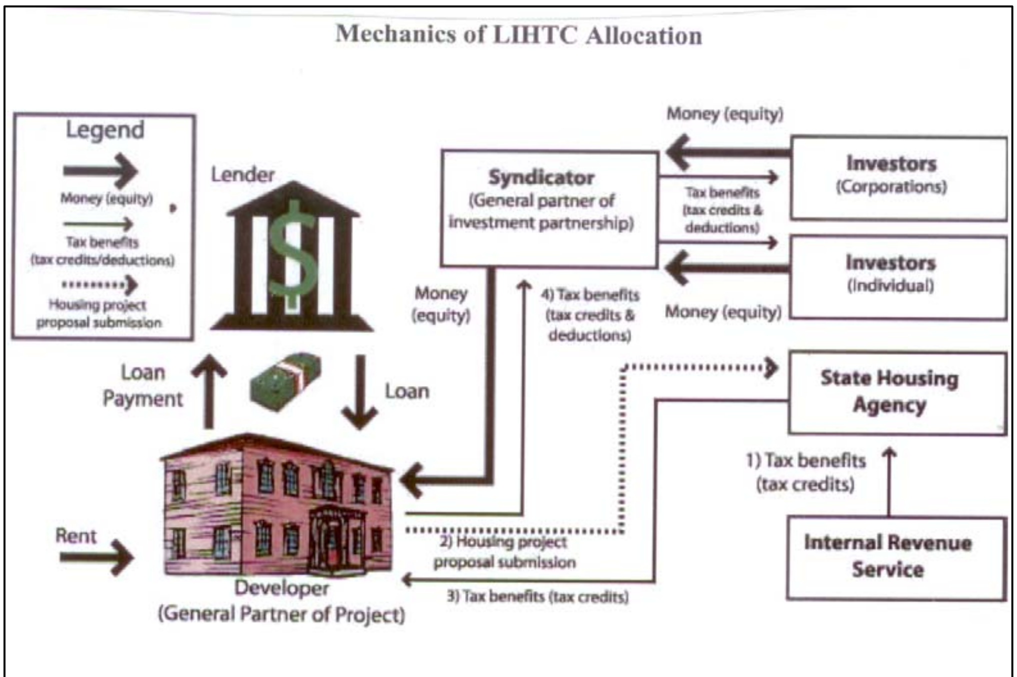
Tax Credit Syndication Proceeds

A tax credit's value on the open market is generally predicated on the location of the development, the strength of the Sponsor, and the pay-in schedule. Since the credits are tied to the development, investors want a property in a strong market location. The Investor also wants an experienced Sponsor who understands the management and compliance regulations of LIHTC property. This insures their investment from potential default, and a strong Sponsor gives the investor an entity unto which it can pursue recourse should there be a default. The proceeds an investor can provide to the development are tied to when the developer has to provide the equity to the project. If the investor can delay paying into the partnership for the benefit of the credits, then the investor through the time value of money can afford to pay more for the credits. While these items are important to investors, market forces can sometimes have a significant impact on LIHTC values.

According to Matt Jackman, his low income housing development firm sold credits in 2006 for upwards of .98 cents on the dollar, which offered significant equity to tax credit developers.[3] In the wake of the "financial tsunami" of 2008 the demand for credits softened, due to financial institutions and private individuals no longer needing to offset profits. According to Jay Reagan, director of the South Carolina Low Income Housing Tax Credit Program, Tax Credit value during 2008 fell to 60 to 65 cents on the dollar and caused the federal government to step in and offer relief through federal stimulus money, which resulted in many state programs monetizing a portion of the credits to help raise equity and fund projects.[5]

Summary

In summary, the 15 year Tax Credit partnership between the Treasury Department, the developer, and the investor is illustrated below. The State is allocated credits from the Treasury based on its population. The State uses these credits to solicit applications from potential developers to build affordable housing for its citizens. The developer makes application to the State for an allocation of credits for his/her proposed project. The State awards the credits to the developments which will best serve the community. The sponsor provides his rights to the credits to an investor through a partnership which is negotiated through a syndicator. The sponsor uses the proceeds from the investors "pay-in" to finance the development of the project.



Notes: Source: Adapted from U.S. General Accounting Office, Tax Credits.

SITE ANALYSIS

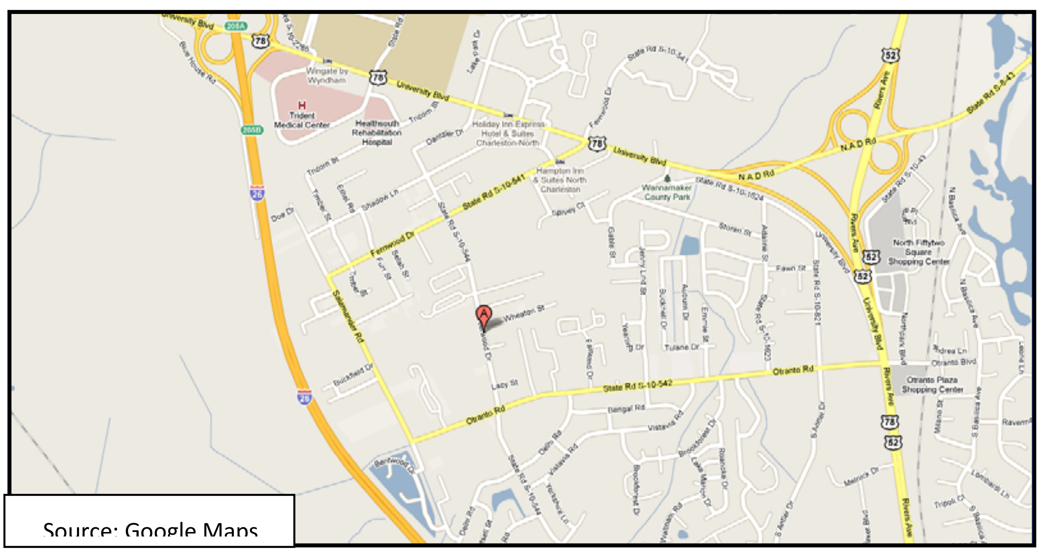
The Deerwood Avenue site (collectively) incorporates 4 parcels that measure 8.33 acres of land located in the City of North Charleston, South Carolina. The subject property presently contains 3 vacant single family homes. The site recently received provisional rezoning from the North Charleston Planning Commission for a Planned Unit Development (PUD) in the City of North Charleston. The provisional rezoning permits the development of 105 multifamily units or 13.46 units per acre.

The site contains 1.2 acres of non-jurisdictional wetlands. This provides 7.13 acres of developable highland. The wetland provides a natural slope for storm water retention and the development plans will appropriately buffer around the existing wetlands.

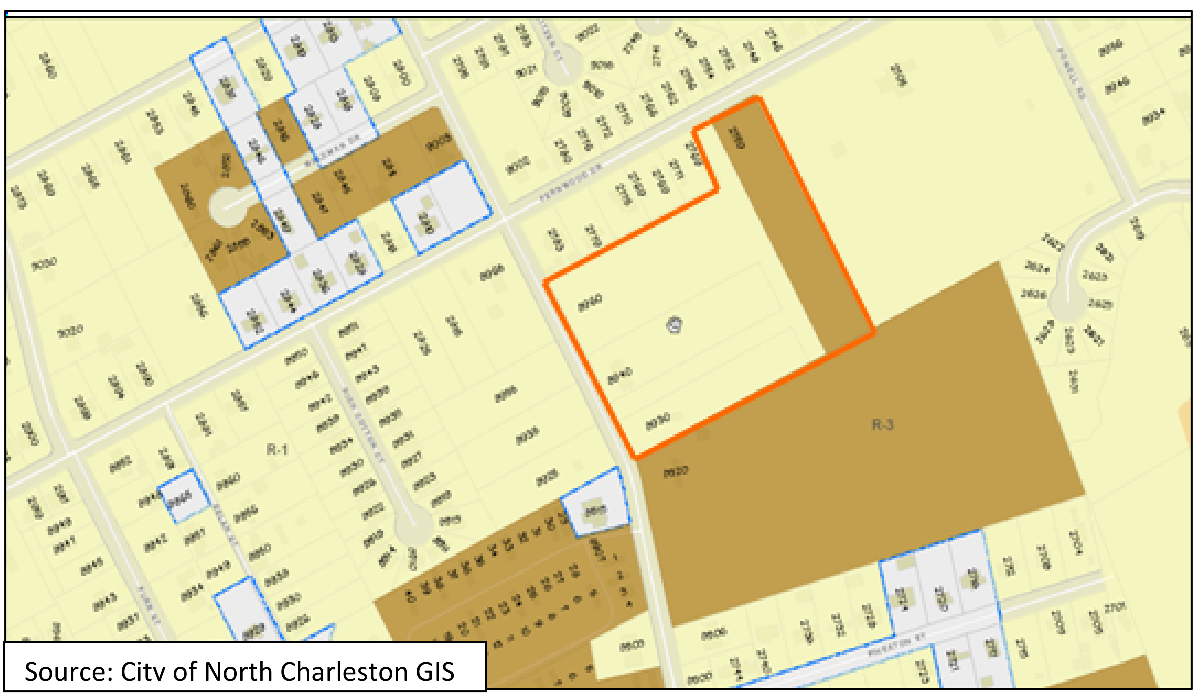
The provisional rezoning calls for a height restriction of 35 feet, and requires that no building be constructed over 2 stories. There must be 1.5 parking spaces per unit constructed.

The subject is well-located with direct access to two major thorough fares Highway 78 and Highway 52 (Rivers Avenue). The site sits less than one-mile from Interstate I-26, the major artery to access both the City of North Charleston and the City of Charleston. A grocer, hospital, bank, restaurants and county park are all located within ½ mile of the site. These goods and services contribute to the developability of a multifamily property on the subject property.

The neighboring uses comprise of single family residential, mobile home parks, multifamily units and vacant land. A multifamily project would complement the surrounding uses.



Source: Google Maps



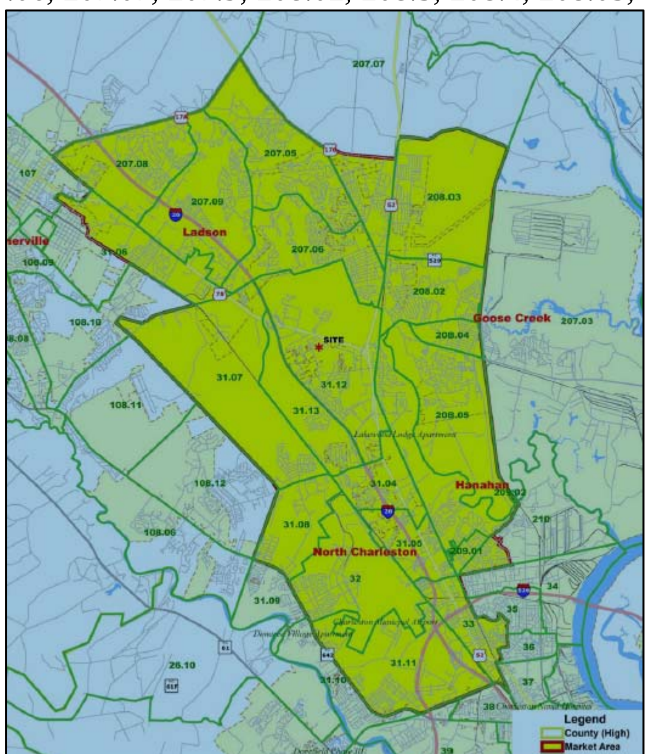
Source: City of North Charleston GIS

MARKET ANALYSIS

Market Area

The site is located in the City of North Charleston, and according to the City website there are approximately 80,000 people. The City of North Charleston stretches over county lines into Dorchester County and Berkeley County, but a vast majority of its jurisdiction is in Charleston County.

The primary market area is defined by Census Tract Data that was provided in a March 2010 market study performed by John Wall of John Wall & Associates.[6] The census tract data used for the study includes Census tracts 207.05, 207.06, 207.07, 207.9, 208.02, 208.3, 208.4, 208.05, 209.01, 209.02, and 210 in Berkeley County and Census Tract 31.04, 31.05, 31.06, 31.07, 31.08, 31.11, 31.12, 31.13, 32, & 33 in Charleston County. The data provided by the John Wall study allows us to assess our primary target tenant base, and make the appropriate adjustments to quantify demand, capture rate, and competitive rents for our subject property. John defines his primary market, as "The border of the market area is based on travel time, commuting patterns, the gravity model, physical boundaries, and the distribution of renters in the area."[6]



Source: Census Data - by John Wall & Associates

The secondary market area is defined in the study as the Tri-County Area: Berkeley, Dorchester, and Charleston County. We are relying solely on primary market area data for the purposes of this study. After reviewing a number of market studies provided by the State of South Carolina Housing and Finance Development Authority, we concluded that the primary market was where one should expect to draw its tenant base.

The Goal of the Market Analysis:

The goal is to understand how many individuals age 62 or older, at the required income level, must our development attract to produce a successful LIHTC development. We will assess what both existing market rate apartments rent and how competing age-restricted affordable housing projects are performing in the area. We will look at market rents to ensure that our proposed LIHTC rental rate has market advantage over market rate properties.

Demand Methodology

Rental Housing Units Needed for 62 plus

The primary market area provides us with the appropriate data to perform key feasibility analysis related to our proposed development. We will look at the entire primary market area population and work toward discovering the demand for our target tenant base, income qualified persons aged 62 or older that will require housing by 2014.

Our market area will need an estimated 3677 housing units between 2008 and 2013 which was calculated by subtracting 51,232 from 47,555 (figures on following page). The annual growth rate between 2008 and 2013 was 1.5%. In order to calculate the number of units needed by 2014, we multiplied 51,232 by 1.5% which yielded an additional 768 units or 4445 housing units by 2014. Knowing that there are 4445 total housing units needed from 2008 to 2014 we want to establish how many of those units will be required for the population of 62 or older.

In this calculation, we must forecast forward and make an adjustment given the data we could attain. The table on the following page shows the growth of households aged 55 plus and 65 plus from 2000 to 2008.

Households and Persons Per Housing Unit								
	2000	**2008**	**2009**	**2012**	**2013**	**Change '00-12**	**Persons per House '00**	**Persons per Rental House '00**
South Carolina	1,533,854	1,766,108	1,795,978	1,885,588	1,915,458	351,734	2.53	2.37
Berkeley County	49,922	58,234	59,187	62,047	63,000	12,125	2.75	2.69
Charleston County	123,326	143,824	146,143	153,101	155,420	29,775	2.42	2.25
Market Area	42,004	47,555	48,291	50,497	51,232	9,228	2.68	2.57
City of North Charleston	29,783	-	-	-	-	-	2.51	2.50
Sources: 2000 Census Data; 2008 & 2013 by ESRI; Others by John Wall and Associates								

In order to anticipate the growth between 2008 and 2014 we look at an annual household growth rate based on the 2000 to 2008 annual growth. For 55 plus we see an annual growth rate of 3.68% and for 65 plus a growth rate of 4.37%. For the purposes of analysis, we forecast forward 6 years at the same annual growth rate to arrive at our demand for units by 2014 (table below). Of the 3240 units needed by those who are 55 plus, we must eliminate those who are not 62 years of age or older. Assuming equal distribution of the 3240 units between 55 and 65, we multiplied 3240 by 3/10th or 30%. The 972 represents those that are 62 or older in the 55 plus age band. We then add 972 to 1834 (65 plus) to arrive at the total demand for housing units of 2806 for those 62 or older.

ELDERLY HOUSEHOLD TRENDS 55 & 65 Forecasted Forward							
				2000-2008		2008-2014	
	2000	**2008**	**CHANGE**	**Annual Growth Rate**	**2014**	**CHANGE**	**TOTAL 62+**
55 PLUS	10023	13382	3359	3.68%	16622	3240	972
65 PLUS	4851	6269	1418	4.37%	8103	1834	1834
Souree: Census Data: Calculations by Matt Warren							2806

The 2806 number includes both rental and owned housing units, therefore we need to segment the data by multiplying 2806 by 37.5%, which is the market area percentage of renters according to 2000 Census Data. The result is there will be 1052 rental units required by 2014 for those that are 62 years or older.

Establishing the Target Income Band

Our development will be income restricted; therefore we must identify those who will be within 50% to 60% of the Area Median Income. At 50% AMI, the lowest income band we can anticipate to draw from in Charleston County is $16,450 and our highest is $37,620. A person making less than $16,450 is a potential tenant, should they have tenant based rental assistance, they are not considered for the purposes of this study, because of alternative housing opportunities offered at this income level. These figures are shown at the bottom of the page and are representative of AMI restrictions published by HUD. Please note the chart below represents maximum incomes allowable.

South Carolina Finance and Housing Development Authority (SCFHDA) rules dictate that a minimum/maximum per bedroom of 1 to 2 persons can be in a one bedroom, and 2 to 4 in a two bedroom. The highlighted portion of the above chart is for 1 and 2 bedroom units. Walton Communities, a developer of 8 elderly projects in the last 5 years, considers this ideal bedroom mix for tenants 62 and older.

MAXIMUM INCOME LIMIT (HUD 2010)		
PERSONS	50% of AMI	60% of AMI
1	$ 21,750	$ 26,100
2	$ 24,850	$ 29,820
3	$ 27,950	$ 33,540
4	$ 31,050	$ 37,260
5	$ 33,550	$ 40,260
6	$ 36,050	$ 43,260
7	$ 38,050	$ 46,260
8	$ 41,000	$ 49,200
Source:Novogradac - Rent & Income Calculator		

Income Qualified Rental Household Calculation

Census Data has provided us with our entire primary market of rental households of approximately 15,737 and divided them into separate income bands. We will take this data and combine it with the Housing and Income data of the previous two sections to arrive at our demand for our target tenant base.

Due to data attainable, we assumed equal distribution of both age and income across the rental pool for the highlighted portion below. For the income band between $10,000 and $19,999, we subtracted 16450 by 20,000 which is equal to 3550. The 3350 is divided by the entire 10,000 person range and is equal to 33.5%. The total number of potential households that are income qualified in this income band are 1007 households out of 3005 total households.

The entire income band for 20,000 to 34,999 qualifies under the income restrictions of our proposed development, which are 4585 people.

When looking at the 35,000 to 49,999, we subtract 37620, which is the maximum income 4 persons can earn to afford a 2 bedroom, from 35,000 which is 2620. We take 2620 and divide by 15000 which is the total dollar range in the income band to arrive at 17.5%. Therefore, 17.5% of the income band or 538 households out 3076 people qualify for LIHTC housing.

MARKET AREA RENTER INCOME SEGMENTS		
	H. Unit	**Percent**
Less than 10,000	2053	13.0%
10,000 to 19,999	3005	19.1%
20,000 to 34,999	4585	29.1%
35,000 to 49,999	3076	19.5%
50,000 to 74,999	2059	13.1%
75,000 to 99,999	650	4.1%
100,000 or more	309	2.0%
Sources: 2000 Census Data		

In the 10,000 to 20,000 income band there are 1007 households that qualify. In the 20,000 to 35,000 there are 4585 people that qualify. In the 35,000 to 50,000 there are 538 people that qualify. In total there are 6130 potential qualified rental households within our market area. So 6130 divided by the total rental pool of 15737 gives one 38.9% of the rental pool is income qualified.

