



**A VALUATION ANALYSIS OF
FOREST HEIGHTS APARTMENTS
1048 Columbia Drive
Decatur, DeKalb County, Georgia 30083**

**Effective Date: April 27, 2012
Report Date: May 17, 2012**

Prepared For

**Columbia Residential
Mr. James Grauley
1718 Peachtree Street
Suite 684
Atlanta, Georgia 30309**

Prepared By

**Novogradac & Company LLP
2325 Lakeview Parkway, Suite 450
Alpharetta, GA 30009
Telephone: 678.867.2333**



**NOVOGRADAC
& COMPANY LLP**

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May 17, 2012

Columbia Residential
Mr. James Grauley
1718 Peachtree Street
Suite 684
Atlanta, Georgia 30309

Re: As Is Appraisal of the Forest Heights
1048 Columbia Drive
Decatur, DeKalb County, Georgia

Dear Mr. Grauley:

We are pleased to present our findings with respect to the value of the above-referenced property, Forest Heights (“Subject”). As requested we provided our opinion of As Is value. The Subject site is currently improved with six vacant buildings that include one administrative building and five cottages.

- As Is Value

Our valuation report is for use by the client and their advisors for land sale purposes. Neither this report nor any portion thereof may be used for any other purpose or distributed to third parties without the express written consent of Novogradac and Company LLP (“Novogradac”).

This valuation engagement was conducted in accordance with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, which standards incorporate the Uniform Standards of Professional Appraisal Practice (USPAP). In accordance with these standards, we have reported our findings herein in a self-contained report, as defined by USPAP.

Market value is defined as:

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised and acting in what they consider their best interest;
3. A reasonable time is allowed for exposure in the open market;

4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and,
5. The price represents normal considerations for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.¹

This report complies with FIRREA (1989) regulations. It also complies with Appraisal Institute guidelines.

As a result of our investigation and analysis, it is our opinion that, subject to the limiting conditions and assumptions contained herein, the estimated market value “As Is” of the fee simple interest in the Subject, free and clear of financing, as of April 27, 2012, is:

ONE MILLION TWO HUNDRED THOUSAND DOLLARS
(\$1,200,000)

We also used certain forecasted data in our valuation and applied generally accepted valuation procedures based upon economic and market factors to such data and assumptions. We did not examine the forecasted data or the assumptions underlying such data in accordance with the standards prescribed by the AICPA and, accordingly, do not express an opinion or any other form of assurance on the forecasted data and related assumptions. The financial analyses contained in this report are used in the sense contemplated by the Uniform Standards of Professional Appraisal Practice (USPAP).

Furthermore, there will usually be differences between forecasted and actual results because events and circumstances frequently do not occur as expected, and these differences may be material. We assume no responsibility for updating this report due to events and circumstances occurring after the date of inspection.

Our value conclusion was based on general economic conditions as they existed on the date of the analysis and did not include an estimate of the potential impact of any sudden or sharp rise or decline in general economic conditions from that date to the effective date of our report. Events or transactions that may have occurred subsequent to the effective date of our opinion were not considered. We are not responsible for updating or revising this report based on such subsequent events, although we would be pleased to discuss with you the need for revisions that may be occasioned as a result of changes that occur after the valuation date.

¹ 112 C.F.R. Part 34.42(g); 55 Federal Register 34696, August 24, 1990.

We appreciate this opportunity to be of service. Please contact us if you have any comments or questions.

Respectfully submitted,



Brad E. Weinberg, MAI
Partner
Novogradac & Company LLP
Certified General Real Estate Appraiser
Georgia License #CG221179



H. Blair Kincer MAI
Partner
Novogradac & Company LLP
Certified General Real Estate Appraiser

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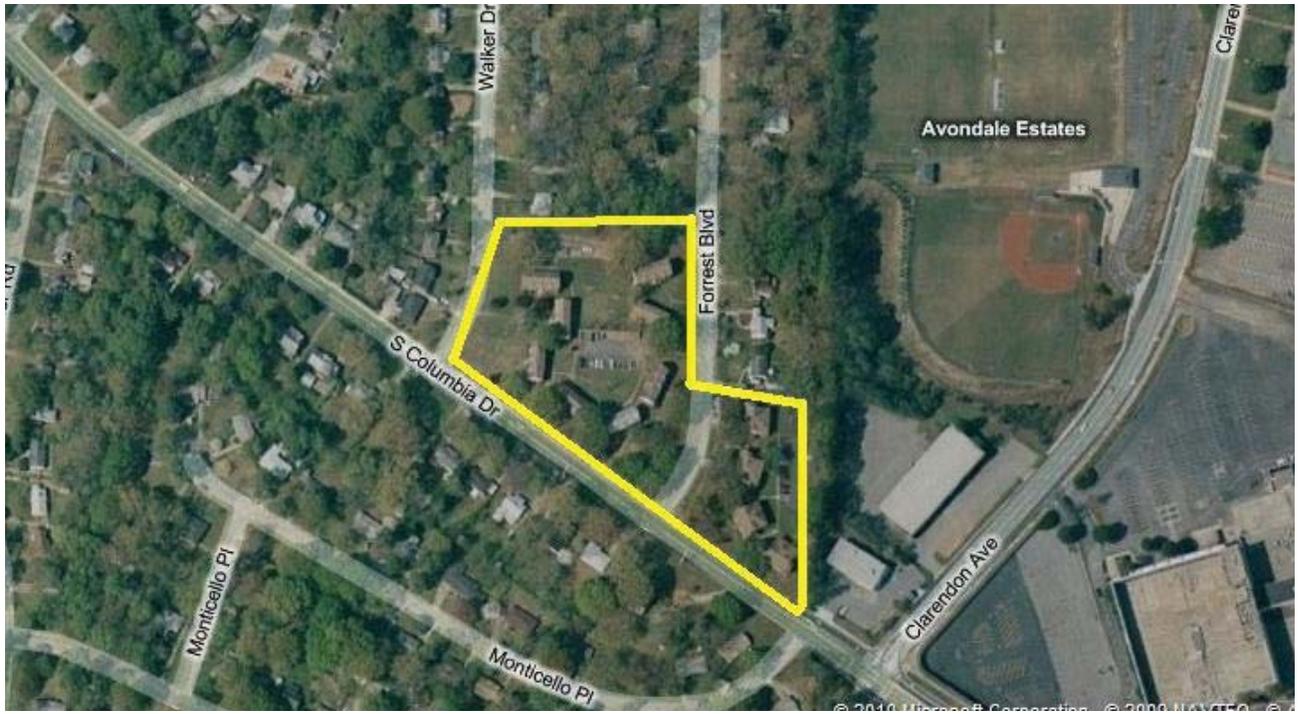
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EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

- Property Appraised:** The Subject site is located at 1048 Columbia Drive, Decatur, Georgia.
- Subject Property Description:** The Subject property consists of 64 units located within 12, two-story, garden apartment buildings. The Subject's unit mix consists of 16 studio, 16 one, and 32 two-bedroom units. Currently, the Subject is vacant and has been vacant for over a year. The property was originally constructed in 1951. Upon inspection of the property, it is currently in poor condition, with significant deferred maintenance. The Subject does not offer central air conditioning and water damage along with some gutting of appliances has occurred during its vacancy. Unit layouts are functional but small based on comparable multifamily properties. In addition, the property suffers significantly from a lack of amenities, inferior or absent appliances, and generally inferior condition when compared to other properties in the market.
- Property Identification:** The Subject is located at 1048 S. Columbia Drive in Decatur, Georgia. It is named Forrest Heights Apartments. According to the DeKalb County Tax Assessor's Office, the Subject is identified by parcel numbers 15 216 13 014 and 15 216 07 030.