Demand Conclusions

With 2806 units required by 2014 by those that are 62 years of age or older, and knowing that 37.5% of the household units will be rental, we establish that 1052 rental units for those 62 and older will be needed by 2014. We then look at the rental pools income qualifications, and establish that 38.9% of the 1052 rental household units will fall within the income band of our target market, which results in 409 rental units that are both income and age qualified. We have calculated that there are 98 units coming to the market, therefore the market demands 311 rental units for those that are 62 or older within the appropriate income range by 2014.

DEMAND FOR 62+ HOUSING	
Housing Units Needed	2806
Rental %	37.5%
Rental Units Needed	1052
Qualified Income 50%	38.9%
New Units For 62 plus	409
Supply Coming to Market	98
DEMAND FOR +62 UNITS	311

Capture Rate

According to the SCHFDA, any development with a capture rate of higher than 40% will be immediately disqualified from consideration for award. Capture Rate is the percentage of population within your primary market that fits your target income, and age profile divided by the number of units within your development[6]. For Deerwood Avenue we took the number of renters within our income band of $16450 to $37620 and multiplied by the percentage of the population that was 62 years of age or older. The total rental population within our income band was 6130. According to Census Data the population within our primary market area of those ages 62 or older was 9.1%. 6130 multiplied by 9.10% resulted in 558 rental households within the age and income band whom would be a prospective tenant for our development. Since the proposal is to construct 54 units the capture rate is 54 units divided by 558 units which results in a 9.68% capture rate. See table below.

MARKET AREA RENTER INCOME SEGMENTS			
Income	Population	%	Total
10,000 to 19,999	3005	33.5%	1007
20,000 to 34,999	4585	100.0%	4585
35,000 to 49,999	3076	17.50%	538
Sources: 2000 Census Data		TOTAL	6130
	Percent Population 62 plus		9.10%
	Income Qualified 62 plus		558
	Number of Units Proposed		54
	CAPTURE RATE		9.68%

Absorption Rate

In researching similar product for absorption rate, we discovered that there were 2 developments which were in the planning stages, but had yet to deliver units. The last "age restricted" units delivered in the primary market area was 4 year ago. In order to establish a number, we interviewed 3 LIHTC developers who have built similar product and/or built in the primary market. The three development groups interviewed were Walton Communities, Miller Valentine, and Companion Associates. In their review of the proposal pro forma, we asked about the appropriate absorption rate. Their combined experience felt that 12 months was a satisfactory number upon which to base one's assumptions.[1,3,7]

Vacancy Rate

The State of South Carolina requires that a pro forma submitted for financial feasibility in the application process must show a vacancy rate of 7%. The analysis of vacancy rates in the primary and secondary market area for Low Income Housing had an overall vacancy rate of 1%, and a vacancy of closer to .5% for Elderly or Age Restricted Affordable Units.

Market Comparables

In this section we look at rental rates for market comparables for both market rate multifamily, and elderly low income housing rental rates. First, we will look at rental rates for four elderly low income housing developments which are in both the primary and secondary market area. All of the developments are in the same income band of rent restriction at 50% to 60% of the Area Median Income. Second, we will look at Market Rate Comparables, which will allow us to establish rents in our "highest and best use" testing, and allow us to calculate our development proposal against the market rates to ensure market advantage, which is required by the State of South Carolina.

LIHTC Rental Rates

For the Low Income Housing Tax Credit (LIHTC) properties, two of the four comparables, are planned developments, and two are existing product. The planned developments allowed us to see what competitive projects are going to deliver (Note: Only Crowfield Green is in our primary market and is reflected in our demand calculation). We choose these four comparables because of their proximity to the site, and the year they were built. Older developments, if not appropriately managed, could have failed to make application for rental increases, which would not give us a true market rent. On the following page, see the four comparable "age restricted" LIHTC properties.

The rents shown in the table on the following page are Net Rent to the landlord. In affordable developments, the landlord is income restricted to a maximum rent. This maximum rent is a gross number that if the landlord supplies all of the utilities and services required by the state, the landlord can collect the maximum rent from the tenant. If the landlord does not pay the utility expenses of the tenant, the landlord must reduce the tenant's rent according to a utility allowance worksheet provided by the state to arrive at net rent a landlord can charge a tenant. In the 4 developments above, the landlord pays none of the expenses, and the rents shown are the net rents the landlord receives. The highlighted rents are the average gross rent eligible for collection by the landlord for 1 and 2 bedroom units. Notice that none of the rental units have more than 2 bedrooms. The utility allowance is a number provided by State Housing Finance and Development Authority for the HUD Section 8 program schedule.[9] The allowance worksheet is applicable to Low Income Housing Tax Credit developments.

The unit mix for the four developments above is 70% one bedroom and 30% two bedroom and the average size of both the planned and existing one bedroom's are 700 square feet and the two bedrooms are 895 sqft. It is also important to note the 0% vacancy rate for the two operating developments. While it is impossible for vacancy to be zero, both operating developments have waiting lists.

While rents are restricted to a certain level by law, it is important to understand what similar developments are charging for rent. Landlords can set their rents at or below the required income restrictions. Some do so in order to gain market advantage, or ensure absorption, if financially feasible. Some developers set their rents at a lower rate in order to show a greater market advantage, which can allow them to win tax credits over competing applications.

MARKET RATE COMPARABLES ELDERLY								
	Year Built		**Studio**	**1 Bd**	**2 Bd**	**3 Bd**		
Villas at Horizon Village	2010	***# of Type***	0	55	16	0	71	*Total Units*
Rivers Avenue		***Size of Unit***		700	850	0	734	*Average Size*
North Charleston, SC		***Rental Rate***		$ 440	$ 633	$ -	483	*Average Rental Rate*
Blend 50% - 60%							planned	*Total Vacancy*
	Year Built		**Studio**	**1 Bd**	**2 Bd**	**3 Bd**		
Crowfield Green	2010	***# of Type***		14	28	0	42	*Total Units*
Centenial Blvd		***Size of Unit***		703	969	0	880	*Average Size*
Goose Creek, SC		***Rental Rate***		$ 457	$ 591	$ -	546	*Average Rental Rate*
Blend 50% - 60%							planned	*Total Vacancy*
	Year Built		**Studio**	**1 Bd**	**2 Bd**	**3 Bd**		
Shady Grove	2004	***# of Type***	0	55	17	0	72	*Total Units*
1725 Savage Road		***Size of Unit***		700	850	0	735	*Average Size*
Charleston, SC		***Rental Rate***		$ 477	$ 573	$ -	500	*Average Rental Rate*
Blend 50% - 60%				0.00%	0.00%	0.00%	0.0%	*Total Vacancy*
	Year Built		**Studio**	**1 Bd**	**2 Bd**	**3 Bd**		
Grand Oaks	1999	***# of Type***	0	46	13	0	59	*Total Units*
601 Old State Road		***Size of Unit***		700	850	0	733	*Average Size*
Goose Creek, SC		***Rental Rate***		$ 477	$ 573		498	*Average Rental Rate*
Blend 50% - 60%				0.00%	0.00%	0.00%	0.0%	*Total Vacancy*
							244	
							617	
							406	
				1 Bd	2 Bd	3 Bd		
			Unit Total	170	74	0	244	
			Ave Rent	$ 463	$ 593	$ -		
			Ave Size	700	895	0		
			Ave Vac	0.00%	0.00%	0.00%	*available data	
	Add Utitilties Allowance			$ 109	$ 136			
	Gross Rent			$ 572	$ 729			

Comparables John Wall Associates: Calculations Matt Warren

Market Rental Rates:

We look at market rental rates for two reasons. First to establish that the property is being developed for its highest and best use, and also to ensure that the development has a greater than 10% market advantage, as required by the State of South Carolina.

We looked at rental units that were in close proximity to the subject property, that were of newer construction. The comparables were provided by a March 2010 market study performed by John Wall of John Wall & Associates. Of the 5 developments compared, there are 1135 total units surveyed with an average vacancy rate of 6.28%. The average one bedroom was rented for $782, and measured 775 square feet. The average two bedroom was 1049 square feet and rented

MARKET RATE COMPARABLES								
	Year Built		**Studio**	**1 Bd**	**2 Bd**	**3 Bd**		
Atlantic Palms	2002	***# of Type***	0	78	162	72	312	*Total Units*
2430 Alston Ave		***Size of Unit***		830	1065	1270	1054	*Average Size*
North Charleston, SC		***Rental Rate***		$ 737	$ 837	$ 975	844	*Average Rental Rate*
							58%	*Total Vacancy*
	Year Built		**Studio**	**1 Bd**	**2 Bd**	**3 Bd**		
Churchhill	2008	***# of Type***	0	0	32	32	64	*Total Units*
601 Old State Road		***Size of Unit***		0	1065	1270	1168	*Average Size*
Goose Creek, SC		***Rental Rate***		$ -	$ 775	$ 875	825	*Average Rental Rate*
							unavailable	*Total Vacancy*
	Year Built		**Studio**	**1 Bd**	**2 Bd**	**3 Bd**		
Jamison Park	2001	***# of Type***	0	54	126	36	216	*Total Units*
2245 Greenridge Rd		***Size of Unit***		692	1004	1228	963	*Average Size*
North Charleston, SC		***Rental Rate***		$ 683	$ 792	$ 935	789	*Average Rental Rate*
				7.40%	19.00%	5.60%	13.9%	*Total Vacancy*
	Year Built		**Studio**	**1 Bd**	**2 Bd**	**3 Bd**		
Ingleside Plantation	2008	***# of Type***	0	144	144	16	304	*Total Units*
601 Old State Road		***Size of Unit***		766	1180	1471	999	*Average Size*
Goose Creek, SC		***Rental Rate***		$ 683	$ 1,000	$ 1,250	863	*Average Rental Rate*
				0.00%	6.90%	12.50%	3.9%	*Total Vacancy*
	Year Built		**Studio**	**1 Bd**	**2 Bd**	**3 Bd**		
Alta Shores	2004	***# of Type***	0	96	143	0	239	*Total Units*
601 Old State Road		***Size of Unit***		792	935	0	878	*Average Size*
Goose Creek, SC		***Rental Rate***		$ 782	$ 935	$ -	874	*Average Rental Rate*
				0.00%	2.10%	0.00%	1.3%	*Total Vacancy*
							1135	
							1012	
							839	
				1 Bd	2 Bd	3 Bd		
			TOTAL	372	607	156	1135	
			Ave Rent	$ 720	$ 886	$ 973		
Comparables John Wall Associates: Calculations Matt Warren			Ave Size	775	1049	1281		
			Ave Vac	1.36%	8.93%	7.72%	*available data	

for $886. See the table below which further breaks down the market area rents and shows the numbers upon which we derive our analysis.

Market Advantage

The State requires that any development that does not have at least a 10% market advantage, will be automatically disqualified from award consideration.[9] Below we have calculated the market advantage using the average market rent from the table above. The rents for 50% and 60% of the Area Median Income were provided by the Novogradac Low Income Housing Rent and Income Calculator.[2]

MARKET ADVANTAGE CALCULATION IN COMPARISON TO MEDIAN INCOME					
% Area Median Inc	50%	60%	Market Rent	MA @ 50%	MA @ 60%
One Bedroom	$ 583	$ 699	720	19.03%	2.92%
Two Bedroom	$ 699	$ 703	886	21.11%	20.65%

As you can see the rents have approximately a 20% advantage at 50% AMI, but only have a 3% advantage for one bedroom units at 60% Area Median Income. So we have satisfied the market advantage at 50%AMI.

SOUTH CAROLINA TAX CREDIT APPLICATION PROCESS

South Carolina Tax Credit Overview

The State of South Carolina awards Tax Credits annually through a competitive application process. South Carolina Housing Finance & Development Authority (SCHFDA) publishes an annual document called the Qualified Allocation Plan (QAP). The QAP is a document produced by the SCHFDA to solicit and inform interested parties on the process and procedures for the allocation of tax credits for the coming year.[9]

The application process is a two-tiered process which requires interested parties to submit an initial application called a Tier I application to the SCHFDA. If the application is approved, according to a competitive scoring system which is published in the QAP, the developer is invited to submit a Tier II application. The Tier II application is scored under the requirements of the QAP and awards are granted according to the highest combined score of the Tier I and

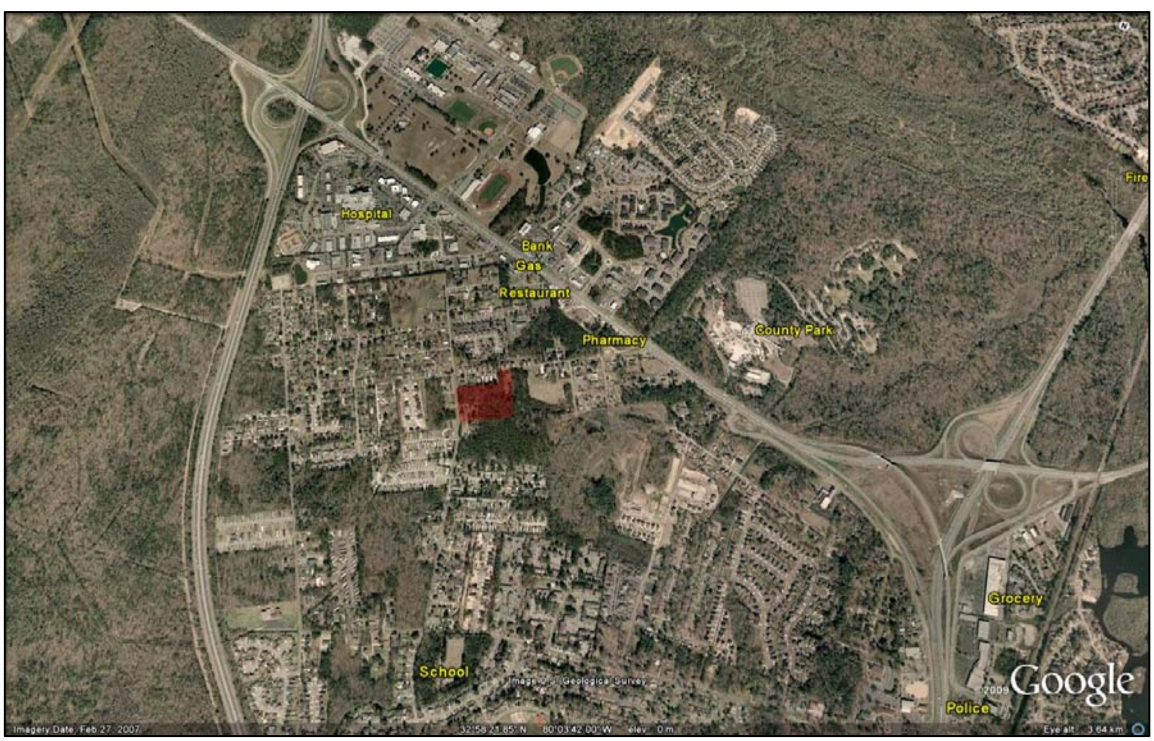
Tier II application process. The State has a finite amount of tax credit award (discussed in TC Overview) and the process is extremely competitive.

In 2010, interested parties were required to submit a Tier I Application by February 26th to the South Carolina Housing Finance and Development Authority (SCHFDA). The applications were reviewed by the SCHFDA and scoring was released on May 5. SCFHDA notifies successful applicants by mail inviting successful applicants to submit under the Tier II application process. The Tier II application was scored and the results were sent out July 22nd. On August 12th, the Tier II application sent out letters to those developments which they intended to fund.

Tier I Application

Scoring

The Tier I application process is focused on the site and the Sponsor's LIHTC development experience. The maximum score a site can have in Tier I is 58 points. The first 31 points place a great deal of emphasis on the location and characteristics of the site. These points are related to the goods and services that surround the site, and the site's relationship to its surrounding uses. The table on the following page shows the possible points in the Phase I application process and the number of points the Deerwood site scores.



TIER ONE SITE SCORING				
	Possible Points	**Deerwood Points**		
Goods and Services	3	3		
Full Service Grocery	3	3		
Pharmacy or Drug Store	3	3		
Restaurant	2	2		
Convience Store	2	2		
Doctor's Office	2	2		
Police or Sheriff Station	2	2		
Fire Station	2	2		
Public Schools	2	2		
Full Service Bank	2	2		
Public Park or Playground	2	2		
SITE CHARACTERISTICS				
Topography	2	2		
Compatibility w/ Surroundings	2	2		
Water & Sewer	2	2		
Total Possible	**31**	***31***	****Deerwood Score***	

The next 25 points are related to the development team's LIHTC experience, and targeting characteristics of the development. For LIHTC experience, we will have no choice but to seek an experienced development partner, as there are five points associated with experience and two points associated with Syndication capabilities. One can receive a point for each development that it has an ownership interest, for up-to five points. The application can receive two points for each successful syndication the applicant has been a part of during the last two years. The Tier I application often has a number of perfect scores, so in order to be competitive, a partnership with an experienced developer is necessary.

The remaining 20 points are for the development's targeting characteristics. We approached our development plan around some of these points.

Two Points are awarded to developments that will serve people on waiting lists for public housing. We plan to send the appropriate marketing brochures to reach out to these prospective tenants.

If we agree to voluntary 30 year compliance we will receive five points. The move will not affect our Tax Credit Investor, as his liability ends at year 15. An additional positive to voluntary compliance is that we will receive the benefit of some soft money financing (explained in debt analysis).

By targeting 62 years of age population we fulfill the Rental Housing for a specific population, according to page 6 (ii) of the South Carolina QAP.[9]

Finally by developing 54 units and by taking our provisionally rezoned site to the North Charleston City Council for approval we will score the final 8 points. The points are broken out in the table below.

TARGETING CHARACTERISTICS			
	Possible Points	**Deerwood Points**	
Developments that Serve Waiting Lists	2	2	
Voluntary 30 Year Compliance	5	5	
Rental Housing For Specific Tenant Populations	5	5	
Sites that are 72 Units or Less	5	5	
Properly Zoned at Time of Application	3	3	
Total Possible	20	20	***Deerwood Score**

Market Analysis Requirements

Un-scored items that will result in automatic elimination from the application process are related to a Market Study that is ordered by the State and paid for by the Sponsor. The SCFHDA orders a $4500 market study to ensure the property meets certain market performance hurdles. We have mitigated our risk by performing our own market analysis of the site prior to submittal. The table of required hurdles is below with the calculated results of our market study included.

TIER ONE MARKET HURDLES		
	State Reqs	**Deerwood Mrkt Analy**
Capture Rate	40%	9.38%
Absorption for Elderly Product	16	12
Vacancy Rate	10%	>1%
Market Advantage (Blended)	10%	20.07%

Tier I Costs

The Tier I application doesn't come without significant up-front costs, and it is important to self score your site to mitigate needless monetary and time loss of submitting an application that will be rejected. Tier I application submittal must also include plats, aerials, a preliminary site plan, unit mix and size, driving directions to each good & service from the site, a Phase I environmental study, and a one-time application processing fee of $1000 dollars. In addition, you must pay for a market study which is at a cost of $4500. Below is a table and of the anticipated costs in the Tier I application process.

TIER ONE COSTS	
Application Fee	1000
Preliminary Site Plan	1600
Market Study	4500
Phase I Environmental	1300
144 man Hrs @ $50 an hr	7200
Earnest Money	25000
Total Est. Tier One Costs	**$ 40,600**

Tier II Application Process

Scoring

The Tier II application is submitted only if the Tier I application is processed and approved by the State. The Tier II application has a total of 130 possible points. In the table below, a development must reach 100 points to avoid disqualification, but the maximum that will be counted toward your final score is 100 points. According to the South Carolina Finance and Housing Development Authority, they will only count 100 points because if a developer were to try to maximize points in this section, it might come at the cost of additional units which could serve the State's citizens.

TIER TWO SCORING MATRIX		
	Possible Points	**Points**
30 Year Roof Shingles	8	8
Attic Insulation R-38 or Higher	3	3
Energy Star HVAC	5	5
All Units with Balcony, Sunroom, or Patio	10	
Curbing for Paved Areas (including parking area)	5	5
Gazebo	3	3
Gutter Systems on All Buildings	5	5
Irrigation System for Landscaping	10	
Underground Utilities	5	
Community Room	3	3
Energy Star Fan in Each Unit	5	
Full Size Refrigerator	5	5
All Units Pre-Wired For Internet	3	
Over the range Microwave	4	4
All Units with Queen Range	2	2
All Units Temperature Controlled Range	5	5
Minimum Sqft of 700 For 1BD & 850 2BD	20	20
Minimum Bathrooms Per Unit (1BD)1 & (2BD)2	20	20
Minimum of 6 Security Cameras	7	
One Rental Unit for Security Officer	5	
Walking Trails (Minimum of 2500)	10	10
Choose One 100% Brick Veneer (5pt) or 50% BV (3)	5	5
Total Possible	148	103

The remaining 30 points are related to the targeting characteristics and readiness issues. The first 25 points in this section are awarded to: "Developments that elect to both rent and income restrict up-to twenty-five percent (25%) of the total units to 50% Area Median Income tenants, for the entire term of the LIHTC compliance period."[9] We are already planning to restrict 20% of its units to 50% AMI in order to obtain soft money financing (explained further in Financial Analysis). In order to score maximum points and win the Credit allocation from the State, we plan to restrict 25%, which will result in 25 points for our development in Tier II.

In order to obtain the final 5 points we must obtain a written and executed construction loan from a conventional construction lender. The loan must be more than 25% of the total development costs. We have spoken with Capital One concerning a construction loan of 6.5% which is 70% of our total development costs. We were able to obtain this through a full recourse completion guarantee, which we have simultaneously supplied to our Tax Credit Investor (explained further in Partnership & Financial Analysis).

State Underwriting Requirements

The state requires certain financial considerations in the underwriting of the development in order to ensure the application is judged under equal financial constraints in the Tier II application.[15] The financial analysis will highlight the some of the financial requirements set forth by the State and suggest some areas where profit growth could be attained.

The State does put limitations on Fees charged for development. A new construction project cannot have a General Contractor Fee and Profit and Overhead Fees that exceeds 14% of the Hard Costs in development.[9] Deerwood's Fees are 11% of Hard Costs, so they comply. The Developer Fee may not exceed 15% of project cost and Deerwood's Development Fee is 11%.[9]

The State further requires that the Annual Operating Expenses at stabilization shall be a minimum of $3000 per unit per year, and a maximum of $4000 a year per unit, excluding reserves.[9] Deerwood has an Annual Operating Expense projected at $3196 per unit at Stabilization.

The Qualified Allocation Plan also requires that a stabilized pro forma show a Debt Service Coverage of 1.15 to 1.40.[9] For this reason, our pro forma was adjusted through rental rates to meet the State requirements showing a Stabilized Debt Service Coverage of 1.34.

Finally, the SCFHDA requires the pro forma to show Two Percent Annual Rent Increases, Three Percent Annual Expense Increase, and a Seven Percent Vacancy Rate. Each of these items are included in the pro forma and addressed in the Financial Analysis.[9]

Design Criteria

There are a number of "Design Criteria" hurdles required by the State that a Tier II application must meet in order to avoid immediate disqualification. These are related to the materials used in construction, and features required such as ADA compliance, elevator requirements, and carpet used. The full list has been included for reference in Appendix 4. The "Design Criteria" are items related to safety, durability, and energy efficiency. Both Roger Jones of Companion

Associates, and Matt Jackman of Miller Valentine, confirmed that these costs were included in the construction budget of our pro forma.[1&3]

Tier II Costs

The costs of a Tier II application are significant. New Construction requires soil borings, detailed construction drawings and site drawings. As you can see in the following table the man hours are significant.

TIER TWO COSTS	
Tier II Application Fee	5000
Architectural Drawings	8000
200 Man Hours @ 50	10000
Soil Borings	1200
Total	**24200**

Our self-assessed score for Tier I and Tier II application scores 130 Points, or the Maximum number of points in the Application Process. In 2010, there were 21 perfect scores for 12 possible awards (due to funding issues) so even though our investment by the end of Tier II application is approximately $64800 dollars there is a possibility a Perfect Score will not result in a Tax Credit award.

FINANCIAL FEASIBILITY

The financial analysis is being looked at by a specific set of guidelines which were dictated through the Qualified Allocation Plan. The goal of the feasibility study is to produce the highest risk adjusted return to the investor. In order to have the opportunity to provide the a return, concessions must be made in the application process.

Development: The project is a 54 unit Low Income Housing Tax Credit Development off of Deerwood Avenue in North Charleston, SC. There will be one building with 81 parking spaces. The size of the development was dictated by the number of credits that could be awarded to the project. The State of South Carolina will allocate a maximum of $850,000 in Tax Credits to one project.[9] So there is an equity ceiling on projects, which curtail the number of units an applicant will pursue in the LIHTC process.

Timeline: The project will begin construction in January 2012 and it will take one year to complete construction. Stabilization is expected in January 2014, after 12 months of lease-up.

Highest and Best Use Test

The subject site is zoned for 105 units of multifamily development. The seller wants to sell the entire site for $500,000. We have performed a market analysis on how many people we must attract to our proposed 54 unit age and income restricted development. In order to establish that the property is being used for its "highest and best use", we will look at the prospective development of a market rate multifamily project on the subject.

For the purposes of comparison, we will create a "best case" scenario for market rate multifamily. We will maximize the site using close to the maximum allowable 195 units or 129,313 square feet. We know the fixed costs of acquisition and construction. For purposes of the analysis, we will use the highest market rent of the rents shown in the Market Rent Comparables. One bedroom units will rent for $782, two bedrooms for $1000, and three bedrooms for $1250. We will base our square foot per unit on the average square foot per unit in our comparables. We will keep the efficiency at 8%, and use a 5% vacancy (below market), and a 12 month absorption.

We will assume a construction loan of 6.5% Interest Only for 24 months, based on a 70% LTV of stabilized value. We assume a permanent loan of 6.00% loan amortizing for 30 years with a 10 year term based on a 70.0% LTV.

By maximizing the site, and using the most aggressive financing and rental terms, we can ensure a market rate project is not better than LIHTC project. The difference is we base the project on a 10 year hold as opposed to a LIHTC project for compliance hold period of 15 years. The key is to assess how you would develop the site given today's opportunities.

On the following page you will see a summary page of the analysis performed using the above stated scenario for development. For a more in-depth look, please refer to Appendix 3: Market Rate.

Based on this scenario, the investment breakdown is based on two buildings which measure a combined 129,313 square feet of development. The two building development contains 105 units with a unit mix is 31% one bedroom, 50% two bedroom, and 19% three bedroom. The scenario requires that the investor and/or developer invest $7.02 million in equity, upon which he will receive a 2.83% cash-on-cash return at stabilization and 3.33% cash-on-cash over the life of the investment. The property projects a 3.72% IRR based on a 10 year hold and a sale in year 10 based on a 7.5% Capitalization Rate. The investor will receive 32% of its overall return from Cash Flows and 68% of the return at the time of sale. For future comparison purposes between the two uses, I used a discount rate of 12% which resulted in an NPV of negative 3.4 million.

The most telling fact of this highest and best use test is that the property costs $16.5 million to construct, but has a value of approximately $13.6 million at stabilization, so $2.9 million is lost from construction to stabilization.

Please see Appendix 3(Pg 65) for a full analysis.

PROPERTY FACTS		
ADDRESS	Deerwood Ave	
PROJECT LOCATION	North Charleston, SC	
COUNTY	Charleston County	
ZONING	PUD (Planned Unit Development)	

LAND ASSUMPTIONS		PER COST
ACREAGE	7.8	$64,103
WETLANDS	1.27	
DEVELOPABLE ACREAGE	6.53	$76,570
SQFT OF BUILDABLE LAND	284446.8	$1.76
LAND ASKING PRICE	$500,000	
CONTRACT PRICE	$500,000	

PROJECT FACTS		PER COST
# OF UNITS	105	
UNITS PER ACRE	13.46	
BUILT SQFTAGE	129,313	
EFFICIENCY	92%	
RENTABLE AREA	118968	
AVERAGE UNIT SIZE	1133	

OPERATING PROPERTY ASSUMPTIONS		
MANAGEMENT	3%	
REPAIRS	5%	
SALARY 3 STAFF	60000	
ANNUAL RENT INCREASES	3%	
ANNUAL EXPENSE INCR	3%	
VACANCY	5.00%	
RE TAXES	$ 46,508	
INSURANCE	32328.35	$ 0.25
CAPITAL EXPENDITURES	$ 32,328.35	$ 0.25

PROJECT COSTS		PSF
LAND	$500,000	$500,000
HARD COST	$13,667,063	$ 105.69
SOFT COST	$2,869,732	$22.19
TOTAL PROJECT COST	$16,536,794	

KEY RATES		
EQUITY REQUIRED	$ (7,023,439)	
IRR	3.72%	
PARTIONED IRR (CF)	32%	
PARTIONED IRR (SALE)	68%	
DISCOUNT RATE	12%	
NPV	$ (3,409,722)	
CASH-ON-CASH @ STAB	2.83%	
CASH-ON-CASH AVERAGE	3.33%	
TERMINAL CAP RATE	7.50%	
GOING IN CAP RATE	6.50%	

CONSTRUCTION LOAN		
LOAN AMOUNT	$ 11,575,756	
TYPE	I/0	
TERM	2	
RATE	6.50%	
AMORTIZATION	30	
PAYMENT	n/a	
LTC	70%	
LTV	70%	
DSCR	1.2	

PERMANENT FINANCING		
LOAN AMOUNT	$ 9,513,355	
TYPE	P&I	
TERM	10	
RATE	6.00%	
AMORTIZATION	30	
PAYMENT	$ 684,448.47	
LTV	70%	
DSCR	1.29	
VALUE AT STABILIZATION	$ 13,590,508	

Low Income Housing Tax Credit For 62 plus

The Low Income Housing Tax Credit “highest and best use” test is based on a number of factors. The size of what is built on the subject site is largely determined by the amount of credits one can be awarded to provide the equity for the development. There is also consideration in setting the rents to give yourself competitive market advantage, not only to win the award in a competitive application process, but to ensure the a successful project. For the purpose of the “highest and best use” test we will analyze the final result of the investment analysis. *PLEASE NOTE:* For comparison purposes, we look at returns to the developer assuming 100% of the cash flows and 100% of the reversion, which is not always the case in a LIHTC partnership. The unique structure of the tax credit partnership creates a unique return vehicle. This will be explained in under the Returns section of the Financial Analysis.

In this scenario, the proposed construction is one building which contains 54 units. The 41,100 square foot building is 60% one bedroom and 40% two bedroom units. We assume a 24 month construction loan at 6.5% interest only loan at 70% Loan-to-Cost, with permanent financing based on 70% LTV. We have included a 7% vacancy rate, with a12 month absorption, and a rental rate that is just below 50% of the Area Median Income.

The equity in the project is $296,977 thousand dollars, which is a deferred developer fee and pre-construction costs. The project has a 15 year investment hold.

The project cost is $8.2 million and the stabilized value is approximately $2 million, which is a loss in value of $6.2 million at stabilization. The $6.2 million difference is funded through approximately $6 million in tax credit proceeds and the $297 thousand in costs to the developer.

On the $297 thousand in equity, one will receive a 9.67% cash-on-cash return at the year of stabilization, and a10.31% cash-on-cash throughout the life of the investment. The project IRR is 16.53% with 42% from cash flow and 58% is at the time of sale. At a 12% discount rate, the project has a positive NPV of $174 thousand.

Additionally, the project still has approximately forty-five thousand square feet of developable space. All of the acquisition cost associated with the land is attributed to this project. So one would have zero basis in the land, which could be a source of future profit.

PROPERTY FACTS			LAND ASSUMPTIONS		PER COST	
ADDRESS	Deerwood Avenue		ACREAGE	7.8	$64,103	
PROJECT LOCATION	North Charleston, SC		WETLANDS	1.27		
COUNTY	Charleston County		DEVELOPABLE ACREAGE	6.53	$76,570	
ZONING	PUD (Planned Unit Development)		SQFT OF BUILDABLE LAND	284447	$1.76	
USE	LIHTC 62 plus		LAND ASKING PRICE	$500,000		
			CONTRACT PRICE	$500,000		
PROJECT FACTS			OPERATING PROPERTY ASSUMPTIONS			
# OF UNITS	54		MANAGEMENT	6%		
UNITS PER ACRE	6.92		REPAIRS	5%		
BUILT SQFTAGE	41,100		SALARY 2 STAFF	60000		
EFFICIENCY	92%		ANNUAL RENT INCREASES	2%		
RENTABLE AREA	37812		ANNUAL EXPENSE INCR	3%		
AVERAGE UNIT SIZE	700		VACANCY	7.00%		
			RE TAXES	$ 46,508		
			INSURANCE	12330	$ 0.30	
			CAPITAL EXPENDITURES	$ 13,500.00	$ 250.00	per unit
			AOE PER UNIT STABILIZED	$ 3,197		
PROJECT COSTS			KEY RATES			
LAND	$500,000		EQUITY REQUIRED	$ (296,816)		
HARD COST	$5,761,800		IRR	16.53%		
SOFT COST	$1,945,182		PARTIONED IRR (CF)	42%		
TOTAL PROJECT COST	$8,206,982		PARTIONED IRR (SALE)	58%		
			DISCOUNT RATE	12%		
			NPV	$ 174,157		
			CASH-ON-CASH @ STAB	9.67%		
			CASH-ON-CASH AVERAGE	10.31%		
			GOING-IN CAP	6.50%		
			TERMINAL CAP	8.00%		
CONSTRUCTION LOAN			PERMANENT FINANCING			
LOAN AMOUNT	$ 5,699,527		LOAN AMOUNT	$ 1,899,296		
TYPE	I/0		TYPE	P&I		
TERM	2		TERM	15		
RATE (BLENDED)	6.50%		RATE (BLENDED)	4.18%		
AMORTIZATION	30		AMORTIZATION	30		
PAYMENT	n/a		PAYMENT	$ 6,987.23		
			LTV @ 6.5% Cap	66%		
			DSCR	1.34		

Highest & Best Use Conclusions

Market rate housing doesn't provide the return on an invested dollar that the LIHTC deal can. The amount of equity required for each investment differs by approximately $5.2 million dollars. The most telling fact of the "highest and best use" test is that the $6.2 million in lost value in the LIHTC deal is largely made up through the proceeds from the syndication of federal tax credits for developing income restricted property. Both properties lose value from construction to stabilization; the difference is the LIHTC lost value is made up through the sale of tax credits to an investor. The market rate deal is simply a loss of equity. For this reason, we conclude that developing the property using half the allowable square footage will provide the investor/developer with the highest risk adjusted return.

Sources & Uses

Tax Credits

The project is largely funded through tax credit dollars. As stated previously, the price the Investor pays varies upon the location of the project, the strength of the Sponsor, and the pay-in schedule for the investment.[4] A Charleston, SC development with a strong Sponsor and a traditional pay-in schedule will yield .70 to .75 cents on the dollar for the gross annual credits.[3] We discussed in the General Overview of how tax credit basis is calculated, but did not specifically discuss this project. Below is a table of Deerwood's tax credit analysis.

ELIGIBLE BASIS ITEMS		
Residential Structures	$ 3,780,000	
Sitework	$ 1,080,000	
Impact Fees, Permits, Insurance	$ 67,500	
Insurance/Bond	$ 81,000	
Profit & Overhead	$ 394,200	
General Requirements	$ 197,100	
Hard Cost Contingency	$ 243,000	
Arch & Engineering	$ 64,800	
LIHTC Costs	$ 64,800	
Perm Loan Fees	$ 9,993	
Lease-Up & Marketing	$ 67,500	
Soft Cost Contingency	$ 25,000	
Developer Fee	$ 928,062	
TAX CREDIT BASIS	$ 7,002,955	
9% ANNUAL CREDIT	$ 630,266	9%
BASIS BOOST DDA (62 plus)	$ 189,080	30%
TAX CREDIT AVAILABLE FOR SYNDICATION	$ 819,346	
2010 MAX ANNUAL CREDIT IN SC	$850,000	
TAX CREDITS FOR PROJECT	$819,346	
NUMBER OF YEARS OF CREDIT	10	
GROSS CREDITS AVAILABLE FOR SALE	$8,193,458	
MARKET RATE FOR CHARLESTON, SC	$ 0.73	Per Credit
PROCEEDS APPLIED TO DEVELOPMENT	$ 5,981,224	

As discussed in the Tax Credit Overview, the property's eligible basis is calculated by adding up the eligible basis items from the total project cost and multiplying by 9%. Since Deerwood falls under the Authority Designated Difficult Development Area for its development of 100% elderly (62 or older), the development is eligible for a 130% basis boost.[9] The 130% is multiplied by the annual credit to get the total annual tax credits available for the project. The $819,346 is the annual credit which has a 10 year benefit. The credit is multiplied by 10 to calculate the total benefit. According to local LIHTC property developers, .73 cents represents the average market rate of Tax Credits in the Charleston market. The Tax Credits under a traditional pay-in schedule yields $5.98 million in equity to fund the development.