- Land Area:** 5.26 Acres.
- Legal Interest Appraised:** The property interest appraised is fee simple subject to any and all encumbrances, if applicable for each value estimate.
- Zoning Classification:** The Subject site is currently zoned RM-75 (Multifamily Residential District) by DeKalb County. This zoning designation allows for up to 18 units per acre. The Subject, at 12.49 units per acre, is a conforming use. Other permitted uses include single-family detached and attached units, supportive living units and multifamily dwelling units. The Subject's acreage is split between two parcels, and the site has an irregular shape and a sloping topography. Therefore, it is likely that the Subject site could not achieve the maximum allowable density for new development. However, there does appear to be some excess land at the site as it is currently developed.
- Flood Plain:** According to www.floodinsights.com, the Subject is located in Zone X (community map number 113089C069H effective May 7, 2001) and is located outside of the 100 and 500-year flood plains. Additionally, the site is not located within 250 feet of multiple flood zones. Novogradac is not an expert in this field and further analysis is beyond the scope of work.
- Location and Surrounding Uses:** The Subject site is located on the north side of South Columbia Drive, with buildings located immediately east and immediately west of Forrest Boulevard. This area is located centrally along the eastern border of the Atlanta perimeter. There is a Marta Bus stop for Marta Bus 96, Columbia Drive, at the intersection of South Columbia Drive and Forrest Boulevard as well as at the intersection of Walker Drive and South Columbia Drive. The Subject is located at the entry to a residential neighborhood dominated by single-family homes in fair to good condition. Adjacent to the Subject site is a Sherwin Williams Paint Store followed by a new Super Wal-Mart and additional low and high density commercial uses. The surrounding land uses are described below:
- North:** Land uses to the north include Forrest Heights Elementary School and Avondale Estates, a single-family residential neighborhood with homes in good to average condition and well occupied.

South: Land uses to the south of the Subject include a residential neighborhood with single family homes in fair to good condition.

East: The adjacent land uses to the east are the Columbia Head Start Center and a Sherwin Williams paint store. Adjacent to the Sherwin Williams is a newly developed Super Wal-Mart. Avondale High School and Memorial Stadium are located east of the Subject, north of the Head Start Center. Python Park is also located to the east of the Subject and is used for a variety of sports related activities. Further east of the Wal-Mart is the intersection of Memorial Drive and Columbia Drive that is developed with high and low density commercial development the is in good condition and approximately 95 percent occupied. Commercial uses include several fast food restaurants, gas stations, a Kroger grocery store, Value Village discount clothing store, Dollar Tree, Radio Shack, Blockbuster, Athletes Foot, and more.

West: The adjacent land use to the west is a single family homes neighborhood. Further west are several religious and educational institutions including Columbia Drive Baptist Church, New Orleans Baptist Theological Seminary, Columbia Presbyterian, Friends Schools of Atlanta, and Columbia Theological Seminary. The United Methodist Children's Home is also located on S. Columbia Drive.

**Ownership History
of the Subject:**

The site is currently owned by New Columbia Forest Heights, L.P. New Columbia Forest Heights purchased the Subject from Progressive, Columbia, Inc. (seller) on November 23, 2011 for \$929,917. The sale included the buyer assuming the balance of a loan from The Housing Authority of DeKalb County (\$404,471) and a loan from Georgia Housing and Finance Authority (\$418,616) in addition to delinquent taxes, utilities and expenses incurred by the previous owner. There have been no other purchases of the Subject over the last five years. We are not aware of any pending contracts.

Effective Date:

The Subject site was inspected on April 27, 2012, 2011.

Indications of Value:

As a result of our analysis, the Subject's, "As Is" value as of April 27, 2012, is:

AS IS VALUE		
Scenario	Price/Unit	Indicated Value
Land Value	\$12,500	\$800,000
Shell Value		\$400,000
As Is Value (Rounded)		\$1,200,000

**ONE MILLION TWO HUNDRED THOUSAND DOLLARS
(\$1,200,000)**

Exposure Time: Nine – 12 Months

Marketing Period: Nine – 12 Months

FACTUAL DESCRIPTION

FACTUAL DESCRIPTION

APPRAISAL ASSIGNMENT AND VALUATION APPROACH

As requested, the appraisers provided opinions of value of both tangible and intangible assets, described and defined below:

- As Is Value

In determining the value estimate, the appraisers employed the sales comparison The as is (land value) was estimated via sales comparison approach of similar land sales. Given the Subject's investment type, the cost approach is not considered a reliable method of valuation. It is not used by participants in the marketplace, and was not developed for the reasons indicated.

The sales comparison approach involves a comparison of the appraised land with similar land parcels that have sold recently. When land sales are not directly comparable, sale prices may be broken down into units of comparison, which are then applied to the Subject for an indication of its likely selling price.

Property Identification

The Subject is located at 1048 S. Columbia Drive in Decatur, Georgia. It is named Forrest Heights Apartments. According to the DeKalb County Tax Assessor's Office, the Subject is identified by parcel numbers 15 216 13 014 and 15 216 07 030.

Intended Use and Intended User

Columbia Residential and its affiliates is the client in this engagement. Intended users are those transaction participants who are interested parties. These could include developers, local housing authorities and state allocating agencies such as Georgia Department of Community Affairs, which are intended users in this document. As our client, the above referenced parties own this report and permission must be granted from them before another third party can use this document. We assume that by reading this report another third party has accepted the terms of the original engagement letter including scope of work and limitations of liability. We are prepared to modify this document to meet any specific needs of the potential uses under a separate agreement.

Property Interest Appraised

The property interest appraised is fee simple estate subject to any and all encumbrances, if applicable for each value estimate.

Date of Inspection and Effective Date of Appraisal

The site was inspected on April 27, 2012.

Scope of the Appraisal

For the purposes of this appraisal, the appraiser visually inspected the Subject and comparable data. Individuals from a variety of city agencies as well as the Subject's development team were consulted (in person or by phone). Various publications, both governmental (i.e. zoning ordinances) and private (i.e. Multiple List Services publications) were consulted and considered in the course of completing this appraisal.

The scope of this appraisal is limited to the gathering, verification, analysis and reporting of the available pertinent market data. All opinions are unbiased and objective with regard to value. The appraiser made a reasonable effort to collect, screen and process the best available information relevant to the valuation assignment and has not knowingly and/or intentionally withheld pertinent data from comparative analysis. Due to data source limitations and legal constraints (disclosure laws), however, the appraiser does not certify that all data was taken into consideration.

Compliance and competency provision

The appraiser is aware of the compliance and competency provisions of USPAP, and within our understanding of those provisions, this report complies with all mandatory requirements, and the authors of this report possess the education, knowledge, technical skills, and practical experience to complete this assignment competently, in conformance with the stated regulations.

Unavailability of information

In general, all information necessary to develop an estimate of value of the subject property was available to the appraisers.