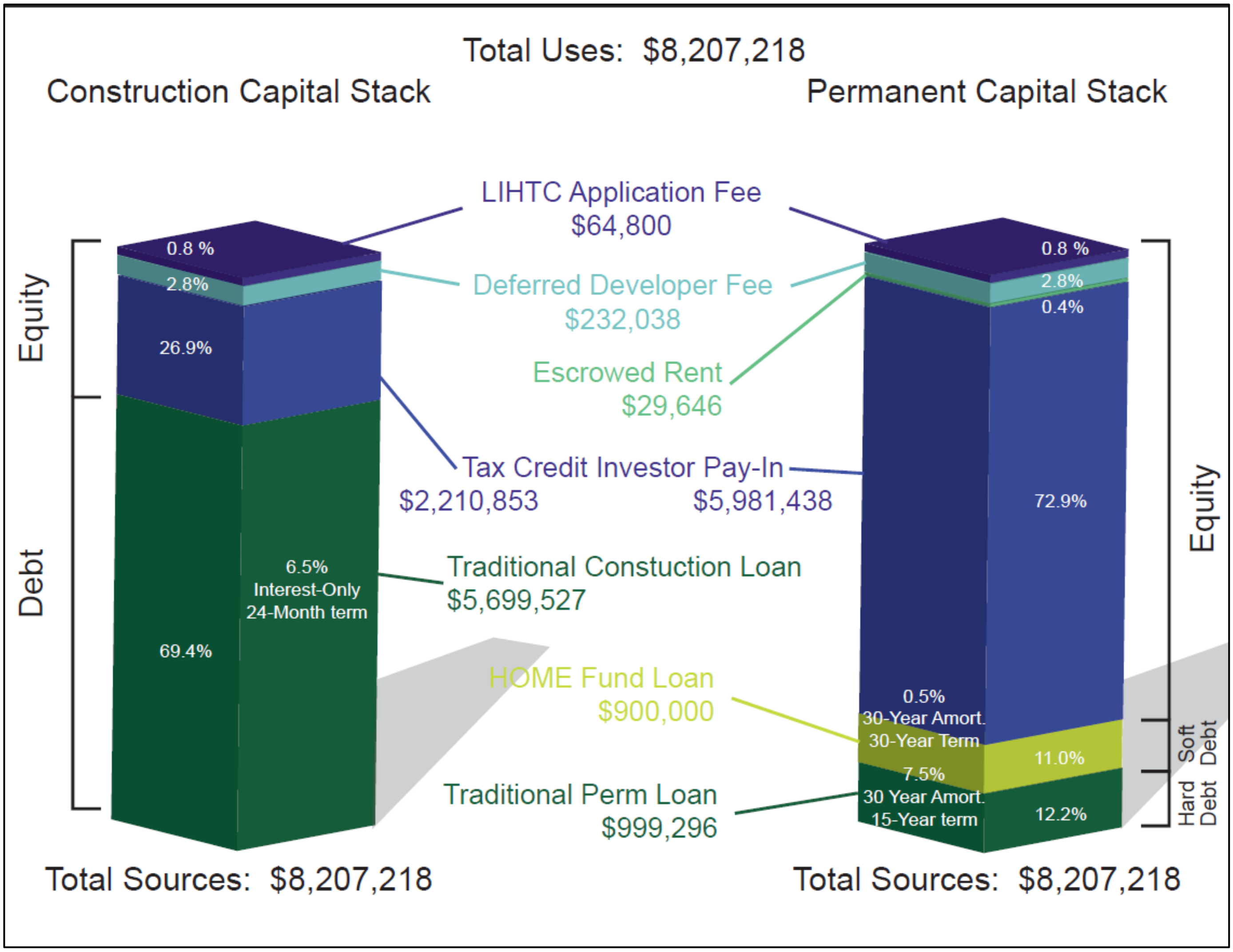
It is important to note, the Investor pay-in schedule to the Partnership is a highly negotiated portion of the Partnership Agreement, as the Investor wants to disperse money to the partnership as late as possible. The Sponsor wants a certain amount of Equity to obtain a Construction Loan. Through a discussion with David Loeff of Walton Communities, the Investor is generally willing to put in enough equity to fund construction.[7]

Sources and Uses Construction

The project has a total cost of $8.2 million dollars. There is a $5.7 million dollar construction loan based on 70% Loan to Cost which we hope to attain from Capital One. $2.2 million in Tax Credit equity is funded through the partnership and $232 Thousand is funded through a deferred developer fee and the remaining costs are funded out of pocket by the developer in the application process.

After a year of construction and a year of lease-up, we hope to achieve stabilization. At which time we will pay off the construction loan, largely with the remaining tax credit equity. The $3.8 million in tax credit equity makes up 66% of the construction loan payoff, along with a permanent loan from two sources: Capital One and Home Funds, a soft money source provided by the State of South Carolina. We have also escrowed rents from year one to apply toward the construction pay-off.

The project at stabilization will be made up of 77% equity and 23% debt. The value of the property is a blend between the cash flow from the real estate that it produces and the annual tax loss benefit it produces from the credits. The value of the real estate value using a capitalization rate of 6.5% is approximately $2 million (due to the rent restrictions), but the 10 year benefit of $819 Thousand with a discount rate of 12% yields a Present Value of $4.6 million.



Debt Financing

As shown in the Sources and Uses, the debt structure is a unique component to the transaction. There are three sources of debt: Construction Loan, Permanent Financing, and Home Funds.

The Construction Loan and the Senior Permanent Loan are to be financed by Capital One. Ed Dulaney of Capital One specializes in Affordable Housing Lending. According to Mr. Dulaney, we should be able to obtain a 24 month Construction Loan, Interest Only at 6.5% at 70% Loan to Cost.[10] The 6.5% loan is obtained through an "interest rate swap" product that fixes the rate for the term of the loan. While the opportunity presented itself through our discussion to borrow at 30 Day LIBOR plus 400 basis points with a 4.25% floor, the appetite for a floating rate loan was not of interest. There could be savings, but with the uncertainty in the economic environment the risks were greater than the return. The Sponsor guarantees to the Tax Credit Investor made a more readable interest rate attractive. We were able to obtain a loan based on Loan-to-Cost as opposed to Loan-to-Value because of the nature of the project. The partnership of the investor and their pledge of 27% of the equity prior to a construction dollar spent, provided Capital One with enough comfort that the project would be completed and the lender repaid.[10]

For Permanent Lending, Mr. Dulaney would use the Loan-to-Value to determine the type of loan he could provide. Capital One's appetite for Permanent Financing for this type of product would be at 65% Loan-to-Value with a 1.2 Debt Service Coverage Ratio, and a 30 year Amortization, at an Interest Rate of 7.5%.[10] The term would be 15 years. The property is worth approximately $2 million at stabilization based on a market Cap Rate of 6.5%. Based on this valuation, Capital One could only support at loan of $1.3 million dollars. This creates a funding gap of approximately $600 Thousand Dollars. In order to fill this gap we will apply for a Home Loan in conjunction with our Tax Credit Application. Ultimately our plan is to borrow approximately $999 Thousand Dollars from Capital One.

HOME Funds

HOME was created under the Cranston-Gonzalez National Affordable Housing Act of 1990. "The program is designed to promote partnerships among HUD and other federal entities, state and local governments and others who build, own, manage and finance low income housing initiatives".[12]

The program is managed at the State level and instructions for application of HOME financing are included in the QAP. Application for HOME Funds is to be submitted with the Tier I application. The maximum amount of award one can request is $900 Thousand which can be borrowed at ½ percent interest with a 30 year amortization. The interest and principal accrue and no payments are required during the term of the loan.[13]

The State Housing Finance and Development Authority scores HOME applications in the same manner as the Tier I scoring. There are some additional stipulations with the financing opportunity, and the most significant is that 20% of the units must be rent restricted to 50% AMI for the life of the loan. We have restricted the development to 25% of the units to 50% AMI in order to score points in the Tier I application process, so we exceed criteria. An additional stipulation that differs from the Tier I application point scoring, is that a development receives maximum points, if the Authority funded loan makes up less than 25% of the Total Development Costs. Again, we exceed criteria as HOME funds make up 11% of the Total Development Costs.

The Tier I application and the HOME funds application have similar scoring metrics and the only material differences have been addressed above. This source of financing relieves the size of the debt service payments and provides a Debt Service Coverage that is required for Capital One and the Authority's financial feasibility underwriting.

Rental Rates

Under the LIHTC Program, rental rates are capped at a percentage of AMI. Under the 9% Tax Credit program, a development must comply with the 40%/60% or 20%/50% of Area Median Income. In order to be competitive in the State of South Carolina it is important to rent restrict 100% of the units, according to local development groups.[3] In the Deerwood Scenario we plan to place 25% or approximately 14 units at 50% of AMI and place the remainder of the units at 60% AMI. Even though we rent restrict the units to these levels, one is still allowed to market the units at a rate lower than the maximum rent price. Our target gross rents of $554 for one bedrooms and $664 for two bedrooms, are set at approximately at a 5% discount to Maximum Rents charged under 50% AMI ($583 & 699 gross rent).

We are setting our initial rents at below maximum allowable rates to improve our market advantage in order to win the award, and create a faster absorption. Under the rules of the QAP, we must have a 10% market advantage on all units.[9] As you can see below, we have an approximately 20% market advantage in both the 1 & 2 Bedroom, but fail to create a 10% market advantage in 60% one bedroom. By setting our rents below market, we create a market advantage of 23% and 25% respectively. While we have set our rents at these levels to create the advantage, we are not required to set our rent levels according to these figures throughout the life of the development. We are required to remain to stay 25% at 50% AMI and 75% at 60% AMI. Our current pro forma models the transaction according to the $554 and $664, but there is growth potential for both the investor and the sponsor in the rental rates.

MARKET ADVANTAGE CALCULATION IN COMPARISON TO MEDIAN INCOME						
% Area Median Inc	50%	60%	Market Rent	MA @ 50%	MA @ 60%	MA w 5% Adj
One Bedroom	$ 583	$ 699	720	19.03%	2.92%	23.08%
Two Bedroom	$ 699	$ 703	886	21.11%	20.65%	25.05%

Vacancy:

The Qualified Allocation Plan in the State of South Carolina requires that for underwriting purposes that all developments include a 7% vacancy rate. For this reason, the pro-forma reflects 7%. The Primary Market Area has a waiting list for the product that is being offered, with a Vacancy rate of less than 1%. This provides another growth opportunity for the Investor and Sponsor. While the property is underwritten to 7%, we feel a much lower vacancy is attainable.

Operating Expenses

Real Estate Taxes

We estimated our taxes through the use of the Charleston County Assessor's Office website. We looked at similar product in the market place. The estimate is representative of the average of two similar properties 2009 Real Estate Taxes. The two comparables used were both in the City of North Charleston which is the same municipality as the subject site. The first comparable is a 96 unit recently rehabilitated LIHTC development located on the north side of Otranto Road, which is less than ½ mile from the subject site. The second comparable is a 64 unit Affordable Development located off of Upjohn Road in North Charleston.   The 2009 taxes for comparable one was $46,508 and the tax for comparable two was $37,441.[14] We used the higher of the two estimates to conservatively underwrite the property's taxes.

Insurance

The estimate for insurance at the subject property was through the interview of two LIHTC developer's in the Charleston Market. Both estimated that a 54 unit development in the City of North Charleston would run approximately .30 cents a square foot.[1&3] The insurance is estimated to be $16,740.

Utilities

We have charged all utilities back to the tenant. What is represented in the Utilities expense is an allowance against maximum rents. As you will remember in the Tax Credit Overview, a Tenant can only be charged 30% of its gross income for rent. The 30% of gross income is supposed to include utilities. Housing & Urban Development has given the Landlord the option of lowering the rents and having the Tenant pay for utilities, or charging the Maximum Rent and the paying the building's utilities.   To better quantify return on investment, we decided to make the Tenant responsible for its utilities and are showing the expense (or rent Reduction) as a fixed charge in the Discounted Cash Flow. Below is a table which represents our Utility calculation.

UTILITY ALLOWANCE SCHEDULE						Section 8 Allowance for Charleston County
UTILITES	GAS/ELEC/OIL	PAID BY	ALLOWANCES BY BEDROOM SIZE			
			1BD	2BD	3BD	
Heating	Electric	Tenant	$ 26	$ 31	$ 42	
Cooking	Electric	Tenant	$ 2	$ 3	$ 5	
Air Conditioning	Electric	Tenant	$ 12	$ 18	$ 22	
Water Heating	Electric	Tenant	$ 16	$ 23	$ 27	
Water	Electric	Tenant	$ 16	$ 19	$ 23	
Sewer	Electric	Tenant	$ 18	$ 23	$ 28	
Trash Collection	Electric	Tenant	$ 10	$ 10	$ 10	
Range	Electric	Tenant	$ 4	$ 4	$ 4	
Refrigerator	Electric	Tenant	$ 5	$ 5	$ 5	
UTILITY ALLOWANCE AGAINST GROSS RENT			$ 109	$ 136	$ 166	
ALLOWANCE AT STABILIZATION IN EXPENSES			41856	35904	0	
LESS 7% VACANCY			38926	33391	0	
	UTILITY OPERATING EXPENSE AGAINST NET RENT STABILIZED				**$ 72,317**	

Repairs

Repairs were based on Estimates from interviews with local area tax credit developers. The advantages of the property type we are developing is the age of the population will likely result in less repairs. Tenants of the age 62 or older tend to cause "less turnover and general wear and tear" according to Roger Jones of Companion Associates.[1] Roger's estimates are reflective of the 5% represented in the pro forma.

Management

Management is intensive for Low Income Housing. The compliance paperwork and reporting are a significant time expense. The market rate for management services is 6% of Effective Gross Income. We have used 6% based on conversations with area local developers.

Reserves

Salary

The staffing will provide us with a unique opportunity to provide an amenity for the community residents. There will be an on-site maintenance staff that will provide repair and upkeep services for the community. The maintenance position is budgeted for $30,000 total cost. The second position will be a flex position between leasing agent and activities coordinator. The second position will be available to perform both duties due to the low turnover nature of an elderly community. According to David Loeff of Walton Communities, the second position can really add value as an activities coordinator. Planning events and activities for the elderly residents makes for a nice community amenity. The leasing agent/activities coordinator is budgeted for $35,000 total costs. Both salaries were confirmed with David Loeff, managing partner of Walton Communities Affordable Housing Development Initiative.[7]

Capital Expenditures

Capital Expenditures were budgeted according to State Requirements of $250.00 per unit per year. Under the QAP, this is a requirement of any pro forma submitted in the application process and is part of operating properties compliance requirements.[9]

Cash Flows and Reversion

The Cash Flows after Debt Service on the asset are approximately $25 thousand dollars a year, which remain steady throughout the life of the investment. While the cash flows make up a small portion of the total return, they are significant to the Sponsor. There are opportunities to raise rents to 60% AMI for 75 percent of the units which is included in the Appendix 2. The reversion value used was 150 basis points above stabilized Capitalization Rate. The rate used is due to the 15 Year holding period. Generally, one uses a 100 basis point spread on a 10 Year hold for terminal capitalization, so with the additional 5 years we added 50 basis points to the 100 basis point underwriting standard.

PARTNERSHIP

After discussing partnership with three Low Income Housing Tax Credit Developers, two syndicators, an accountant and an attorney who structures these types of partnerships we settled on an equitable Partnership Structure.

We will create a Limited Liability Company with the Sponsor being the Managing Member and the Investor as Non-Managing Member. Deerwood Avenue will be the only asset within this company and each Member of the LLC will be Limited to the Amount they Invest. There will be carve-out Guarantees that will be provided to the Non-Managing Member which will burn-off over time, with the last Guarantee burning off on the first day of the 3rd Year of Stabilization.[11] These guarantees will be Recourse Guarantees provided by the Managing Member to the Non-Managing Member.

The guarantees will include a construction completion guarantee, a property operation deficiency guarantee, and a credit deficiency guarantee. The construction guarantee will burn off at Certificate of Occupancy. The credit deficiency guarantee will burn off after the receipt of an approved 8609 Form from the IRS. The 8609 Form is a certification of rent restricted compliance and is generally submitted after 90 days of stabilized operation. The final guarantee of funding property operating deficiencies will burn off at the beginning of Year 3.

The Partnership will be structured as follows:

*All Fees associated with the development and management of the Asset will be 100% Managing Member

*Tax Credit Benefit will be go 99.99% to the Non-Managing Member and .01% to Managing Member

*Positive Cash Flows will be split 80% to the Managing Member and 20% to the Non-Managing Member.

*Real Estate Tax Losses will go to the Benefit of 99% to the Non-Managing Member and 1% to the Managing Member

*Sale Proceeds from the Asset will go 100% to the Managing Member

According to Certified Public Accountant Ashley Thiem of Thiem & McCutheon, the material participation in the Real Estate Partnership of the Non-Managing Member allows the Non-Managing Member to accept unlimited Tax Loss against its Adjusted Gross Income.[15] This is one of the reasons we have refrained from weighting many partnership items at 100% to the benefit of one member in the partnership.

INVESTMENT YIELDS

The property level returns are a difficult metric to rely upon for true return given the Low Income Housing Product and its tax related benefits. We have discussed the pre-tax returns of the investment at the property level in the “highest and best use” test, but the true returns lie in the post tax returns. Based on the partnership agreement described in the previous section, we plan to return a yield of 10.23% return to the Investor over the life of the investment (Shown on Appendix 1, Pg 55). The yield is calculated by taking the investor outlay at the beginning of construction of $2.2 million combined with his additional outlay at stabilization of $3.7 million. The returns are represented in the Investors 20% of the Free Cash Flow, the Annual Tax Credit Benefit of $819 Thousand for 10 years, and the Tax Losses associated with the property are approximately 80 thousand a year for the 15 year investment period.

The Sponsor’s Internal Rate of Return is 104% over the life of the Investment. The Sponsor’s outlays are the $64,800 in property and application costs prior to winning the Tax Credit Award and $232 thousand of the Developer Fee used to fund an equity gap during the construction period. The Return to the Sponsor is made up by the 80% of the Cash Flows, the development fee of $699 Thousand at Stabilization, 1% of the Tax Loss Benefit, and 100% of the Reversion Proceeds in Year 15.

Risks

While one may consider the Sponsor’s return inequitable to the reader, the Sponsor has taken the $65 Thousand in up-front risk, which is predicated on receipt of one of nine or ten awards from an application pool of over one hundred applicants. While there is still significant construction and lease-up risk, the low percentage of award recipient makes the Sponsor in the highest risk position. The investor’s risk lie in its own profitability, and the completion and compliance of the project. Their tax liability reduction is provided by the federal government, which supplies a low default risk on the tax benefit.

CONCLUSIONS

Deerwood Avenue is a well located development opportunity for Low Income Housing Development in North Charleston, SC. The risk of losing the up-front costs have been significantly mitigated through Market Analysis and “Self-Scoring” of the site through the competitive application process. We feel the development has been conservatively underwritten to its highest and best use and contains tremendous growth potential. We have created market advantages to create the most competitive development possible. Our low rents are reflective of one of the income growth opportunities through possible future increases in rent to 75% of the development to 60% AMI. Our financing sources have provided us with solid debt service coverage and provide long amortization and a below market Weighted Cost of Debt of 4.54%. We feel we secure our competiveness in the application process by developing under the DDA which provides us with 130% of our original annual tax credit. The proceeds from this “basis boost” make the project financially feasible.

After thorough analysis, we feel this development would be a strong candidate for the 2011 Application process for the LIHTC Program in the State of South Carolina.