Furniture, Fixtures, and Equipment

Removable fixtures such as kitchen appliances and hot water heaters are considered to be real estate fixtures that are essential to the use and operation of the complex. Supplemental income typically obtained in the operation of an apartment complex is included; which may include minor elements of personal and business property. As immaterial components, no attempt is made to segregate these items.

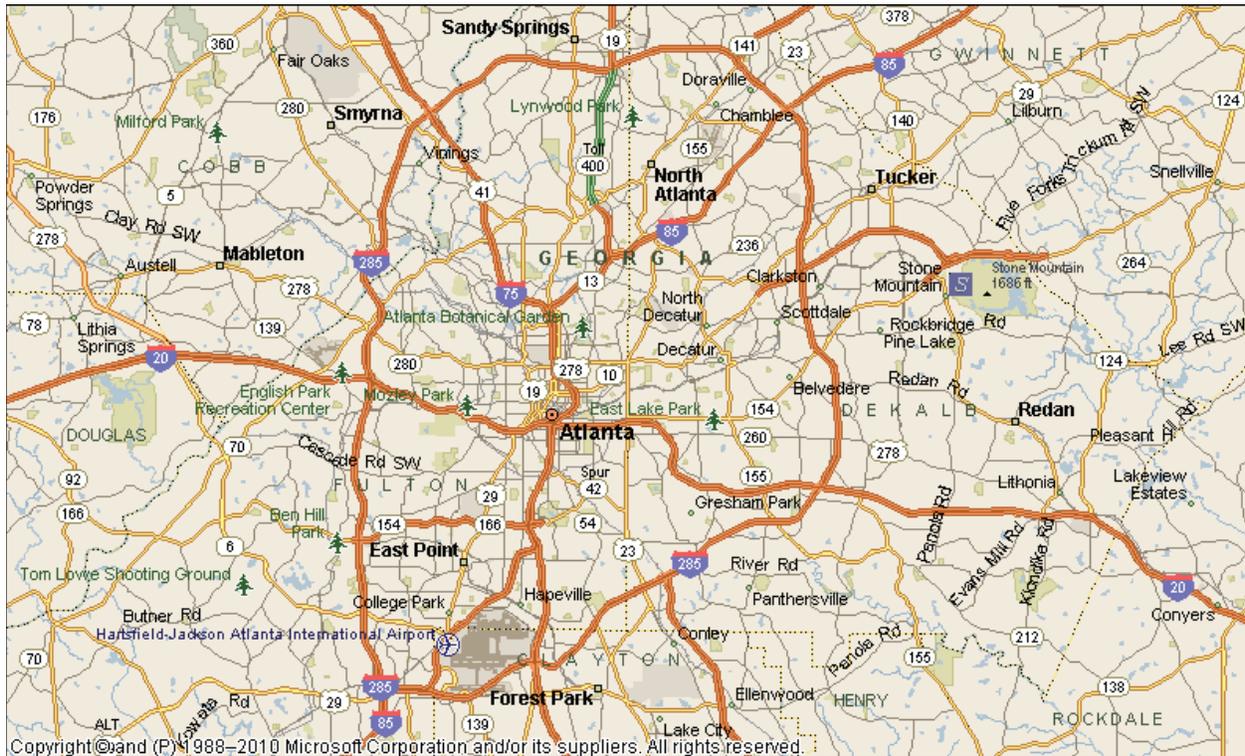
Ownership and History of Subject

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REGIONAL AND LOCAL AREA SUMMARY

REGIONAL AND LOCAL AREA ANALYSIS

REGIONAL MAP



ECONOMIC ANALYSIS

Decatur is located approximately seven miles east of the heart of Atlanta and has access to the Atlanta area via Interstate 20. Due to the city's proximity to the Atlanta area, a considerable amount of residents commute outside the county for work. Therefore, employment expansions and contractions in the larger Atlanta area will likely affect employment in the city of Decatur as well as the county as a whole.

In this section of the report we will provide an assessment of current and forecasted economic conditions and employment characteristics, including an analysis of recent trends and how they relate to demand for additional new rental housing. Economic data will focus on the Atlanta Metropolitan Statistical Area and DeKalb County, Georgia.

Examining economic data will also provide a picture of the general health of the community and its ability to support new multifamily construction.

The Subject is located in Decatur, DeKalb County, Georgia. Atlanta is a major financial and corporate center for the entire southeastern United States. The relatively low cost of living, mild climate, excellent transportation facilities, and a variety of educational and recreational facilities have contributed to its attractiveness as a place to live.

The Atlanta metropolitan area has been successful in attracting many new and expanding technology and Internet companies into the area. It also continues to be the city of choice for many other start-up companies in a variety of service and manufacturing industries. Atlanta was the site of the 2000 Super Bowl and the 1996 Summer Olympic Games, both of which stimulated the economy.

Additionally, a number of factors have contributed to the Atlanta commercial real estate market's resurgence:

- The recovery of the nation's economy in the early 1990s.
- Activity generated by the 1996 Summer Olympic Games.
- The mature and well-developed metropolitan transportation infrastructure, which includes its strategic location at the junction of three interstate highways;
- Hartsfield International Airport, which is one of the nation's busiest airports, and has completed a \$305 million concourse to service international air traffic;
- The Metropolitan Atlanta Rapid Transit Authority (MARTA) rail system, which was established in 1988 and now connects the downtown business area and the airport to suburban office and residential locations.
- A diverse job base anchored by services, retail trade, government, and manufacturing employment.

The above factors are market fundamentals that do not completely insulate the Atlanta area from periodic slumps in the national economy, but generally serve to mitigate their effects. This diversification has also proven to be attractive to many real estate investors over time. A number of recent surveys have chosen Atlanta as one of the more popular business and residential locations in the United States.

Major Employers

The following table lists the most recent available list of major employers in Decatur.

MAJOR EMPLOYERS Decatur, GA

#	Employer	Industry	Number Employed
1	Dekalb County Government	Government	1,200
2	Emory University Health Systems	Healthcare	600
3	Decatur Board of Education	Education	489
4	Agnes Scott College	Education	375
5	DeVry University	Education	290
6	U.S. Postal Service	Government	200
7	City of Decatur	Government	200
8	Decatur Hospital	Healthcare	150
9	Columbia Theological Seminary	Non-profit/Religious	100
10	Wells Fargo Bank	Finance	45
11	McCurdy Candler	Legal	25
	Total		3,674

Source: City of Decatur, April 2012

As the table above illustrates, the City of Decatur's major employers are almost all in the services industries. Education services, government, and healthcare services are all represented among Decatur's top employers. While the economy does not appear to be very diverse, the major employers are primarily contained in stable industries such as education services, healthcare services, and government and therefore we do not believe this will negatively affect the Subject.

Expansions/Contractions

The following table lists some of these expansions in the larger metropolitan Atlanta area. It should be noted that the following table is not a comprehensive list.

BUSINESS EXPANSIONS*
Atlanta-Sandy Springs-Marietta, GA MSA

Year	Employer	Industry	Location	Jobs
2012	PointClear	Technology	Atlanta	10
2012	Fresenius Medical	Healthcare	Kennesaw	120
2011	ThyssenKrupp	Information	Alpharetta	110
2011	FedEx Ground	Distribution	Norcross	315
2011	Macy's	Retail	Johns Creek	150
2011	Cadiallac Jack	Information	Duluth	40
2010	Hewlett-Packard	Information	Alpharetta	1,000
2010	Vesta	Call Centers	Alpharetta	500
2010	SKC, Inc.	Manufacturing	Covington	120
2010	Novelis, Inc.	Manufacturing	Atlanta	80
2010	Phillips-Van Buren	Distribution	McDonough	150
2010	Callaway Black Group	Branch Office	Atlanta	30
2010	Chart Industries	Manufacturing	Atlanta	80
2010	CT&T	Branch Office & Showroom	Atlanta	40
2010	Endeavor Telecom	Headquarters	Atlanta	120
Total				2,865

Source: GA Department of Labor

*List is not comprehensive

As the previous table demonstrates, expansions in the metropolitan Atlanta market have been in various industries that have been affected by the economic downturn including retail and manufacturing. However, these industries have adapted to the current market including Macy's, which is expanding its e-commerce department. The number of jobs to be created by these expansions surpasses the number lost according to the 2011 WARN notices

DEKALB COUNTY BUSINESS CLOSURES/LAYOFFS

Company Name	City	# of Jobs Affected	Date
Cox Communications	Atlanta	133	1/27/2012
Bloomingdale's	Atlanta	141	1/4/2012
Total 2012 Job Losses YTD		274	
Netspend Corp	Atlanta	80	12/6/2011
Kmart	Doraville	70	10/31/2011
CCP North America	Stone Mountain	45	10/19/2011
Decatur Hotel	Decatur	55	8/4/2011
Total 2011 Job Losses		250	

Source: GA Department of Labor 05/2012

As illustrated in the above table, Decatur County lost 250 jobs in 2011 and 274 jobs as of May 2012. The announced expansions will mitigate these losses.

Employment and Unemployment Trends

The following table details employment and unemployment trends for the MSA from 2000 to 2011.

EMPLOYMENT & UNEMPLOYMENT TRENDS (NOT SEASONALLY ADJUSTED)

Year	Atlanta-Sandy Springs-Marietta, GA MSA				USA			
	Total Employment	% Change	Unemployment Rate	Change	Total Employment	% Change	Unemployment Rate	Change
2000	2,304,515	-	3.1%	-	136,891,000	-	4.2%	-
2001	2,335,175	1.3%	3.6%	0.5%	136,933,000	0.0%	4.0%	-0.2%
2002	2,330,487	-0.2%	4.9%	1.3%	136,485,000	-0.3%	4.7%	0.7%
2003	2,334,092	0.2%	4.8%	-0.1%	137,736,000	0.9%	5.8%	1.1%
2004	2,379,513	1.9%	4.7%	-0.1%	139,252,000	1.1%	6.0%	0.2%
2005	2,456,221	3.2%	5.3%	0.6%	141,730,000	1.8%	5.5%	-0.5%
2006	2,535,341	3.2%	4.7%	-0.6%	144,427,000	1.9%	5.1%	-0.4%
2007	2,604,115	2.7%	4.6%	-0.1%	146,047,000	1.1%	4.6%	-0.5%
2008	2,582,627	-0.8%	6.2%	1.6%	145,362,000	-0.5%	4.6%	0.0%
2009	2,424,779	-6.1%	9.8%	3.6%	139,877,000	-3.8%	5.8%	1.2%
2010	2,388,182	-1.5%	10.2%	0.4%	139,064,000	-0.6%	9.3%	3.5%
2011 YTD Average*	2,427,996	1.7%	10.2%	0.0%	139,869,250	0.6%	9.6%	0.3%
Dec-2010	2,417,619	-	10.0%	-	139,159,000	-	9.6%	-
Dec-2011	2,468,133	2.1%	8.9%	-1.1%	140,681,000	1.1%	9.6%	0.0%

Source: U.S. Bureau of Labor Statistics, Novogradac & Company LLP, April 2012

*2011 data is through Annual

From 2002 through 2008, total MSA employment increased steadily. In 2009, total MSA employment decreased by 6.1 percent, compared to a national employment decrease of 3.8 percent for the same period of study. This is a result of the recent economic downturn that began in late 2008. Total employment in the MSA increased 2.1 percent for the twelve-month period ending in December 2011. By contrast, national employment increased only 1.1 percent for the same time period. As of December 2011, the unemployment rate in the MSA was at 8.9 percent which is below the nation at 9.6 percent. As a result of the recent employment trends, we believe the MSA is starting to recover from the effects of the recession.

Conclusion

Employment in the PMA is concentrated in the educational services, healthcare, and retail trade sectors. This is typical of downtown business districts. Overall the Atlanta economy has been more adversely affected by the current national recession than the nation as a whole. The Atlanta MSA has reported job losses of approximately 6.1 percent in 2009 versus 3.8 percent in the nation. However, there has been job growth of 2.1 percent as of December 2011. The unemployment rate in the MSA as of December 2011 is lower than the national unemployment rate. Overall, the area has been severely impacted by the national foreclosure crisis, housing market downturn, and recession and will likely be on par or lag slightly with national trends in terms of recovery in the near term.

PROPERTY DESCRIPTION

DESCRIPTION OF THE SITE

The location of a multifamily property can have a substantial negative or positive impact upon the performance, safety and appeal of the project. The site description will discuss the physical features of the site, as well as layout, access issues, and traffic flow.



- Size:** The Subject site is approximately 5.26 acres.
- Shape:** The site is generally irregular in shape.
- Frontage:** The Subject has frontage along the north side of South Columbia Drive, the east and west side of Forest Boulevard and the east side of Walker Drive.
- Topography:** The Site has undulating topography generally level topography at its road frontage along South Columbia Drive and a gradual slope northward.
- Utilities:** All utilities are provided to the site.

Visibility/Views:

The Subject site has excellent visibility from South Columbia Drive, Walker Drive, and Forrest Boulevard. Views to the south and west consist of single-family homes in average condition. The view to the north is vacant wooded land and a single-family home in average condition. Views to the east are of single-family homes in average condition, a Sherwin Williams paint store and the back of a Head Start Center that includes a playground. The Head Start Center and the Sherwin Williams are partially obscured by a fence and a tree border. Views are considered average.

The following are pictures of the site and surrounding uses.