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ANALYSIS SUMMARY - LIHTC DEERWOOD AVE

PROPERTY FACTS	
ADDRESS	Deerwood Avenue
PROJECT LOCATION	North Charleston, SC
COUNTY	Charleston County
ZONING	PUD (Planned Unit Development)
USE	LIHTC 62 plus

LAND ASSUMPTIONS		PER COST
ACREAGE	7.8	$64,103
WETLANDS	1.27	
DEVELOPABLE ACREAGE	6.53	$76,570
SQFT OF BUILDABLE LAND	284447	$1.76
LAND ASKING PRICE	$500,000	
CONTRACT PRICE	$500,000	

PROJECT FACTS	
# OF UNITS	54
UNITS PER ACRE	6.92
BUILT SQFTAGE	41,100
EFFICIENCY	92%
RENTABLE AREA	37812
AVERAGE UNIT SIZE	700

OPERATING PROPERTY ASSUMPTIONS					
MANAGEMENT		6%			
REPAIRS		5%			
SALARY 2 STAFF		60000			
ANNUAL RENT INCREASES		2%			
ANNUAL EXPENSE INCR		3%			
VACANCY		7.00%			
RE TAXES	$	46,508			
INSURANCE		12330	$	0.30	
CAPITAL EXPENDITURES	$	13,500.00	$	250.00	per unit
AOE PER UNIT STABILIZED	$	3,197			

PROJECT COSTS	
LAND	$500,000
HARD COST	$5,761,800
SOFT COST	$1,945,182
TOTAL PROJECT COST	$8,206,982

KEY RATES		
EQUITY REQUIRED	$	(296,816)
IRR		16.53%
PARTIONED IRR (CF)		42%
PARTIONED IRR (SALE)		58%
DISCOUNT RATE		12%
NPV	$	174,157
CASH-ON-CASH @ STAB		9.67%
CASH-ON-CASH AVERAGE		10.31%
GOING-IN CAP		6.50%
TERMINAL CAP		8.00%

CONSTRUCTION LOAN		
LOAN AMOUNT	$	5,699,527
TYPE	I/0	
TERM	2	
RATE (BLENDED)	6.50%	
AMORTIZATION	30	
PAYMENT	n/a	

PERMANENT FINANCING		
LOAN AMOUNT	$	1,899,296
TYPE	P&I	
TERM	15	
RATE (BLENDED)	4.18%	
AMORTIZATION	30	
PAYMENT	$	6,987.23
LTV @ 6.5% Cap	66%	
DSCR	1.34	

SOURCES AND USES - LIHTC DEERWOOD AVE

TAX CREDITS/PROJECT EQUITY	$	5,981,224
MAX DEFERRED DEV FEE	$	232,016
ADDITIONAL CASH REQUIRED	$	64,800
SOURCES OF EQUITY	$	6,278,040

CONSTRUCTION TO STABILIZATION			% Total		
PROJECT COST (LESS LIHTC COSTS)	$	8,142,182	100%		
CONSTRUCTION DEBT ATTAINABLE	$	5,699,527	70%		
DEFERRED DEVELOPER FEE	$	232,016	3%		
TAX CREDIT INVESTOR PAY-IN	$	2,210,639	27%	$	2,210,639
LIHTC APPLICATION COSTS	$	64,800	1%		36.96%
	$	8,206,982			

STABILIZATION TO PERMANENT FINANCING		
CONSTRUCTION LOAN PAYOFF	$	5,699,527
TAX CREDIT INVESTOR PAY-IN	$	3,770,585
ESCROWED RENT DURING YEAR 1	$	29,646
CASH-OUT	$	-
PERMANENT LOAN	$	1,899,296
LTC		23%
LTV		66%
DSCR		1.34

CONSTRUCTION LOAN (SENIOR)		
LOAN AMOUNT	$	5,699,527
TERM		24
TYPE		I/O
AMORTIZATION		30
RATE		6.5%
LOAN-TO-COST		70.0%

PERMANENT FINANCING (SENIOR)		
LOAN AMOUNT	$	999,296
TERM		15
TYPE		P&I
AMORTIZATION		30
INTEREST		7.50%
PAYMENT		$6,987.23
ANNUAL DEBT SERVICE		$83,846.71
PAYMENT		$83,846.71

PERMANENT HOME LOAN (SUBORDINATE)	
LOAN AMOUNT	900000
TERM	30
TYPE	P&I Accrual
AMORTIZATION	30
RATE	0.50%
PAYMENT	$0.00

CONSTRUCTION BUDGET - LIHTC DEERWOOD AVE

PROJECT COSTS	
LAND SIZE	7.80 ac
BUILDING SIZE	41,100 sf
BUILDING TYPE	Brick Veneer
# OF UNITS	54

	COST		PER UNIT	PER FOOT	ELIGIBLE FOR LIHTC BASIS
ACQUISITION COSTS					
Land	$ 500,000		$ 9,259	$ 1	
HARD COSTS					
Residential Structures	$ 3,780,000		$ 70,000	$ 92	$ 3,780,000
Sitework	$ 1,080,000		$ 20,000	$ 26	$ 1,080,000
Impact Fees, Permits, Insurance	$ 67,500		$ 1,250	$ 2	$ 67,500
Profit & Overhead	$ 394,200	8%	$ 7,300	$ 10	$ 394,200
General Requirements	$ 197,100	4%	$ 3,650	$ 5	$ 197,100
Hard Cost Contingency	$ 243,000	5%	$ 4,500	$ 6	$ 243,000
SOFT COSTS					
Arch & Engineering	$ 64,800		$ 1,200	$ 2	$ 64,800
Insurance/Bond	$ 81,000		$ 1,500	$ 2	$ 81,000
RE Taxes During Construction	$ 5,400		$ 100	$ 0	
LIHTC Costs	$ 64,800		$ 1,200	$ 2	$ 64,800
Perm Loan Fees	$ 9,993	1%	$ 1,500	$ 0	$ 9,993
Construction Loan Interest	$ 515,027		$ 9,538	$ 13	
Lease-Up & Marketing	$ 67,500		$ 1,250	$ 2	$ 67,500
Soft Cost Contingency	$ 25,000		$ 463	$ 1	$ 25,000
Operating Reserve	$ 183,600		$ 3,400	$ 4	
Development Cost Less Fee	$ 7,278,920		$ 134,795	$ 177	$ 7,278,920
Developer Fee	$ 928,062	11%	$ 17,186	$ 23	
TOTAL PROJECT COST	**$ 8,206,982**				**$ 7,278,920**

DCF - LIHTC DEERWOOD AVE

		CONSTUCTION	LEASE-UP	STABILIZATION														
		2012	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
			1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**16**
Income	PGI		$ 388,032	388032	395793	403708	411783	420018	428419	436987	445727	454641	463734	473009	482469	492118	501961	512000
	Vacancy		$ 157,488	27162	27705	28260	28825	29401	29989	30589	31201	31825	32461	33111	33773	34448	35137	35840
	EGI		$ 230,544	$ 360,870	$ 368,087	$ 375,449	$ 382,958	$ 390,617	$ 398,429	$ 406,398	$ 414,526	$ 422,816	$ 431,273	$ 439,898	$ 448,696	$ 457,670	$ 466,824	$ 476,160
Op Ex																		
	RE Taxes		46508	47903	49340	50821	52345	53916	55533	57199	58915	60682	62503	64378	66309	68299	70348	72458
	Insurance		12330	12700	13081	13473	13878	14294	14723	15164	15619	16088	16570	17068	17580	18107	18650	19210
	Utilities		43200	72317	74486	76721	79023	81393	83835	86350	88941	91609	94357	97188	100103	103106	106200	109386
	Repairs		11527	18043	18585	19514	20490	21514	22590	23719	24905	26151	27458	28831	30273	31786	33376	35044
	Management		13833	21652	22302	22302	22302	22302	22302	22302	22302	22302	22302	22302	22302	22302	22302	22302
	Total OpEx		$ 127,398	$ 172,616	$ 177,794	$ 182,831	$ 188,037	$ 193,419	$ 198,982	$ 204,735	$ 210,682	$ 216,831	$ 223,190	$ 229,766	$ 236,567	$ 243,600	$ 250,875	$ 258,399
	NOI		103146	188254	190293	192618	194921	197198	199447	201663	203844	205985	208082	210132	212129	214070	215949	217760
Reserves																		
	Salary 2 Staff		60000	61800	63654	65564	67531	69556	71643	73792	76006	78286	80635	83054	85546	88112	90755	93478
	Cap Exp		13500	13905	14322	14752	15194	15650	16120	16603	17101	17614	18143	18687	19248	19825	20420	21033
	Total Reserves		$ 73,500	$ 75,705	$ 77,976	$ 80,315	$ 82,725	$ 85,207	$ 87,763	$ 90,396	$ 93,108	$ 95,901	$ 98,778	$ 101,741	$ 104,793	$ 107,937	$ 111,175	$ 114,511
	CFbDS		$ 29,646	$ 112,549	$ 112,317	$ 112,303	$ 112,196	$ 111,992	$ 111,684	$ 111,268	$ 110,736	$ 110,084	$ 109,305	$ 108,391	$ 107,336	$ 106,133	$ 104,773	$ 103,250
	Debt Service		$ 29,646	$ 83,847	$ 83,847	$ 83,847	$ 83,847	$ 83,847	$ 83,847	$ 83,847	$ 83,847	$ 83,847	$ 83,847	$ 83,847	$ 83,847	$ 83,847	$ 83,847	
			1.00	1.34	1.34	1.34	1.34	1.34	1.33	1.33	1.32	1.31	1.30	1.29	1.28	1.27	1.25	
	CFaDS		$ -	$ 28,702	$ 28,470	$ 28,456	$ 28,350	$ 28,145	$ 27,837	$ 27,421	$ 26,890	$ 26,237	$ 25,458	$ 24,544	$ 23,489	$ 22,286	$ 20,927	
Based On Deferred Developer Fee																		
	$	(296,816)	$ -	28702	28470	28456	28350	28145	27837	27421	26890	26237	25458	24544	23489	22286	1718825	
IRR		16.53%																
		58%	sale															
		42%	cash flow															
Cash-on-Cash			0.00%	9.67%	9.59%	9.59%	9.55%	9.48%	9.38%	9.24%	9.06%	8.84%	8.58%	8.27%	7.91%	7.51%	7.05%	
Cum Ann CoC		10.31%																

Basis	$ 8,142,182.01
Less Land	$500,000
Net Building Basis	$ 7,642,182.01
Less Depreciation	$ 4,168,462.91
B. After Depre	$ 3,473,719.09
Add Land	$ 500,000.00
IRS Basis	$ 3,973,719.09

Selling Price	$ 2,699,359
Commission	$ 80,981
Net Residual	$ 2,618,378
IRS Basis	$ 3,473,719
Gain on Sale	$ (855,341)
15% Tax	$ (128,301)

Selling Price	$ 2,699,359
Loan Payoff	$ 1,048,781
Commission	$ 80,981
Taxes	$ (128,301)
Net Proceeds	$ 1,697,898

*IRR calculated based on Sponsor costs and Cash Flow/RE Returns. Equity Splits will provide you with more detailed return data.

RENT ROLL & UNIT MIX - LIHTC DEERWOOD

UNIT TYPE	# OF UNITS	PERCENT	SQFT PER UNIT	GRENT Per UNIT	TOTAL GROSS
One Bedroom	32	59%	700	$ 554	$ 212,736
Two Bedroom	22	41%	850	$ 664	$ 175,296
Three Bedroom	0	0%	1000	$ -	$ -
TOTAL	54	100%	41100		$ 388,032
			37,812	92%	

LEASE-UP		
ABSORPTION	5	
# OF MONTHS	11	
AVERAGE RENT	$ 599	120
	RENT	UTILITIES
MONTH #1	$ 2,994	$ 600
MONTH #2	$ 5,988	$ 1,200
MONTH #3	$ 8,982	$ 1,800
MONTH #4	$ 11,976	$ 2,400
MONTH #5	$ 14,970	$ 3,000
MONTH #6	$ 17,964	$ 3,600
MONTH #7	$ 20,959	$ 4,200
MONTH #8	$ 23,953	$ 4,800
MONTH #9	$ 26,947	$ 5,400
MONTH #10	$ 29,941	$ 5,400
MONTH #11	$ 32,935	$ 5,400
MONTH #12	$ 32,935	$ 5,400
YEAR ONE	$ 230,544	$ 43,200

UTILITY ALLOWANCE SCHEDULE

UTILITES	GAS/ELEC/OIL	PAID BY	ALLOWANCES BY BEDROOM SIZE			
			1BD	2BD	3BD	
Heating	Electric	Tenant	$ 26	$ 31	$ 42	
Cooking	Electric	Tenant	$ 2	$ 3	$ 5	
Air Conditioning	Electric	Tenant	$ 12	$ 18	$ 22	
Water Heating	Electric	Tenant	$ 16	$ 23	$ 27	
Water	Electric	Tenant	$ 16	$ 19	$ 23	
Sewer	Electric	Tenant	$ 18	$ 23	$ 28	
Trash Collection	Electric	Tenant	$ 10	$ 10	$ 10	
Range	Electric	Tenant	$ 4	$ 4	$ 4	
Refrigerator	Electric	Tenant	$ 5	$ 5	$ 5	
UTILITY ALLOWANCE AGAINST GROSS RENT			$ 109	$ 136	$ 166	
ALLOWANCE AT STABILIZATION IN EXPENSES			41856	35904	0	
LESS 7% VACANCY			38926	33391	0	
	UTILITY OPERATING EXPENSE AGAINST NET RENT STABILIZED				**$ 72,317**	

MARKET ADVANTAGE CALCULATION IN COMPARISON TO MEDIAN INCOME						
% Area Median Inc	50%	60%	Market Rent	MA @ 50%	MA @ 60%	MA w 5% Adj
One Bedroom	$ 583	$ 699	720	19.03%	2.92%	23.08%
Two Bedroom	$ 699	$ 703	886	21.11%	20.65%	25.05%

15823		
7599		
8224	822.4	2467.2

MARKET ADVANTAGE CALCULATION IN COMPARISON TO EXISTING ELDERLY LIHTC DEVELOPMENT					
	Rent at 50%	Market Rent	MA w Rent @ 50%	5% Adj to 50%	MA w 5%
One Bedroom	$ 583	572	-1.92%	$ 554	3.17%
Two Bedroom	$ 699	729	4.12%	$ 664	8.91%
* Maximum allowable adjustment to meet financial feasibility criteria					

TAX CREDIT BASIS

ELIGIBLE BASIS ITEMS			
Residential Structures	$	3,780,000	
Sitework	$	1,080,000	
Impact Fees, Permits, Insurance	$	67,500	
Insurance/Bond	$	81,000	
Profit & Overhead	$	394,200	
General Requirements	$	197,100	
Hard Cost Contingency	$	243,000	
Arch & Engineering	$	64,800	
LIHTC Costs	$	64,800	
Perm Loan Fees	$	9,993	
Lease-Up & Marketing	$	67,500	
Soft Cost Contingency	$	25,000	
Developer Fee	$	928,062	
TAX CREDIT BASIS	$	7,002,955	
9% ANNUAL CREDIT	$	630,266	9%
BASIS BOOST DDA (62 plus)	$	189,080	30%
TAX CREDIT AVAILABLE FOR SYNDICATION	$	819,346	

2010 MAX ANNUAL CREDIT IN SC		$850,000	
TAX CREDITS FOR PROJECT		$819,346	
NUMBER OF YEARS OF CREDIT		10	
GROSS CREDITS AVAILABLE FOR SALE		$8,193,458	
MARKET RATE FOR CHARLESTON, SC	$	0.73	Per Credit
PROCEEDS APPLIED TO DEVELOPMENT	$	5,981,224	

CONSTRUCTION LOAN SCHEDULE -LIHTC DEERWOOD

	% of Source	Rate	Weighted Rate
C. LOAN #1	100.00%	6.50%	6.50%
	100.00%		6.50%

CONSTRUCTION LOAN AMT	5699527	474961	$ -
INTEREST	$ 515,027		0
	$ 5,184,501	432041.7192	

		Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12
	Closing	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**
BEGINNING BALANCE	$ -	$ -	$ 434,382	$ 871,117	$ 1,310,217	$ 1,751,696	$ 2,195,567	$ 2,641,841	$ 3,090,533	$ 3,541,655	$ 3,995,221	$ 4,451,244	$ 4,909,737
ADVANCES	$ -	$ 432,042	$ 432,042	$ 432,042	$ 432,042	$ 432,042	$ 432,042	$ 432,042	$ 432,042	$ 432,042	$ 432,042	$ 432,042	$ 432,042
ENDING BALANCE	$ -	$ 432,042	$ 866,424	$ 1,303,159	$ 1,742,259	$ 2,183,738	$ 2,627,608	$ 3,073,883	$ 3,522,575	$ 3,973,697	$ 4,427,263	$ 4,883,286	$ 5,341,779
INTEREST DUE		$ 2,340	$ 4,693	$ 7,059	$ 9,437	$ 11,829	$ 14,233	$ 16,650	$ 19,081	$ 21,524	$ 23,981	$ 26,451	$ 28,935
INTEREST RATE	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%

	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13
	13	**14**	**15**	**16**	**17**	**18**	**19**	**20**	**21**	**22**	**23**	**24**
BEGINNING BALANCE	$ 5,370,713	$ 5,399,805	$ 5,429,054	$ 5,458,461	$ 5,488,028	$ 5,517,754	$ 5,547,642	$ 5,577,692	$ 5,607,904	$ 5,638,281	$ 5,668,821	$ 5,699,527
ADVANCES												
ENDING BALANCE	$ 5,370,713	$ 5,399,805	$ 5,429,054	$ 5,458,461	$ 5,488,028	$ 5,517,754	$ 5,547,642	$ 5,577,692	$ 5,607,904	$ 5,638,281	$ 5,668,821	$ 5,699,527
INTEREST DUE	$ 29,091	$ 29,249	$ 29,407	$ 29,567	$ 29,727	$ 29,888	$ 30,050	$ 30,212	$ 30,376	$ 30,541	$ 30,706	
INTEREST RATE	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%