Subject site



Subject site



Subject site



Subject site



Rear of buildings



Subject site facing west



Exterior of Building



Interior of unit



View of kitchen counter



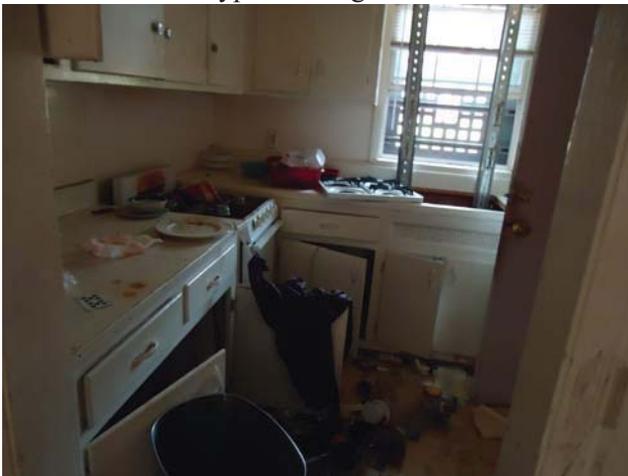
Typical bedroom



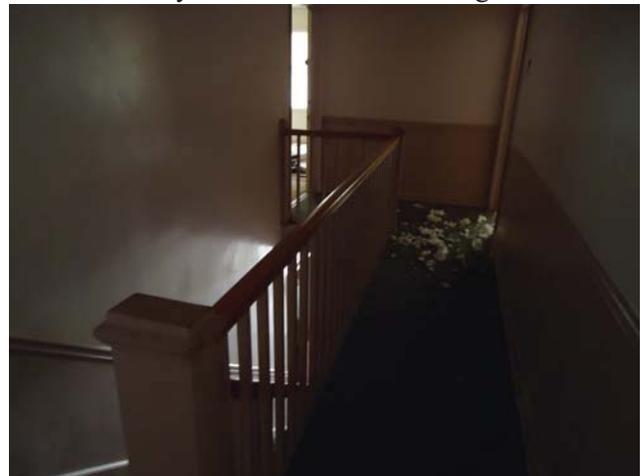
Typical living room



Drywall and electrical damage



Typical kitchen



Stairwell of Subject



Typical family room



View southeast on Columbia Drive from Subject



View west on Columbia Drive from Subject



View of Sherwin Williams from Subject site



Super Wal-Mart



Burger King



Kroger retail center



Intersection of Columbia Drive and Memeorial Drive



Strip retail center on Columbia Drive just northwest of Memorial Drive



Single family home west of Subject

Zoning:

The Subject site is zoned RM-75 (Multifamily Residential District) by DeKalb County. This zoning designation allows for up to 18 units per acre. The Subject, at 12.49 units per acre is a conforming use. Other permitted uses include single-family detached and attached units, supportive living units and multifamily dwelling units. Given that the acreage is split between two sites currently at the Subject, we believe the current density illustrated by the Subject is the maximum achievable. Setbacks from the bordering streets and the site characteristics slightly limit the density from the allowable 18 units per acre.

Access and Traffic Flow:

The Subject is accessible from South Columbia Drive, a moderately trafficked road that provides access to Memorial Drive to the southeast. Memorial Drive is a heavily trafficked major east-west corridor that provides access to Interstate 285 to the east and Interstate 20 to the west. Additional access is via Forrest Boulevard and Walker Drive, lightly trafficked residential roadways that border the Subject site. The Subject has excellent access. In addition, traffic flow is considered good.

Drainage:

Appears adequate; however, no specific tests were performed.

Soil and Subsoil Conditions:

No soil test was provided for our review. We assume the soil is acceptable for the proposed construction.

Flood Plain:

According to www.floodinsights.com, the Subject is located in Zone X (community map number 113089C069H effective May 7, 2001) and is located outside of the 100 and 500-year flood plains. Additionally, the site is not located within 250 feet of multiple

flood zones. Novogradac is not an expert in this field and further analysis is beyond the scope of work.

Environmental: No environmental report was provided. It is assumed that the site is not impacted by adverse environmental conditions.

Detrimental Influences: None.

Conclusion: No detrimental influences were identified for the Subject site. The Subject site is physically capable of supporting a variety of legally permissible uses, and is considered an adequate building site.

DESCRIPTION OF THE IMPROVEMENTS

Property Improvements:	The Subject property consists of 64 units located within 12, two-story buildings. The Subject's unit mix consists of 16 studio units at 400 square feet, 16 one-bedroom units at 600 square feet, and 32 two-bedroom units at 805 square feet. Currently, the Subject is vacant and has been vacant for over a year. Prior to its vacancy the Subject maintained an occupancy between 95 and 98 percent. The property was originally constructed in 1951 and has a total square footage of 41,760. Upon inspection of the property, it is currently in poor condition, with significant deferred maintenance. The Subject does not offer central air conditioning and water damage along with some gutting of appliances has occurred during its vacancy. Unit layouts are functional but small when compared to comparable multifamily properties. In addition, the property suffers from a lack of amenities, inferior or absent appliances, and generally inferior condition when compared to other properties in the market.
Year Built or Date of Construction:	The Subject was constructed in 1951.
Number of Stories:	The Subject consists of 12 two-story buildings.
Community Amenities:	Site improvements include typical landscaping for this type of property, a central laundry room, and a playground.
Parking:	The Subject offers three parking lots with one located at the center of eight of the buildings, one along the northern portion of the site and an additional lot along the eastern portion of the site.
Americans With Disabilities Act of 1990:	To the best of our knowledge, the Subject will not have any violations of the Americans With Disabilities Act of 1990.
Quality of Construction Condition and Deferred Maintenance:	The Subject was constructed using average-quality materials in a professional manner. The Subject is in poor condition and in need of major rehabilitation. Repairs to plumbing, fixtures, HVAC systems, paved areas, exterior trim, roofs and gutter replacement along with repairs to the interior walls and ceilings due to water damage and mold are required. Additionally, the electrical wiring is aluminum and against current code and would need to be

replaced.

Functional Utility:

The Subject was constructed in 1951 and the unit layouts and unit sizes are somewhat outdated and with kitchens and bathrooms that are smaller than what is typical in a newly constructed multifamily property resulting in some functional obsolescence.

Conclusion:

The Subject is in poor condition and in need of major rehabilitation and the functional utility of the buildings suffer from outdated unit designs. Repairs to plumbing, fixtures, HVAC systems, paved areas, exterior trim, roofs and gutter replacement along with repairs to the interior walls and ceilings due to water damage and mold are required. Additionally, the electrical wiring is aluminum and against current code and would need to be replaced.

HIGHEST AND BEST USE ANALYSIS

HIGHEST AND BEST USE ANALYSIS

Highest and Best Use may be defined as that legal use which will yield the highest net present value to the land, or that land use which may reasonably be expected to produce the greatest net return over a given period of time.

Investors continually attempt to maximize profits on invested capital. The observations of investor activities in the area are an indication of that use which can be expected to produce the greatest net return to the land. The principle of conformity holds, in part, that conformity in use is usually a highly desirable adjunct of real property, since it creates and/or maintains maximum value, and it is maximum value which affords the owner maximum returns.

The Dictionary of Real Estate Appraisal, (Fourth Edition, 2002), published by the Appraisal Institute, defines highest and best use as:

"The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability. That reasonable and probable use that will support the highest present value of vacant land or improved property as defined as of the date of the appraisal."

It is to be recognized that in cases where a site has existing improvements on it, the highest and best use may very well be determined to be different from the existing use. The existing use will continue, however, unless and until land value in its highest and best use exceeds the total value of the property in its existing use. Implied in this definition is that the determination of highest and best use takes into account the contribution of a specific use to the community and community development goals as well as the benefits of that use to individual property owners. The principle of Highest and Best Use may be applied to the site if vacant and to the site as it is improved.

The Highest and Best Use determination is a function of neighborhood land use trends, property size, shape, zoning, and other physical factors, as well as the market environment in which the property must compete. In arriving at the estimate of highest and best use, the Subject site was analyzed as if vacant and available for development and as it is today as developed.

Four tests are typically used to determine the highest and best use of a particular property. Thus, the following areas are addressed.