Cumulative Interest Paid over 24 month Period $ 515,027

TAX ANALYSIS - LIHTC DEERWOOD

Tax Loss Benefit Investor	99%
Tax Loss Benefit Sponsor	1%
Tax Rate	33%

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Free Cash Flow	-	$ 28,702	$ 28,470	$ 28,456	$ 28,350	$ 28,145	$ 27,837	$ 27,421	$ 26,890	$ 26,237	$ 25,458	$ 24,544	$ 23,489	$ 22,286	$ 20,927
Depreciation	(277,898)	(277,898)	(277,898)	(277,898)	(277,898)	(277,898)	(277,898)	(277,898)	(277,898)	(277,898)	(277,898)	(277,898)	(277,898)	(277,898)	(277,898)
Add Back: Amortization	$4,485	$4,676	$4,875	$5,083	$5,300	$5,526	$5,762	$6,007	$6,264	$6,531	$6,809	$7,099	$7,402	$7,718	$8,047
Taxable Income	(273,413)	(244,519)	(244,552)	(244,358)	(244,248)	(244,226)	(244,298)	(244,469)	(244,744)	(245,129)	(245,631)	(246,254)	(247,006)	(247,894)	(248,924)
TAX LOSS BENEFIT	(90,226)	(80,691)	(80,702)	(80,638)	(80,602)	(80,595)	(80,618)	(80,675)	(80,766)	(80,893)	(81,058)	(81,264)	(81,512)	(81,805)	(82,145)
Investor 99%	(89,323.93)	(79,884.37)	(79,895.10)	(79,831.75)	(79,795.78)	(79,788.73)	(79,812.25)	(79,868.06)	(79,957.94)	(80,083.77)	(80,247.49)	(80,451.13)	(80,696.84)	(80,986.84)	(81,323.43)
Sponsor 1%	(902.26)	(806.91)	(807.02)	(806.38)	(806.02)	(805.95)	(806.18)	(806.75)	(807.66)	(808.93)	(810.58)	(812.64)	(815.12)	(818.05)	(821.45)

EQUITY SPLITS - LIHTC DEERWOOD

	CONSTRUCTION	LEASE-UP	STABILIZATION												
		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Free Cash Flow		0	28702	28470	28456	28350	28145	27837	27421	26890	26237	25458	24544	23489	22286	20927
Tax Credit Equity Investor	20%	0	5740	5694	5691	5670	5629	5567	5484	5378	5247	5092	4909	4698	4457	4185
Developer/Sponsor	80%	0	22962	22776	22765	22680	22516	22270	21937	21512	20990	20366	19635	18791	17829	16741

Investor Return Schedule

		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Tax Credit Investor Pay-In	$ (2,210,639)	$ (3,770,585)														
Inc Tax Liability Reduction		$819,346	$819,346	$819,346	$819,346	$819,346	$819,346	$819,346	$819,346	$819,346	$819,346					
20% of Cash Flows		$ -	$ 5,740	$ 5,694	$ 5,691	$ 5,670	$ 5,629	$ 5,567	$ 5,484	$ 5,378	$ 5,247	$ 5,092	$ 4,909	$ 4,698	$ 4,457	$ 4,185
Tax Loss Benefit		$ 89,323.93	$ 79,884.37	$ 79,895.10	$ 79,831.75	$ 79,795.78	$ 79,788.73	$ 79,812.25	$ 79,868.06	$ 79,957.94	$ 80,083.77	$ 80,247.49	$ 80,451.13	$ 80,696.84	$ 80,986.84	$ 81,323.43
TOTAL	$ (2,210,639)	$ (2,861,915)	$ 904,971	$ 904,935	$ 904,869	$ 904,811	$ 904,764	$ 904,726	$ 904,698	$ 904,682	$ 904,677	$ 85,339	$ 85,360	$ 85,395	$ 85,444	$ 85,509

Investor IRR	10.23%

Sponsor Return Schedule

		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Application Costs	-64800															
Deferred Developer Fee		-232016														
Developer Fee			696047													
80% of Cash Flows			22962	22776	22765	22680	22516	22270	21937	21512	20990	20366	19635	18791	17829	16741
Tax Loss Benefit		902	807	807	806	806	806	806	807	808	809	811	813	815	818	821
Reversion																1697898
TOTAL	$ (64,800)	$ (231,113)	$ 719,816	$ 23,583	$ 23,571	$ 23,486	$ 23,322	$ 23,076	$ 22,744	$ 22,319	$ 21,799	$ 21,177	$ 20,448	$ 19,607	$ 18,647	$ 1,715,461

Sponsor IRR	104%

Overall Return Schedule

$ (2,275,439)	$ (3,093,029)	$ 1,624,786	$ 928,518	$ 928,440	$ 928,297	$ 928,086	$ 927,802	$ 927,442	$ 927,001	$ 926,476	$ 106,516	$ 105,808	$ 105,001	$ 104,091	$ 1,800,970

Overall IRR	13.57%

PRINCIPAL & INTEREST >	% of Source	Rate	Weighted Rate
PERM #1	52.61%	7.50%	3.95%
HOME LOAN	47.39%	0.50%	0.24%
TOTAL	100.00%		4.18%

LOAN AMOUNT	999296
AMORTIZATION	30
INTEREST	7.50%
ANNUAL PAY	$6,987.23

PERIOD	PAYMENT	INTEREST	PRINCIPAL	LOAN AMOUNT	CUM PRIN	CUM INTEREST
0				1899296		
1	6987	6621	367	1898930	367	6621

PRINCIPAL AND INTEREST ACCRUING UNTIL DIPOSITION			
HOME LOAN	0.00%	0.5%	0.50%

LOAN AMOUNT	900000
AMORTIZATION	30
INTEREST	0.50%
ANNUAL PAY	$ -

PERIOD	PAYMENT	INTEREST	LOAN AMOUNT
0			900000
1	0	375	900375
2	0	375	900750

ANALYSIS SUMMARY - BEST CASE LIHTC DEERWOOD

PROPERTY FACTS	
ADDRESS	Deerwood Avenue
PROJECT LOCATION	North Charleston, SC
COUNTY	Charleston County
ZONING	PUD (Planned Unit Development)
USE	LIHTC 62 plus

LAND ASSUMPTIONS		PER COST
ACREAGE	7.8	$64,103
WETLANDS	1.27	
DEVELOPABLE ACREAGE	6.53	$76,570
SQFT OF BUILDABLE LAND	284447	$1.76
LAND ASKING PRICE	$500,000	
CONTRACT PRICE	$500,000	

PROJECT FACTS	
# OF UNITS	54
UNITS PER ACRE	6.92
BUILT SQFTAGE	41,100
EFFICIENCY	92%
RENTABLE AREA	37812
AVERAGE UNIT SIZE	700

OPERATING PROPERTY ASSUMPTIONS					
MANAGEMENT		6%			
REPAIRS		5%			
SALARY 2 STAFF		60000			
ANNUAL RENT INCREASES		3%			
ANNUAL EXPENSE INCR		3%			
VACANCY		3.00%			
RE TAXES	$	46,508			
INSURANCE		12330	$	0.30	
CAPITAL EXPENDITURES	$	13,500.00	$	250.00	per unit
AOE PER UNIT STABILIZED	$	3,286			

PROJECT COSTS	
LAND	$500,000
HARD COST	$5,761,800
SOFT COST	$1,945,182
TOTAL PROJECT COST	$8,206,982

KEY RATES		
EQUITY REQUIRED	$	(296,816)
IRR		26.98%
PARTIONED IRR (CF)		70%
PARTIONED IRR (SALE)		30%
DISCOUNT RATE		12%
NPV	$	799,063
CASH-ON-CASH @ STAB		13.28%
CASH-ON-CASH AVERAGE		39.30%
GOING-IN CAP		6.50%
TERMINAL CAP		7.50%

CONSTRUCTION LOAN		
LOAN AMOUNT	$	5,699,527
TYPE	I/0	
TERM	2	
RATE (BLENDED)	6.50%	
AMORTIZATION	30	
PAYMENT	n/a	

PERMANENT FINANCING		
LOAN AMOUNT	$	1,899,296
TYPE	P&I	
TERM	15	
RATE (BLENDED)	4.18%	
AMORTIZATION	30	
PAYMENT	$	6,987.23
LTV @ 6.5% Cap	62%	
DSCR	1.47	

SOURCES & USES - BEST CASE LIHTC DEERWOOD

TAX CREDITS/PROJECT EQUITY	$	5,981,224
MAX DEFERRED DEV FEE	$	232,016
ADDITIONAL CASH REQUIRED	$	64,800
SOURCES OF EQUITY	$	6,278,040

CONSTRUCTION TO STABILIZATION			% Total		
PROJECT COST (LESS LIHTC COSTS)	$	8,142,182	100%		
CONSTRUCTION DEBT ATTAINABLE	$	5,699,527	70%		
DEFERRED DEVELOPER FEE	$	232,016	3%		
TAX CREDIT INVESTOR PAY-IN	$	2,210,639	27%	$	2,210,639
LIHTC APPLICATION COSTS	$	64,800	1%		36.96%
	$	8,206,982			

STABILIZATION TO PERMANENT FINANCING		
CONSTRUCTION LOAN PAYOFF	$	5,699,527
TAX CREDIT INVESTOR PAY-IN	$	3,770,585
ESCROWED RENT DURING YEAR 1	$	29,646
CASH-OUT	$	-
PERMANENT LOAN	$	1,899,296
LTC		23%
LTV		62%
DSCR		1.47

CONSTRUCTION LOAN (SENIOR)		
LOAN AMOUNT	$	5,699,527
TERM		24
TYPE		I/O
AMORTIZATION		30
RATE		6.5%
LOAN-TO-COST		70.0%

PERMANENT FINANCING (SENIOR)		
LOAN AMOUNT	$	999,296
TERM		15
TYPE		P&I
AMORTIZATION		30
INTEREST		7.50%
PAYMENT		$6,987.23
ANNUAL DEBT SERVICE		$83,846.71
PAYMENT		$83,846.71

PERMANENT HOME LOAN (SUBORDINATE)	
LOAN AMOUNT	900000
TERM	30
TYPE	P&I Accrual
AMORTIZATION	30
RATE	0.50%
PAYMENT	$0.00

CONSTRUCTION COSTS - BEST CASE LIHTC DEERWOOD

PROJECT COSTS	
LAND SIZE	7.80 ac
BUILDING SIZE	41,100 sf
BUILDING TYPE	Brick Veneer
# OF UNITS	54

	COST		PER UNIT	PER FOOT	ELIGIBLE FOR LIHTC BASIS
ACQUISITION COSTS					
Land	$ 500,000		$ 9,259	$ 1	
HARD COSTS					
Residential Structures	$ 3,780,000		$ 70,000	$ 92	$ 3,780,000
Sitework	$ 1,080,000		$ 20,000	$ 26	$ 1,080,000
Impact Fees, Permits, Insurance	$ 67,500		$ 1,250	$ 2	$ 67,500
Profit & Overhead	$ 394,200	8%	$ 7,300	$ 10	$ 394,200
General Requirements	$ 197,100	4%	$ 3,650	$ 5	$ 197,100
Hard Cost Contingency	$ 243,000	5%	$ 4,500	$ 6	$ 243,000
SOFT COSTS					
Arch & Engineering	$ 64,800		$ 1,200	$ 2	$ 64,800
Insurance/Bond	$ 81,000		$ 1,500	$ 2	$ 81,000
RE Taxes During Construction	$ 5,400		$ 100	$ 0	
LIHTC Costs	$ 64,800		$ 1,200	$ 2	$ 64,800
Perm Loan Fees	$ 9,993	1%	$ 1,500	$ 0	$ 9,993
Construction Loan Interest	$ 515,027		$ 9,538	$ 13	
Lease-Up & Marketing	$ 67,500		$ 1,250	$ 2	$ 67,500
Soft Cost Contingency	$ 25,000		$ 463	$ 1	$ 25,000
Operating Reserve	$ 183,600		$ 3,400	$ 4	
Development Cost Less Fee	$ 7,278,920		$ 134,795	$ 177	$ 7,278,920
Developer Fee	$ 928,062	11%	$ 17,186	$ 23	
TOTAL PROJECT COST	**$ 8,206,982**				**$ 7,278,920**

DCF - BEST CASE LIHTC DEERWOOD

		CONSTUCTION	LEASE-UP	STABILIZATION													
		2012	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
			1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**16**
Income	PGI		$ 388,032	388032	399673	444168	457493	471218	485354	499915	514912	530360	546271	562659	579538	596925	614832	633277
	Vacancy		$ 157,488	11641	11990	13325	13725	14137	14561	14997	15447	15911	16388	16880	17386	17908	18445	18998
	EGI		$ 230,544	$ 376,391	$ 387,683	$ 430,843	$ 443,768	$ 457,081	$ 470,794	$ 484,918	$ 499,465	$ 514,449	$ 529,882	$ 545,779	$ 562,152	$ 579,017	$ 596,387	$ 614,279
Op Ex																		
	RE Taxes		46508	47903	49340	50821	52345	53916	55533	57199	58915	60682	62503	64378	66309	68299	70348	72458
	Insurance		12330	12700	13081	13473	13878	14294	14723	15164	15619	16088	16570	17068	17580	18107	18650	19210
	Utilities		43200	75427	77690	80021	82421	84894	87441	90064	92766	95549	98415	101368	104409	107541	110767	114090
	Repairs		11527	18820	19384	20353	21371	22440	23562	24740	25977	27275	28639	30071	31575	33153	34811	36552
	Management		13833	22583	23261	23261	23261	23261	23261	23261	23261	23261	23261	23261	23261	23261	23261	23261
	Total OpEx		$ 127,398	$ 177,433	$ 182,756	$ 187,929	$ 193,276	$ 198,804	$ 204,519	$ 210,428	$ 216,538	$ 222,856	$ 229,389	$ 236,146	$ 243,133	$ 250,361	$ 257,837	$ 265,571
	NOI		103146	198958	204926	242914	250492	258277	266275	274490	282927	291593	300494	309633	319019	328656	338550	348708
Reserves																		
	Salary 2 Staff		60000	61800	63654	65564	67531	69556	71643	73792	76006	78286	80635	83054	85546	88112	90755	93478
	Cap Exp		13500	13905	14322	14752	15194	15650	16120	16603	17101	17614	18143	18687	19248	19825	20420	21033
	Total Reserves		$ 73,500	$ 75,705	$ 77,976	$ 80,315	$ 82,725	$ 85,207	$ 87,763	$ 90,396	$ 93,108	$ 95,901	$ 98,778	$ 101,741	$ 104,793	$ 107,937	$ 111,175	$ 114,511
	CFbDS		$ 29,646	$ 123,253	$ 126,950	$ 162,599	$ 167,767	$ 173,071	$ 178,512	$ 184,094	$ 189,820	$ 195,693	$ 201,716	$ 207,892	$ 214,225	$ 220,719	$ 227,375	$ 234,198
	Debt Service		$ 29,646	$ 83,847	$ 83,847	$ 83,847	$ 83,847	$ 83,847	$ 83,847	$ 83,847	$ 83,847	$ 83,847	$ 83,847	$ 83,847	$ 83,847	$ 83,847	$ 83,847	
			1.00	1.47	1.51	1.94	2.00	2.06	2.13	2.20	2.26	2.33	2.41	2.48	2.55	2.63	2.71	
	CFaDS		$ -	$ 39,406	$ 43,104	$ 78,752	$ 83,921	$ 89,224	$ 94,665	$ 100,247	$ 105,973	$ 111,846	$ 117,869	$ 124,046	$ 130,379	$ 136,872	$ 143,528	
Based On Deferred Developer Fee																		
		$ (296,816)	$ -	39406	43104	78752	83921	89224	94665	100247	105973	111846	117869	124046	130379	136872	3337600	
IRR		26.98%																
		30% sale																
		70% cash flow																
Cash-on-Cash			0.00%	13.28%	14.52%	26.53%	28.27%	30.06%	31.89%	33.77%	35.70%	37.68%	39.71%	41.79%	43.93%	46.11%	48.36%	
Cum Ann CoC		39.30%																

Basis	$ 8,142,182.01
Less Land	$500,000
Net Building Basis	$ 7,642,182.01
Less Depreciation	$ 4,168,462.91
B. After Depre	$ 3,473,719.09
Add Land	$ 500,000.00
IRS Basis	$ 3,973,719.09

Selling Price	$ 4,514,002
Commission	$ 135,420
Net Residual	$ 4,378,582
IRS Basis	$ 3,473,719
Gain on Sale	$ 904,863
15% Tax	$ 135,729

Selling Price	$ 4,514,002
Loan Payoff	$ 1,048,781
Commission	$ 135,420
Taxes	$ 135,729
Net Proceeds	$ 3,194,072

CONSTRUCTION COSTS - BEST CASE LIHTC DEERWOOD

UNIT TYPE	# OF UNITS	PERCENT	SQFT PER UNIT	GRENT Per UNIT	TOTAL GROSS
One Bedroom	32	59%	700	$ 554	$ 212,736
Two Bedroom	22	41%	850	$ 664	$ 175,296
Three Bedroom	0	0%	1000	$ -	$ -
TOTAL	54	100%	41100		$ 388,032
			37,812	92%	

LEASE-UP		
ABSORPTION	5	
# OF MONTHS	11	
AVERAGE RENT	$ 599	120
	RENT	UTILITIES
MONTH #1	$ 2,994	$ 600
MONTH #2	$ 5,988	$ 1,200
MONTH #3	$ 8,982	$ 1,800
MONTH #4	$ 11,976	$ 2,400
MONTH #5	$ 14,970	$ 3,000
MONTH #6	$ 17,964	$ 3,600
MONTH #7	$ 20,959	$ 4,200
MONTH #8	$ 23,953	$ 4,800
MONTH #9	$ 26,947	$ 5,400
MONTH #10	$ 29,941	$ 5,400
MONTH #11	$ 32,935	$ 5,400
MONTH #12	$ 32,935	$ 5,400
YEAR ONE	$ 230,544	$ 43,200

UTILITY ALLOWANCE SCHEDULE

UTILITES	GAS/ELEC/OIL	PAID BY	ALLOWANCES BY BEDROOM SIZE			
			1BD	2BD	3BD	
Heating	Electric	Tenant	$ 26	$ 31	$ 42	
Cooking	Electric	Tenant	$ 2	$ 3	$ 5	
Air Conditioning	Electric	Tenant	$ 12	$ 18	$ 22	
Water Heating	Electric	Tenant	$ 16	$ 23	$ 27	
Water	Electric	Tenant	$ 16	$ 19	$ 23	
Sewer	Electric	Tenant	$ 18	$ 23	$ 28	
Trash Collection	Electric	Tenant	$ 10	$ 10	$ 10	
Range	Electric	Tenant	$ 4	$ 4	$ 4	
Refrigerator	Electric	Tenant	$ 5	$ 5	$ 5	
UTILITY ALLOWANCE AGAINST GROSS RENT			$ 109	$ 136	$ 166	
ALLOWANCE AT STABILIZATION IN EXPENSES			41856	35904	0	
LESS 7% VACANCY			40600	34827	0	
	UTILITY OPERATING EXPENSE AGAINST NET RENT STABILIZED				**$ 75,427**	

MARKET ADVANTAGE CALCULATION IN COMPARISON TO MEDIAN INCOME

% Area Median Inc	50%	60%	Market Rent	MA @ 50%	MA @ 60%	MA w 5% Adj
One Bedroom	$ 583	$ 699	720	19.03%	2.92%	23.08%
Two Bedroom	$ 699	$ 703	886	21.11%	20.65%	25.05%

15823		
7599		
8224	822.4	2467.2

MARKET ADVANTAGE CALCULATION IN COMPARISON TO EXISTING ELDERLY LIHTC DEVELOPMENT

	Rent at 50%	Market Rent	MA w Rent @ 50%	5% Adj to 50%	MA w 5%
One Bedroom	$ 583	572	-1.92%	$ 554	3.17%
Two Bedroom	$ 699	729	4.12%	$ 664	8.91%
* Maximum allowable adjustment to meet financial feasibility criteria					

MAXIMUM RENTS

75% or 40 units (20/20 unit mix)	60% AMI	336480
25% or 14 units (7/7 unit mix)	50% AMI	107688
		444168 Year 3

TAX CREDIT BASIS - BEST CASE LIHTC DEERWOOD

ELIGIBLE BASIS ITEMS			
Residential Structures	$	3,780,000	
Sitework	$	1,080,000	
Impact Fees, Permits, Insurance	$	67,500	
Insurance/Bond	$	81,000	
Profit & Overhead	$	394,200	
General Requirements	$	197,100	
Hard Cost Contingency	$	243,000	
Arch & Engineering	$	64,800	
LIHTC Costs	$	64,800	
Perm Loan Fees	$	9,993	
Lease-Up & Marketing	$	67,500	
Soft Cost Contingency	$	25,000	
Developer Fee	$	928,062	
TAX CREDIT BASIS	$	7,002,955	
9% ANNUAL CREDIT	$	630,266	9%
BASIS BOOST DDA (62 plus)	$	189,080	30%
TAX CREDIT AVAILABLE FOR SYNDICATION	$	819,346	

2010 MAX ANNUAL CREDIT IN SC		$850,000	
TAX CREDITS FOR PROJECT		$819,346	
NUMBER OF YEARS OF CREDIT		10	
GROSS CREDITS AVAILABLE FOR SALE		$8,193,458	
MARKET RATE FOR CHARLESTON, SC	$	0.73	Per Credit
PROCEEDS APPLIED TO DEVELOPMENT	$	5,981,224	

CONSTUCTION LOAN SCHEDULE - BEST CASE LIHTC DEERWOOD

	% of Source	Rate	Weighted Rate
C. LOAN #1	100.00%	6.50%	6.50%
	100.00%		6.50%

CONSTRUCTION LOAN AMT	5699527	474961	$ -
INTEREST	$ 515,027		0
	$ 5,184,501	432041.7192	

		Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12
	Closing	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**
BEGINNING BALANCE	$ -	$ -	$ 434,382	$ 871,117	$ 1,310,217	$ 1,751,696	$ 2,195,567	$ 2,641,841	$ 3,090,533
ADVANCES	$ -	$ 432,042	$ 432,042	$ 432,042	$ 432,042	$ 432,042	$ 432,042	$ 432,042	$ 432,042
ENDING BALANCE	$ -	$ 432,042	$ 866,424	$ 1,303,159	$ 1,742,259	$ 2,183,738	$ 2,627,608	$ 3,073,883	$ 3,522,575
INTEREST DUE		$ 2,340	$ 4,693	$ 7,059	$ 9,437	$ 11,829	$ 14,233	$ 16,650	$ 19,081
INTEREST RATE	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%

	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13
	9	**10**	**11**	**12**	**13**	**14**	**15**	**16**
BEGINNING BALANCE	$ 3,541,655	$ 3,995,221	$ 4,451,244	$ 4,909,737	$ 5,370,713	$ 5,399,805	$ 5,429,054	$ 5,458,461
ADVANCES	$ 432,042	$ 432,042	$ 432,042	$ 432,042				
ENDING BALANCE	$ 3,973,697	$ 4,427,263	$ 4,883,286	$ 5,341,779	$ 5,370,713	$ 5,399,805	$ 5,429,054	$ 5,458,461
INTEREST DUE	$ 21,524	$ 23,981	$ 26,451	$ 28,935	$ 29,091	$ 29,249	$ 29,407	$ 29,567
INTEREST RATE	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%

	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13
	17	**18**	**19**	**20**	**21**	**22**	**23**	**24**
BEGINNING BALANCE	$ 5,488,028	$ 5,517,754	$ 5,547,642	$ 5,577,692	$ 5,607,904	$ 5,638,281	$ 5,668,821	$ 5,699,527
ADVANCES								
ENDING BALANCE	$ 5,488,028	$ 5,517,754	$ 5,547,642	$ 5,577,692	$ 5,607,904	$ 5,638,281	$ 5,668,821	$ 5,699,527
INTEREST DUE	$ 29,727	$ 29,888	$ 30,050	$ 30,212	$ 30,376	$ 30,541	$ 30,706	
INTEREST RATE	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%

Cumulative Interest Paid over 24 month Period $ 515,027

TAX ANALYSIS - BEST CASE LIHTC DEERWOOD

Tax Loss Benefit Investor	99%
Tax Loss Benefit Sponsor	1%
Tax Rate	33%

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Free Cash Flow	-	$ 39,406	$ 43,104	$ 78,752	$ 83,921	$ 89,224	$ 94,665	$ 100,247	$ 105,973	$ 111,846	$ 117,869	$ 124,046	$ 130,379	$ 136,872	$ 143,528
Depreciation	(277,898)	(277,898)	(277,898)	(277,898)	(277,898)	(277,898)	(277,898)	(277,898)	(277,898)	(277,898)	(277,898)	(277,898)	(277,898)	(277,898)	(277,898)
Add Back: Amortization	$4,485	$4,676	$4,875	$5,083	$5,300	$5,526	$5,762	$6,007	$6,264	$6,531	$6,809	$7,099	$7,402	$7,718	$8,047
Taxable Income	(273,413)	(233,816)	(229,919)	(194,062)	(188,677)	(183,147)	(177,471)	(171,643)	(165,661)	(159,521)	(153,219)	(146,752)	(140,117)	(133,308)	(126,322)
TAX LOSS BENEFIT	(90,226)	(77,159)	(75,873)	(64,041)	(62,263)	(60,439)	(58,565)	(56,642)	(54,668)	(52,642)	(50,562)	(48,428)	(46,238)	(43,992)	(41,686)
Investor 99%	(89,323.93)	(76,387.53)	(75,114.38)	(63,400.15)	(61,640.71)	(59,834.24)	(57,979.63)	(56,075.74)	(54,121.42)	(52,115.49)	(50,056.76)	(47,944.04)	(45,776.09)	(43,551.67)	(41,269.54)
Sponsor 1%	(902.26)	(771.59)	(758.73)	(640.41)	(622.63)	(604.39)	(585.65)	(566.42)	(546.68)	(526.42)	(505.62)	(484.28)	(462.38)	(439.92)	(416.86)

EQUITY SPLITS - BEST CASE LIHTC DEERWOOD

	CONSTRUCTION	LEASE-UP	STABILIZATION													
		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Free Cash Flow		0	39406	43104	78752	83921	89224	94665	100247	105973	111846	117869	124046	130379	136872	143528
Tax Credit Equity Investor	20%	0	7881	8621	15750	16784	17845	18933	20049	21195	22369	23574	24809	26076	27374	28706
Developer/Sponsor	80%	0	31525	34483	63002	67137	71379	75732	80198	84778	89477	94295	99236	104303	109497	114823

Investor Return Schedule

		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Tax Credit Investor Pay-In	$ (2,210,639)	$ (3,770,585)														
Inc Tax Liability Reduction		$819,346	$819,346	$819,346	$819,346	$819,346	$819,346	$819,346	$819,346	$819,346	$819,346					
Tax Credit Equity Investor		$ -	$ 7,881	$ 8,621	$ 15,750	$ 16,784	$ 17,845	$ 18,933	$ 20,049	$ 21,195	$ 22,369	$ 23,574	$ 24,809	$ 26,076	$ 27,374	$ 28,706
Tax Loss Benefit		$ 89,323.93	$ 76,387.53	$ 75,114.38	$ 63,400.15	$ 61,640.71	$ 59,834.24	$ 57,979.63	$ 56,075.74	$ 54,121.42	$ 52,115.49	$ 50,056.76	$ 47,944.04	$ 45,776.09	$ 43,551.67	$ 41,269.54
TOTAL	$ (2,210,639)	$ (2,861,915)	$ 903,614	$ 903,081	$ 898,496	$ 897,771	$ 897,025	$ 896,258	$ 895,471	$ 894,662	$ 893,830	$ 73,631	$ 72,753	$ 71,852	$ 70,926	$ 69,975

Investor IRR	9.99%

Sponsor Return Schedule

		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Application Costs	-64800															
Deferred Developer Fee		-232016														
Developer Fee			696047													
80% of Cash Flows			31525	34483	63002	67137	71379	75732	80198	84778	89477	94295	99236	104303	109497	114823
Tax Loss Benefit		902	772	759	640	623	604	586	566	547	526	506	484	462	440	417
Reversion																3194072
TOTAL	$ (64,800)	$ (231,113)	$ 728,343	$ 35,242	$ 63,642	$ 67,759	$ 71,984	$ 76,318	$ 80,764	$ 85,325	$ 90,003	$ 94,801	$ 99,721	$ 104,765	$ 109,937	$ 3,309,311

Sponsor IRR	111%

Overall Return Schedule

$ (2,275,439)	$ (3,093,029)	$ 1,631,958	$ 938,322	$ 962,138	$ 965,530	$ 969,008	$ 972,576	$ 976,235	$ 979,987	$ 983,834	$ 168,431	$ 172,474	$ 176,617	$ 180,863	$ 3,379,286

Overall IRR	15.35%

ANALYSIS SUMMARY - MULTIFAMILY DEERWOOD

PROPERTY FACTS	
ADDRESS	Deerwood Ave
PROJECT LOCATION	North Charleston, SC
COUNTY	Charleston County
ZONING	PUD (Planned Unit Development)

LAND ASSUMPTIONS		PER COST
ACREAGE	7.8	$64,103
WETLANDS	1.27	
DEVELOPABLE ACREAGE	6.53	$76,570
SQFT OF BUILDABLE LAND	284446.8	$1.76
LAND ASKING PRICE	$500,000	
CONTRACT PRICE	$500,000	

PROJECT FACTS		PER COST
# OF UNITS	105	
UNITS PER ACRE	13.46	
BUILT SQFTAGE	129,313	
EFFICIENCY	92%	
RENTABLE AREA	118968	
AVERAGE UNIT SIZE	1133	

OPERATING PROPERTY ASSUMPTIONS				
MANAGEMENT		3%		
REPAIRS		5%		
SALARY 3 STAFF		60000		
ANNUAL RENT INCREASES		3%		
ANNUAL EXPENSE INCR		3%		
VACANCY		5.00%		
RE TAXES	$	46,508		
INSURANCE		32328.35	$	0.25
CAPITAL EXPENDITURES	$	32,328.35	$	0.25

PROJECT COSTS			PSF
LAND	$500,000		$500,000
HARD COST	$13,667,063	$	105.69
SOFT COST	$2,869,732		$22.19
TOTAL PROJECT COST	$16,536,794		

KEY RATES		
EQUITY REQUIRED	$	(7,023,439)
IRR		3.72%
PARTIONED IRR (CF)		32%
PARTIONED IRR (SALE)		68%
DISCOUNT RATE		12%
NPV	$	(3,409,722)
CASH-ON-CASH @ STAB		2.83%
CASH-ON-CASH AVERAGE		3.33%
TERMINAL CAP RATE		7.50%
GOING IN CAP RATE		6.50%

CONSTRUCTION LOAN		
LOAN AMOUNT	$	11,575,756
TYPE	I/0	
TERM	2	
RATE	6.50%	
AMORTIZATION	30	
PAYMENT	n/a	
LTC		70%
LTV		70%
DSCR		1.2

PERMANENT FINANCING		
LOAN AMOUNT	$	9,513,355
TYPE	P&I	
TERM	10	
RATE	6.00%	
AMORTIZATION	30	
PAYMENT	$	684,448.47
LTV	70%	
DSCR	1.29	
VALUE AT STABILIZATION	$	13,590,508

CONSTRUCTION BUDGET - MULTIFAMILY DEERWOOD

PROJECT COSTS	
LAND SIZE	7.80 ac
BUILDING SIZE	129,313 sf
BUILDING TYPE	Brick Veneer
# OF UNITS	105

ACQUISITION COSTS	COST		PER UNIT	PER FOOT
Land	$ 500,000		$ 4,762	
HARD COSTS				
Residential Structures	$ 8,925,000		$ 85,000	
Sitework	$ 2,625,000		$ 25,000	
Impact Fees, Permits, Insurance	$ 131,250		$ 1,250	
Profit & Overhead	$ 934,500	8%	$ 7,300	
General Requirements	$ 467,250	4%	$ 3,650	
Hard Cost Contingency	$ 584,063	5%	$ 4,500	
SOFT COSTS				
Arch & Engineering	$ 157,500		$ 1,500	
Insurance/Bond	$ 157,500		$ 1,500	
RE Taxes During Construction	$ 10,500		$ 100	
Perm Loan Fees	$ 95,134	1%	$ 1,500	
Construction Loan Interest	$ 1,046,021		$ 9,499	
Lease-Up & Marketing	$ 210,000		$ 2,000	
Soft Cost Contingency	$ 48,611		$ 463	
Operating Reserve	$ 357,000		$ 3,400	
Development Cost Less Fee	$ 15,749,328		$ 135,315	
Developer Fee	$ 787,466	5%	$ 17,253	
TOTAL PROJECT COST	**$ 16,536,794**			

MULTIFAMILY DEERWOOD DCF

		CONSTUCTION	LEASE-UP	STABILIZATION								
		2012	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
			1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**
Income	PGI		$ 1,224,288	1224288	1261017	1298847	1337813	1377947	1419285	1461864	1505720	1550891	1597418
	Vacancy		$ 689,697	61214	63051	64942	66891	68897	70964	73093	75286	77545	79871
	EGI		$ 534,591	$ 1,163,074	$ 1,197,966	$ 1,233,905	$ 1,270,922	$ 1,309,050	$ 1,348,321	$ 1,388,771	$ 1,430,434	$ 1,473,347	$ 1,517,547
Op Ex													
	RE Taxes		46508	47903	49340	50821	52345	53916	55533	57199	58915	60682	62503
	Insurance		32328	33298	34297	35326	36386	37477	38602	39760	40953	42181	43447
	Utilities		4483	10345	10655	10975	11304	11643	11993	12353	12723	13105	13498
	Repairs		26730	58154	59898	62893	66038	69340	72807	76447	80269	84283	88497
	Management		16038	34892	35939	35939	35939	35939	35939	35939	35939	35939	35939
	Total OpEx		$ 126,087	$ 184,592	$ 190,130	$ 195,954	$ 202,012	$ 208,315	$ 214,873	$ 221,697	$ 228,799	$ 236,190	$ 243,883
	NOI		408505	978481	1007836	1037951	1068910	1100734	1133448	1167073	1201635	1237157	1273664
Reserves													
	Salary 2 Staff		60000	61800	63654	65564	67531	69556	71643	73792	76006	78286	
	Cap Exp		32328	33298	34297	35326	36386	37477	38602	39760	40953	42181	
	Total Reserves		$ 92,328	$ 95,098	$ 97,951	$ 100,890	$ 103,916	$ 107,034	$ 110,245	$ 113,552	$ 116,959	$ 120,468	
	CFbDS		$ 316,176	$ 883,383	$ 909,884	$ 937,061	$ 964,993	$ 993,701	$ 1,023,203	$ 1,053,521	$ 1,084,676	$ 1,116,689	
	Debt Service		$ 316,176	$ 684,448	$ 684,448	$ 684,448	$ 684,448	$ 684,448	$ 684,448	$ 684,448	$ 684,448	$ 684,448	
			1.00	1.29	1.33	1.37	1.41	1.45	1.49	1.54	1.58	1.63	
	CFaDS		$ -	$ 198,935	$ 225,436	$ 252,613	$ 280,545	$ 309,252	$ 338,755	$ 369,073	$ 400,227	$ 432,241	
		$ (7,023,439)	0	198935	225436	252613	280545	309252	338755	369073	400227	7365945	
IRR		3.72%											
		68% sale											
		32% cash flow											
Cash-on-Cash			0.00%	2.83%	3.21%	3.60%	3.99%	4.40%	4.82%	5.25%	5.70%	6.15%	
Cum Ann CoC		3.33%											

Basis	$ 16,536,794.38
Less Land	$500,000
Net Building Basis	$ 16,036,794.38
Less Depreciation	$ 8,747,342.39
B. After Depre	$ 7,289,451.99
Add Land	$ 500,000.00
IRS Basis	$ 7,789,451.99

Selling Price	$ 16,982,184
Commission	$ 509,466
Net Residual	$ 16,472,718
IRS Basis	$ 7,289,452
Gain on Sale	$ 9,183,266
15% Tax	$ 1,377,490

Selling Price	$ 16,982,184
Loan Payoff	$ 8,161,524
Commission	$ 509,466
Taxes	$ 1,377,490
Net Proceeds	$ 6,933,705

RENT ROLL & UNIT MIX - DEERWOOD MULTIFAMILY

UNIT TYPE	# OF UNITS	PERCENT	SQFT PER UNIT	GRENT Per UNIT	TOTAL GROSS	
One Bedroom	33	31%	775	$ 782	$ 300,288	(minus 1 unit for on-site maintenance)
Two Bedroom	52	50%	1049	$ 1,000	$ 624,000	
Three Bedroom	20	19%	1281	$ 1,250	$ 300,000	
TOTAL	105	100%	129313.4		$ 1,224,288	

	Times 12	Cost	y to cost
$ 782	$ 9,384	69750	13.45%
$ 1,000	$ 12,000	94410	12.71%
$ 1,250	$ 15,000	115290	13.01%

UTILITIES

UNIT TYPE	# OF UNITS	SQFT PER UNIT	PRICE PER FOOT	ANNUAL	MONTHLY
One Bedroom	33	775	$ -	$ -	
Two Bedroom	52	1049	$ -	$ -	
Three Bedroom	20	1281	$ -	$ -	
Common Area	1	10345	$ 1.00	$ 10,345.07	
				$ 10,345.07	$ 862.09

LEASE-UP			
ABSORPTION	7		
# OF MONTHS	12		
AVERAGE RENT	$ 979		
		UTILITIES	
MONTH #1	$ 6,854	$ 57.47	7%
MONTH #2	$ 13,707	$ 114.95	13%
MONTH #3	$ 20,561	$ 172.42	20%
MONTH #4	$ 27,415	$ 229.89	27%
MONTH #5	$ 34,269	$ 287.36	33%
MONTH #6	$ 41,122	$ 344.84	40%
MONTH #7	$ 47,976	$ 402.31	47%
MONTH #8	$ 54,830	$ 459.78	53%
MONTH #9	$ 61,684	$ 517.25	60%
MONTH #10	$ 68,537	$ 574.73	67%
MONTH #11	$ 75,391	$ 632.20	73%
MONTH #12	$ 82,245	$ 689.67	80%
YEAR ONE EGI	$ 534,591	$ 4,482.86	