1. **Physically Possible:** The uses to which it is physically possible to put on the site in question.
2. **Legally Permissible:** The uses that are permitted by zoning and deed restrictions on the site in question.
3. **Feasible Use:** The possible and permissible uses that will produce any net return to the owner of the site.
4. **Maximally Productive:** Among the feasible uses, the use that will produce the highest net return or the highest present worth.

HIGHEST AND BEST USE AS VACANT

Physically Possible

The Subject site contains approximately 5.26 acres and is situated on two parcels that are separated by a residential roadway. The site has undulating to gently sloping topography and good accessibility. The site is considered adequate for a variety of legally permissible uses.

Legally Permissible

The Subject site is zoned RM-75 (Multifamily Residential District) by DeKalb County. Permitted uses include multifamily dwelling units, single-family detached and attached units, and supportive living units with the primary purpose and intent of the MF-75 zoning designation to provide for the development multifamily neighborhoods. The maximum density under the RM-75 designation is 18 units per acre. The zoning code allows for a maximum of four stories and maximum lot coverage of 35 percent. The Subject, at 12.49 units per acre is a conforming use; however, the maximum allowable units for the Subject site is 94. While the acreage is split between two sites, we believe the maximum achievable density as vacant for the Subject is higher than 12.49 units based on the following comparable data in the Subject’s area.

COMPARABLE DENSITIES

Property	Year Built	Units	Acres	Unts Per Acre
Birch Grove	1972/2002	168	14.0	12.0
Chapel Run	2003	172	9.0	19.2
Columbia Village	1999	100	13.7	7.3
Highland Pointe	1989	210	12.5	16.9
Average		163	12.3	13.8

The previous table indicates an average density per acre is 13.8 units per acre. Based on the comparable data combined with the maximum lot coverage allowable and the site characteristics, we believe that a density of 16 units per acre is considered reasonable. Therefore, the site could yield a total of 84 total units if vacant.

Financially Feasible

The cost of the land limits those uses that are financially feasible for the site. Any uses of the Subject site that provide a financial return to the land in excess of the cost of the land are those uses that are financially feasible.

The Subject’s feasible uses are restricted to those that are allowed by zoning classifications, and are physically possible. As noted in the zoning section, the Subject site is zoned RM-75. Given the surrounding land uses, the current state of the economy, and the multifamily market, it is unlikely that multifamily construction is feasible without subsidy.

Maximally Productive

Apartments, such as the Subject’s current use, will produce an ongoing income stream, which will typically produce an overall higher return to the land. Given the subject’s location, surrounding

development and economic viability, the maximally productive use of the site, as if vacant, is for multifamily development.

Conclusion – Highest and Best Use “As If Vacant”

Highest and Best Use as if Vacant would be to hold until market rents allow development or to develop with LIHTC or other subsidy of a property with approximately 84 units.

Conclusion – Highest and Best Use “As Is”

The Subject is developed with a 64 unit multifamily property. While the buildings require major renovations and repairs in order to operate, the structures are in usable condition. While the unit sizes are smaller than the market average, prior to the Subject’s vacancy the Subject was income producing and had an occupancy of 97 percent. The site could yield an additional 20 units; however, the value of the existing buildings yields a higher value than the value of the land less demolition costs. Therefore, the Highest and Best Use as is would be to hold until market rents allow development or to renovate the existing buildings with subsidy.

APPRAISAL METHODOLOGY

APPRAISAL METHODOLOGY

The valuation process begins with an estimate of the highest and best use of the Subject property considered as vacant. Once determined the property is then valued according to its highest and best use.

The sales comparison approach typically reflects the actions of buyers and sellers in the marketplace and serves as an excellent benchmark as to what a potential buyer would be willing to pay for the subject property. We researched the Subject's market area for recent sales of comparable vacant land sales to determine the estimated value of the Subject site.

The cost approach consists of a summation of land value (as though vacant) and the cost to reproduce or replace the improvements, less appropriate deductions for depreciation. Reproduction cost is the cost to construct a replica of the Subject improvements. Replacement cost is the cost to construct improvements having equal utility. We have developed a cost approach in this analysis based on the scope of work.

COST APPROACH

COST APPROACH

The employment of the Cost Approach in the valuation process is based on the principle of substitution. Investors in the marketplace do not typically rely upon the cost approach. As a result, the cost approach is considered to have only limited use in the valuation of the Subject property. The cost approach is considered to be a useful tool and provides the reader with a measure of the economic status within the marketplace.

The principle may be stated as follows:

“No one is justified in paying more for a property than that amount by which he can obtain, by purchase of a site and construction of a building, without undue delay, a property of equal desirability and utility. In the case of a building that is new, the disadvantages of deficiencies of the existing building are compared with a new building that must be evaluated.”

The Cost Approach normally consists of four steps:

1. The estimate of the land's value as if vacant.
2. The estimate of the current cost of replacing the existing improvements.
3. The estimate and deduction of depreciation from all causes if applicable.
4. The addition to the value of the land and the depreciated value of the improvements.

Replacement cost is defined as the cost of creating a similar building or improvement on the basis of current price using modern materials. It should be noted that the budget exhibited is for development of a rent restricted LIHTC property. Many of the costs for obtaining the tax credits are included. The value of the tax credits is often illustrated through a discounted cash flow analysis which is beyond the scope of this assignment. The budgeted costs will be adjusted to reflect a market value not inclusive of the tax credit value. It will be primarily used as support for our highest and best use determination.

LAND VALUATION

To arrive at an estimated land value for the Subject site, the appraisers have analyzed actual sales of comparable properties in the competitive area.

The sales comparison approach to value is a process of comparing market data; that is, the price paid for similar properties, prices asked by owners, and offers made by prospective purchasers willing to buy or lease. Market data is good evidence of value because it represents the actions of users and investors. The sales comparison approach is based on the principle of substitution, which states that a prudent investor would not pay more to buy or rent a property than it will cost him to buy or rent a comparable substitute. The sales comparison approach recognizes that the typical buyer will compare asking prices and work through the most advantageous deal available. In the sales comparison approach, the appraisers are observers of the buyer’s actions. The buyer is comparing those properties that constitute the market for a given type and class.

To arrive at an estimated land value for the Subject site, the appraisers have analyzed actual sales of comparable properties in the competitive area.