	% of Source	Rate	Weighted Rate
C. LOAN	100.00%	6.50%	6.50%
	100.00%		6.50%

CONSTRUCTION LOAN AMT	11575756	964646
INTEREST	$ 1,046,021	
PROCEEDS	$ 10,529,735	$ 877,477.94

		Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12
	Closing	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**
BEGINNING BALANCE	$ -	$ -	$ 882,231	$ 1,769,241	$ 2,661,055	$ 3,557,700	$ 4,459,202	$ 5,365,587	$ 6,276,881
ADVANCES	$ -	$ 877,478	$ 877,478	$ 877,478	$ 877,478	$ 877,478	$ 877,478	$ 877,478	$ 877,478
ENDING BALANCE	$ -	$ 877,478	$ 1,759,709	$ 2,646,719	$ 3,538,533	$ 4,435,178	$ 5,336,680	$ 6,243,065	$ 7,154,359
INTEREST DUE		$ 4,753	$ 9,532	$ 14,336	$ 19,167	$ 24,024	$ 28,907	$ 33,817	$ 38,753
INTEREST RATE	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%

	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13
	9	**10**	**11**	**12**	**13**	**14**	**15**	**16**
BEGINNING BALANCE	$ 7,193,112	$ 8,114,306	$ 9,040,489	$ 9,971,689	$ 10,907,934	$ 10,967,018	$ 11,026,423	$ 11,086,149
ADVANCES	$ 877,478	$ 877,478	$ 877,478	$ 877,478				
ENDING BALANCE	$ 8,070,590	$ 8,991,784	$ 9,917,967	$ 10,849,167	$ 10,907,934	$ 10,967,018	$ 11,026,423	$ 11,086,149
INTEREST DUE	$ 43,716	$ 48,705	$ 53,722	$ 58,766	$ 59,085	$ 59,405	$ 59,726	$ 60,050
INTEREST RATE	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%

	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13
	17	**18**	**19**	**20**	**21**	**22**	**23**	**24**
BEGINNING BALANCE	$ 11,146,199	$ 11,206,575	$ 11,267,277	$ 11,328,308	$ 11,389,670	$ 11,451,364	$ 11,513,392	$ 11,575,756
ADVANCES								
ENDING BALANCE	$ 11,146,199	$ 11,206,575	$ 11,267,277	$ 11,328,308	$ 11,389,670	$ 11,451,364	$ 11,513,392	$ 11,575,756
INTEREST DUE	$ 60,375	$ 60,702	$ 61,031	$ 61,362	$ 61,694	$ 62,028	$ 62,364	
INTEREST RATE	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%

Cumulative Interest Paid over 24 month Period $ 1,046,021

SOURCES & USES - DEERWOOD MULTIFAMILY

CONSTRUCTION LOAN (SENIOR)	
LOAN AMOUNT	$ 9,513,355
TERM	24
TYPE	I/O
AMORTIZATION	30
RATE	6.5%
LOAN-TO-COST	70.0%

PROJECT BREAKDOWN	
PROJECT COST	$ 16,536,794
CONSTRUCTION LOAN	$ 9,513,355
EQUITY	$ 7,023,439

PERMANENT FINANCING	
LOAN AMOUNT	$ 9,513,355
TERM	10
TYPE	P&I
AMORTIZATION	30
INTEREST	6.00%
PAYMENT	$57,037.37
ANNUAL DEBT SERVICE	$684,448.47
LTV	70%
DSCR	1.20
CAP RATE	6.50%
VALUE @ STABILIZATION (CAP)	13590507.68

SOURCES & USES @ STABILIZATION	
VALUE AT STABILIZATION	$ 13,590,508
CONSTRUCTION LOAN @ 70%LTV	$ 9,513,355
PERMANENT LOAN @ 70% LTV=	9513355
PROJECT COST	$ 16,536,794
TOTAL EQUITY REQUIRED	$ 7,023,439

PERMANENT LOAN AMORTIZATION

	% of Source	Rate	Weighted Rate
PERM #1	100.00%	6.00%	6.00%
TOTAL	100.00%		6.00%

LOAN AMOUNT	9513355
AMORTIZATION	30
INTEREST	6.00%
PAYMENT	$57,037.37
ANNUAL PAY	$ 684,448.47

PERIOD	PAYMENT	INTEREST	PRINCIPAL	LOAN AMOUNT	CUM PRIN	CUM INTEREST
0				9513355		
1	57037	47567	9471	9503885		
2	57037	47519	9518	9494367		
3	57037	47472	9566	9484801	9471	47567
4	57037	47424	9613	9475188	18989	95086

commitment may not be subject to final credit approval by the lending institution. The borrower must have executed and dated the commitment indicating their acceptance of the commitment. To qualify for these points, the construction loan must be from a conventional construction lender and the loan amount must not be less than twenty-five percent (25%) of the total development costs projected in the Tier Two application. **5 pts**

Authority Discretion and Tie Breaker Criteria:

The following factors will be used in the order they are listed to break a tie. If a tie is broken using the first factor then the other factors will not be applied and so on.

1. Developments with the highest site scores from Tier One.
2. Developments, based on the Authority's discretion, deemed to have the greatest benefit to the community, the tenants to be served, and best meeting the Authority's goals.
3. Sites located in a Community Revitalization Development Plan (CRDP) area. The CRDP must have been adopted not later than January 1, 2010. Evidence of such must be verified in writing by a City/County official and submitted with the Tier One application submission. The proposed development must be part of an existing and ongoing revitalization of the area.
4. Developments located in a Qualified Census Tract (QCT) that contribute to a concerted Community Revitalization Development Plan (CRDP). The CRDP plan must be included with the Tier One application.
5. Sites considered as having Historic Character. Historic Character generally means any development consisting of one or more structures (1) (a) individually listed in the National Register of Historic Places; or (b) located in and contributing to a National Register Historic District and (2) the rehabilitation of which will be completed in such a manner as to be eligible for federal and state historic rehabilitation tax credits. The historic character of a site may be established by documentation from the South Carolina Department of Archives and History with the Tier One application.

V. MANDATORY DESIGN CRITERIA

The following mandatory design criteria **must be** included in the development design:

For ALL Development Types:

1. Window coverings for each window, including glass doors, must be installed. Metal blinds are not permitted.
2. All kitchen and bathroom interior cabinets must be solid wood or wood/plastic veneer products with dual slide tracks on drawers. New cabinets must have solid wood dual sidetrack drawers and no laminate or particleboard fronts for doors or drawer fronts. Cabinets shall meet the ANSI/KCMA A1 61.1 performance and construction standard for kitchen and vanity cabinets. Cabinets shall bear the certification seal of KCMA (Kitchen Cabinet Manufacturers Association).
3. All entry doors must be metal-clad wood, steel or fiberglass doors that are insulated, paneled, and have a peephole. Deadbolt locks are required in entry doors. Dead bolt locks on entry doors should have "thumb latch" on interior side. Double keyed dead bolt locks are prohibited. The minimum clear width of all exterior doors shall be 34 inches.
4. Bi-fold and sliding interior doors are prohibited. All doors must be side hinged.
5. A landscaping plan must be submitted indicating areas to be sodded and landscaped. Landscaping plan(s) must follow any applicable landscape municipal ordinance. At a minimum, sod shall be installed on the front and side areas to a point twenty (20'-0") feet from the building(s). Landscaping may incorporate sod and drought resistant plants and shrubs. All disturbed areas not sodded must be seeded.
6. A recreation area suitable for proposed tenant targeting:
   a) For family developments – (i) Playground for children located away from automobile traffic patterns with commercial quality play equipment accessible to handicapped traffic and at least one permanently anchored, weather resistant bench, with a back, or (ii) an exercise room with a minimum of three nautilus-type work-out machines (this room's square footage may be included in the minimum 1,200 sq. ft. community building);
   b) For older persons developments – (i) An exercise room with a minimum of three (3) nautilus type work-out machines (this room's square footage may be included in the minimum 1,200 sq. ft. community building), or (ii) a minimum of one gazebo, with seating, equipped with an Energy Star ceiling fan with light fixture.
7. A new development sign at the entrance(s) to the complex affixed with a Fair Housing logo.

8. Exterior Energy Star rated lighting at all entry doors including individual apartment units, community buildings, common areas within the building(s), and parking areas.
9. Enclosed trash dumpsters and/or compactors. The dumpster must be enclosed by solid fencing on at least three sides. The pad and approach pad to the dumpster must be concrete and not asphalt. The trash dumpster/compactor must be ADA accessible and located on an ADA accessible route.
10. Roofing materials shall be anti-fungal shingles with a minimum 25-year warranty.
11. The following Energy Star appliances must be provided in each unit: (a) Stove with exhaust fan; (b) Full sized refrigerator-freezer, with ice maker, having a minimum size of fourteen (14) cubic feet.
12. At least fourteen (14) SEER HVAC units must be installed. If the Physical Needs Assessment, completed for a rehabilitation development, does not recommend replacement of existing HVAC units in the development, this mandatory criterion is waived. However, any replacement HVAC units installed in the development must be at least fourteen (14) SEER. All refrigeration lines must be insulated. All developments must have central heat and air. Window units are not allowed for any development type.
13. A laundry facility containing: (a) at least one (1) commercial washer and one (1) commercial dryer per twenty-four (24) units; and (b) adequate seating and at least one (1) table for folding clothes. For developments containing more than one hundred (100) rental units that also provide washer and dryer hookups in all units, a minimum of one (1) commercial washer and one (1) commercial dryer per thirty-two (32) units is required. Single family detached unit, townhouse, or duplex developments must provide a washer and dryer hookup in every unit. Developments providing washers and dryers in all rental units are not required to provide a laundry facility.
14. Each unit must be equipped with a 5 lb. ABC rated dry chemical fire extinguisher readily accessible in the kitchen and mounted to accommodate handicapped accessible height in accessible units.
15. Wall switch controlled Energy Star rated overhead lighting is required in all rooms.
16. Sites located in a Radon Zone-I (highest level) will require Radon Resistant New Construction Practices. Rehabilitation projects must meet the Radon Mitigation Standards as required by the Environmental Protection Agency.
17. All new construction developments must submit a complete site specific soils report, not more than one year old at the time of submission of final plans and specifications, bound within the project specifications. Rehabilitation projects adding any new building foundations must submit a foundation specific soils report. The soils report must reflect the results of laboratory tests conducted on a minimum of one (1) soil boring per planned building location and a minimum total of two (2) soil borings at the planned paved areas of the development. A registered professional engineer or a certified testing agency with a current license to practice in the State of South Carolina must prepare the report.
18. Metal flashing or 20 mil polyethylene when used in conjunction with a self- adhering polyethylene laminate flashing, must be installed above all exterior door and window units.
19. Mailboxes, playground and all exterior project amenities must be ADA accessible.
20. Exterior wall insulation must have an overall R-11 minimum for the entire wall assembly and roof or attic insulation must have an R-30 rating minimum.
21. Tub/shower units must have minimum dimensions of 30-inch width by 60-inch length and be equipped with anti-scald valves. All tubs in designated handicap accessible units must come complete with "factory-installed grab bars".
22. Mirror length must extend to top of vanity backsplash with top of mirror a minimum of 6'-0" above finish floor. Framed decorative mirrors or medicine cabinets with mirrors are allowed with a minimum size of 14" x 24" and must be hung with the top of mirror a minimum of 6'-0" above finish floor. Vanity cabinets or a medicine cabinet shall be provided in all units. All cabinets in designated handicap accessible units must be installed at ADA mounting heights.
23. Water heaters must be placed in drain pans with drain piping plumbed to the outside. Pipe all T&P relief valve discharges direct to exterior of building and elbow down to spill at 6" above finish grade.
24. Exterior shutters (new not recycled) are required on all 100% vinyl siding buildings. Only existing rehabilitation developments may have 100% vinyl building exteriors.
25. Roof gable vents must be made of aluminum or vinyl materials.
26. All attics must be vented.
27. Carpet and Resilient flooring materials must meet minimum FHA standards.
28. A minimum of two hard-wired battery back-up smoke detectors are required per unit.
29. Pre-finished fascia and soffits must be vinyl covered, aluminum and/or perforated cementitious panels with vents.

For ALL New Construction Developments:

1. All units must be equipped with an Energy Star rated dishwasher and an Energy Star rated hot water heater with an energy factor greater than 0.61.
2. All units must have Energy Star rated windows.
3. All units must have an Energy Star rated HVAC system.
4. Energy Star rated lighting must be in all common area corridors, stairwells, and the community room.
5. Washer/dryer hookups in all units.
6. A minimum 1200 square foot community building. Entire facility must be ADA compliant. The square footage counted towards this total may include a leasing office, an equipped exercise room, and an equipped computer center. Laundry rooms and storage/maintenance rooms will not be counted as part of the 1200 square foot minimum. For developments proposing the second phase of a previously completed contiguous tax credit development, the requirement for an additional 1200 square foot community building is waived. However, it is required that laundry facilities be provided to the new phase and must be constructed on the site of the proposed phase. The mandatory laundry facility requirements under Section V. Mandatory Design Criteria, item 14 must be met.
7. All units pre-wired for cable television hook-ups in the living room and one (1) per bedroom.
8. Units with three (3) or more bedrooms must have a minimum of two (2) full bathrooms.
9. The minimum bedroom size for the primary bedroom in each unit must be at least 10'x12'. All other bedrooms must be a minimum 10'x11'. The minimum bedroom square footage excludes the closet space.
10. All older persons (55+ years) and elderly developments will be one-story structures, or if greater than one story, all stories will be accessible by elevators.
11. All sidewalks and walkways shall be a minimum of 36" in width and made of concrete and shall provide access to all parking spaces, front entryway doors, common amenities and driveways and shall be ADA compliant.
12. Sliding glass doors are prohibited.
13. Water closets must be centered, at a minimum, 18 inches from sidewalls or vanity/lavatories. Public use stairway components, such as stringers, treads, and risers must be constructed from steel or concrete. Handrails and pickets must be constructed from steel or aluminum.
14. Patio and porch/balcony components used as part of the building shall have concrete slabs or decks and must be constructed so that no wood is exposed. Concealment shall be with materials such as aluminum or vinyl siding or cementitious materials. Structural wood columns shall be at a minimum 6" x 6" pressure treated columns concealed as noted above with properly sized fiberglass, high density urethane or aluminum columns. Decorative rails and/or guard rail systems used at porches and patios shall be code compliant systems of vinyl, fiberglass or metal. Wood railings are not allowed.
15. Wall Framing: Sound proofing or sound batt insulation is required between the stud framing in party walls. A sound rating of STC 54 is required.

For ALL Single Family, Townhouse, and Duplex Developments:

1. All detached single family homes must contain a minimum of three (3) bedrooms and two (2) full bathrooms.
2. All townhouses must contain a minimum of two (2) bedrooms and one and one-half bathrooms. At a minimum, a half bathroom must be located on the first floor.
3. All duplexes must contain a minimum of two (2) bedrooms and one and one-half bathrooms.
4. Developments must have concrete driveways, curbing at street and front entry walkways.
5. Developments must have a washer and dryer hookup in each unit.

For ALL Rehabilitation Developments:

Any of the following mandatory items (not to include repainting of the entire unit) replaced on or after January 1, 2006 are not required to be replaced as part of the rehabilitation.

1. Replace and install new flooring in each unit. At a minimum, tile must be VCT or better.
2. Entire unit (all rooms and ceilings) must be repainted.
3. New bathroom fixtures must be installed to include the following:
   a) New tub and new shower, re-glazing not allowed. Three piece surround insert is acceptable. All caulking must be replaced.
   b) Replace sink, vanity and plumbing fixtures with new. Vanity to include, at a minimum, a pull out drawer and/or storage area.
   c) New toilet.
   d) Install new re-circulating exhaust fan.

e) Install new water supply valves.

4. New kitchen fixtures must be installed to include the following:
   a) Dual track sliding drawers.
   b) New double sink and plumbing fixtures.
   c) New stove with re-circulating exhaust fan.
   d) New Energy Star rated refrigerator, with ice maker that is a minimum of 14 cubic feet.
   e) Install new water supply valves.
5. All entry doors must be steel or fiberglass doors that are insulated, paneled, and have a peephole.
6. New Energy Star hot water heaters with an energy factor greater than 0.61.
7. Replace all windows with insulated, double pane glass in either vinyl or aluminum framing.
8. All units wired for high speed (broadband) Internet hook-up with at least one (1) centrally located connection port or wireless computer network. All wires to be hidden.
9. Units with existing washer/dryer connections must replace and install new water supply fixtures and valves.
10. All older persons (55+ years) and elderly acquisition/rehabilitation developments may have more than one-story, provided that existing elevators, receiving regular maintenance, are in good working condition as of the Tier Two Application submittal date and service all upper level rental units. Those developments without existing elevators will be required to install elevators.

For ALL Adaptive Reuse Developments:

The definition of "adaptive reuse" is the conversion of an existing non-residential building(s) into a residential building(s). The architect must certify on **Exhibit G** that the development will meet the following requirements:

1. A minimum of fifty percent (50%) of the square footage of each existing building(s) must be converted to residential use; and
2. If additional buildings/units are constructed to provide additional space, the total square footage of the previously existing building(s) must constitute a minimum of fifty percent (50%) of the total square footage of the entire development.

VI. ADMINISTRATION OF THE QUALIFIED ALLOCATION PLAN

The Authority reserves the right to resolve all conflicts, inconsistencies, or ambiguities, if any, in the QAP or that arise in administering, operating, or managing the reservation and/or allocation of the LIHTC Program. The Authority, at its sole discretion, reserves the right to allocate housing tax credits in a manner not in accordance with this QAP. At such time, or either a reasonable time thereafter, the Authority shall, as required by Section 42(m)(1)(A)(iv) of the Code, provide a written explanation to the general public of its reasons for making such allocation. The Authority further reserves the right, at its sole discretion, to modify or waive, on a case-by-case basis, any provision of this QAP or the LIHTC Manual that is not required by the Code. In any case where compliance with the QAP or LIHTC manual produces unusual hardship or difficulty and the Code or regulations do not require the provision, the application of such provision may be waived in the Authority's sole discretion upon a showing of substantial need and any other evidence as requested by the Authority.

The Authority reserves the right to withhold the issuance of a Form 8609 for any development or building that is determined at the Authority's sole discretion **not to have been constructed in accordance with the representations** contained in the development descriptions and certified to in **Exhibit G** by the architect.

The QAP and LIHTC Manual are intended to provide sufficient information to prospective LIHTC applicants. However, due to the complexity of the program and the housing development process in general, not every potential circumstance is covered in the QAP or LIHTC Manual. The Authority will interpret the policies and guidelines contained in the QAP and LIHTC Manual upon review of an application for tax credits, and may accept or reject an application based on its interpretation. Applicants are strongly encouraged to seek guidance from Authority staff regarding any situation not explicitly addressed in the QAP or LIHTC Manual prior to submitting a Tier One or Tier Two application. However, the Authority reserves all rights in processing the applications. The applicants are solely responsible for the contents of their applications and cannot rely on any representation by Authority staff.

By submitting an application to the Authority, the applicant waives, hold harmless, and releases any claim or cause of action against the Authority or its staff related to or arising under the processing or scoring of any application or for the award of any tax credits under this program, and further the applicant convenants not to sue