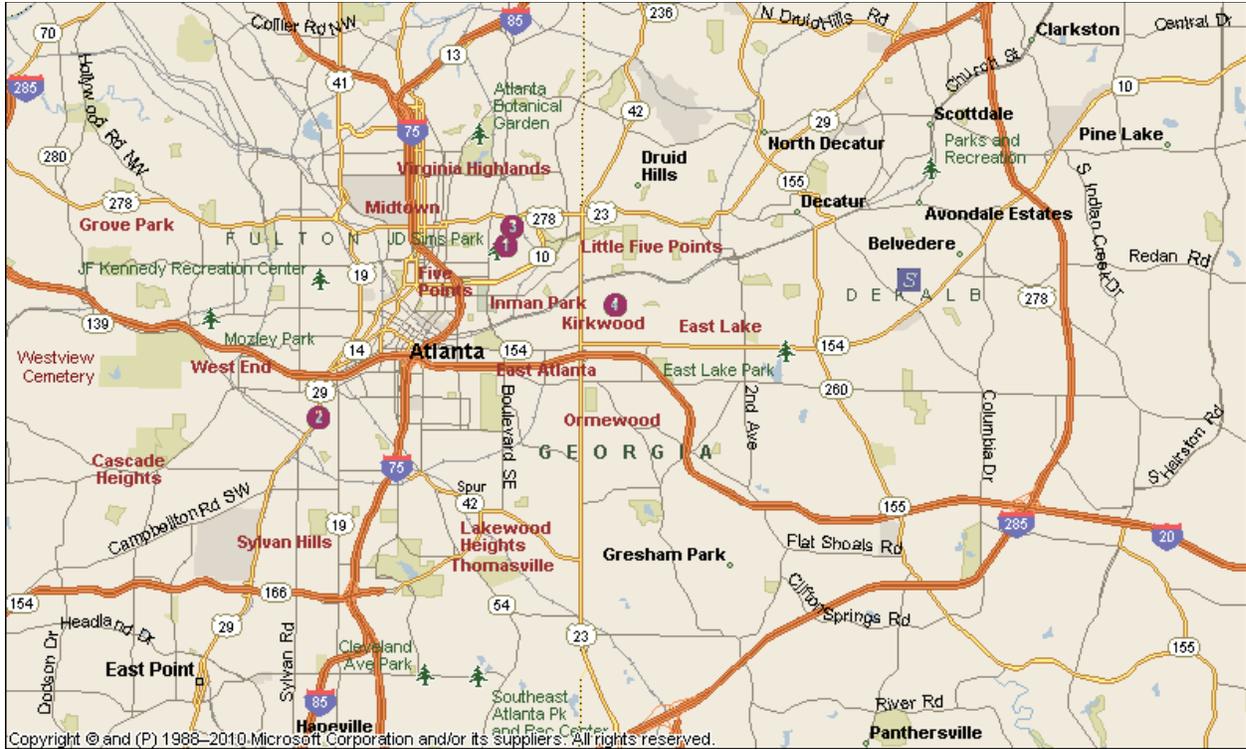
The sales comparison approach typically reflects the actions of buyers and sellers in the marketplace and serves as an excellent benchmark as to what a potential buyer would be willing to pay for the subject property. We researched the Subject's market area for recent sales of comparable vacant land sales. There is a lack of available multifamily land sales within the DeKalb County and Decatur areas over the past four years. Therefore, we selected the best transactions available that represent the most recent competitive alternative sales or contracts in the marketplace. We have included one sale from 2012, a LIHTC contract in 2011 and one sale from 2009 and two sales that occurred between 2010 and 2011.

The table below provides a summary of the sales used:

COMPARABLE LAND SALES

#	Location	City	Sale Date	Price	Acres	Units	Price/Unit
1	Rankin Street NE	Atlanta, GA	Mar-12	\$5,025,920	3.70	276	\$18,210
2	806 Murphy Street	Atlanta, GA	May 2011 Contract	\$975,000	2.44	91	\$10,714
3	641 North Avenue	Atlanta, GA	Mar-11	\$5,000,000	4.20	350	\$14,286
4	1412 Hardee St	Atlanta, GA	Sep-10	\$900,000	7.06	100	\$9,000

Throughout our conversations with market participants and buyers and sellers of the comparable sales, the respondents indicated that the purchase price is typically based upon a price per unit. This is typical of the multifamily market and will be used as a basis for analysis. The table above indicates a range in price from approximately \$9,000 to \$18,210 per unit. A location map is presented on the following page.



The adjustment grid follows in a few pages. As illustrated, adjustments have been made based on price differences created by the following factors:

- **Property Rights**
- **Financing**
- **Conditions of Sale**
- **Market Conditions**
- **Location**
- **Zoning**
- **Topography**
- **Shape**
- **Size / Number of Units**

Property Rights

All sales were of fee simple interest; therefore, no adjustments are necessary.

Financing

Information on the financing of the transactions was unavailable at the time of the sale; therefore, no adjustment is necessary.

Conditions of Sale

No unusual conditions existed or are known; therefore, no adjustment is necessary.

Market Conditions

The comparable sales took place between 2010 and 2012 therefore no adjustments are necessary.

Location

Location encompasses a number of issues, including location within different market areas with different supply/demand pressures, the character/condition of surrounding development, access, and visibility. It is important to assess which factors truly impact value for different types of real estate. We have addressed this issue (as well as the remaining elements of comparison) on a comparable-by-comparable basis. The following tables illustrate the median home sales prices and average sales prices for each land sale as well as the median rents and median incomes, arranged by zip code. The last table illustrates the average of the differential in home value, median income, and median rent for the comparable locations, as compared to the Subject's location, and will be used to determine an appropriate adjustment for the Subject as compared to the comparables.

AVERAGE HOME SALES

Property	Zip Code	Average Home Value	Differential With Subject Site
Subject	30030	\$316,000	-
Comp 1	30308	\$186,000	70%
Comp 2*	30083	\$53,000	496%
Comp 3	30308	\$186,000	70%
Comp 4	30307	\$247,000	28%

Source: Melissadata.com, 5/2012.

* Illogical data point

MEDIAN HOUSEHOLD INCOME

Property	Zip Code	Household Income	Differential With Subject Site
Subject	30030	\$59,691	-
Comp 1	30308	\$32,555	83%
Comp 2	30083	\$50,046	19%
Comp 3	30308	\$32,555	83%
Comp 4	30307	\$56,496	6%

Source: Census Bureau, 5/2012

MEDIAN RENT

Property	Zip Code	Median Rent	Subject Site
Subject	30030	\$676	-
Comp 1	30308	\$708	-5%
Comp 2	30083	\$509	33%
Comp 3	30308	\$708	-5%
Comp 4	30307	\$671	1%

Source: Census Bureau, 5/2012

The numbers in the table above are not necessarily good indications of the adjustments to apply. The Subject is located in the 30030 zip code. The Subject is located in a mixed use area with both residential uses and retail/commercial uses nearby and is a desirable location. Comparable one and three offer a superior neighborhood with newer retail and amenities and have experienced revitalization efforts for more than five to ten years. This neighborhood has several retail/commercial amenities within walking distance (The Home Depot, Whole Foods, Borders, and more) and has several newly constructed and renovated multifamily and commercial properties nearby. These sites are part of a master plan redevelopment. Comparable two offers a slightly inferior location in a predominately industrial and residential neighborhood. The immediate neighborhood has undergone some amount of revitalization efforts in recent years. Single family homes in the neighborhood range in age/condition from poor to good. Given the surrounding uses within Sale two's zip code, the average home sales price is considered an illogical data point for this sale. Comparable four offers the most similar location within close proximity to retail and commercial uses in an area that has undergone a moderate amount of revitalization. Overall, we have applied a 20 percent downward location adjustment to comparables one and three and an upward adjustment of 20 percent to comparable two.

Zoning

All of the land sales' zoning permits multifamily development; therefore no adjustments are necessary.

Topography

The land sales vary in topography from level to sloping, but appear to be generally functional. Therefore, no adjustments are necessary.

Shape

All land sales have functional shapes; therefore, no adjustments are necessary.

Size / Number of Units

With respect to size, the general convention is that larger properties tend to sell for less on a per unit basis than smaller properties. The pool of potential purchasers decreases as property size (and purchase price) increases, effectively reducing competition. The pricing relationship is not linear and certain property sizes, while different, may not receive differing prices based on the grouping within levels. The previous highest and best use analysis indicated that the Subject site could support approximately 84 multifamily units. Comparable properties range in size from 14 to 75 units per acre. Comparables one and three are larger in size than the remaining comparables and require an upward adjustment of five percent.

Land Value Estimate

The land sales grid is presented on the following page.

Comparable Land Data Adjustment Grid					
	Subject	1	2	3	4
Location	1048 S. Columbia Dr.	Rankin Street NE	806 Murphy Street	641 North Avenue	1412 Hardee St
City, State	Decatur, GA	Atlanta, GA	Atlanta, GA	Atlanta, GA	Atlanta, GA
Parcel Data					
Zoning	RM-75	Multifamily	Multifamily	Multifamily	Multifamily
Topography	Varied	Similar	Similar	Similar	Similar
Shape	Rectangular	Similar	Similar	Similar	Similar
Corner	Yes	Similar	Similar	Similar	Similar
Size (SF)	229,126	161,172	106,286	182,952	307,534
Size (Acres)	5.26	3.70	2.44	4.20	7.06
Units	64	276	91	350	100
Units Per Acre	12	75	37	83	14
Sales Data					
Date		Mar-12	May 2011 Contract	Mar-11	Sep-10
Interest		Fee Simple	Fee Simple	Fee Simple	Fee Simple
Price		\$5,025,920	\$975,000	\$5,000,000	\$900,000
Price per Unit		\$18,210	\$10,714	\$14,286	\$9,000
Adjustments					
Property Rights		0	0	0	0
		\$5,025,920	\$975,000	\$5,000,000	\$900,000
Financing		0	0	0	0
		\$5,025,920	\$975,000	\$5,000,000	\$900,000
Conditions of Sale		0	0	0	0
		\$5,025,920	\$975,000	\$5,000,000	\$900,000
Market Conditions		1.000	1.000	1.000	1.000
Adjusted Sale Price		\$5,025,920	\$975,000	\$5,000,000	\$900,000
Adjusted Price Per Unit		\$18,210	\$10,714	\$14,286	\$9,000
Adjustments					
Location		-20.0%	20.0%	-20.0%	0.0%
Zoning		0.0%	0.0%	0.0%	0.0%
Topography		0.0%	0.0%	0.0%	0.0%
Shape		0.0%	0.0%	0.0%	0.0%
Size		5.0%	0.0%	5.0%	0.0%
Overall Adjustment		-15.0%	20.0%	-15.0%	0.0%
Adjusted Price Per Unit		\$15,478	\$12,857	\$12,143	\$9,000
Low	\$9,000				
High	\$15,478				
Mean	\$12,370				
Median	\$12,500				
Conclusion	\$12,500	x	64	\$800,000	
Rounded				\$800,000	

The comparables are within a relatively tight range. Since comparables two and three are within the tightest range we have concluded to a land value within the range of these comparables. Therefore, we have concluded to a land value per unit at \$12,500.

Thus, the indicated “Underlying Value of the Land,” assuming vacant via the land sales approach, as of November 9, 2011 is:

**EIGHT HUNDRED THOUSAND DOLLARS
(\$800,000)**

CONCLUSION – AS IS IMPROVED VALUE

The structures are not currently occupied and the building interiors are in need of major rehabilitation. However, the building shells do provide some contributory value as described below. Cost estimates were established according to M&S valuations and we estimated approximately 20 percent of the shell building would be used. The entire interior of the shell will need to be completely rehabilitated and the property will need to be improved with new windows, interior walls, repaired roofing, new gutters and downspouts, new wiring and plumbing, and other interior and exterior repairs. Based on our knowledge and experience, we believe that approximately 20 percent of the shell will be utilized. The total gross area is based on information provided by the developer.

Construction Cost Estimate		
M&S Shell Multiple Residences psf	54.05	Class D
Current Cost Multipliers	1.03	
Local Multipliers	0.94	Per M&S, Atlanta, GA
GBA	41,760	
Construction Costs	\$2,185,351	
Percentage Used of Complete Shell	20%	
Adjusted Shell Construction Costs	\$400,000	Rounded

The following table outlines the value of the shell buildings and the underlying value of the land as if vacant.

LAND VALUE AS IF VACANT

Scenario	Number of Units	Price/Unit	Indicated Value
Land Value	64	\$12,500	\$800,000
Shell Value			\$400,000
As if Vacant Value			\$1,200,000

To support the As Is value indicated above, we have researched sales for other shell multifamily structures in the market. The following table outlines sales of shell structures. The sales include the land value.

Shell Sales - Georgia

#	Location	City	Year Built	Date	SF	Price	Price/SF	Location Adjustment	Adjusted Price/SF
1	2445 Beaver Ruin Road	Norcross	1972	Jul-11	323,096	\$6,500,000	\$20	135.00%	\$27
2	Glees Lane	Carrollton	1976	Apr-11	16,000	\$235,000	\$15	140.00%	\$21
3	392 Tazor Street NW	Atlanta	1955	Apr-11	9,975	\$79,000	\$8	120.00%	\$10
4	383 Holdemess Street SW	Atlanta	1968	Feb-11	6,720	\$65,000	\$10	120.00%	\$12
5	176 Troy Street	Atlanta	1959	Dec-10	15,300	\$320,000	\$21	120.00%	\$25
6	150 Fairfield Pl NW	Atlanta	1966	Oct-10	32,607	\$450,000	\$14	100.00%	\$14
7	1999 Martin Luther King Jr. Drive SW	Atlanta	1954	Feb-10	9,488	\$175,000	\$18	110.00%	\$20
8	900 Vemon Avenue	Dalton	1967	Jan-10	<u>10,124</u>	<u>\$200,000</u>	\$20	140.00%	<u>\$28</u>
Average					\$52,301	\$887,700	\$14		\$19

Comparable \$/SF

Low	\$10
High	\$28
Mean	\$19
Median	\$20

As the previous table illustrates, we have adjusted the shell sales based on the locations. The vast majority of the shell sales were completely vacant multifamily buildings that needed substantial renovations. We utilized the same method of adjustments as in the land value analysis for the locational adjustments. The sales above indicate an adjusted average sale price of \$19 per square foot and a range of \$10 to \$28 per square foot which includes the land value. The Subject's As Is value based on the cost approach utilized Marshall and Swift data shows a value of approximately \$28 per square foot, which includes the land value. While this is a the high end of the range, given the Subject's location within a residential area with high density commercial uses that are well occupied and in good condition the value via the cost approach appears reasonable.

As a result of our analysis, the Subject's, "As Is" value as of April 27, 2012, is:

**ONE MILLION TWO HUNDRED THOUSAND DOLLARS
(\$1,200,000)**

RECONCILIATION

We considered the traditional approaches in the estimation of the Subject’s value. The resulting value estimates are presented following:

LAND VALUE AS IF VACANT

Scenario	Number of Units	Price/Unit	Indicated Value
Land Value	64	\$12,500	\$800,000
Shell Value			\$400,000
As if Vacant Value			\$1,200,000

**ONE MILLION TWO HUNDRED THOUSAND DOLLARS
(\$1,200,000)**

Addendum A

Assumptions and Limiting Conditions, Certification

ASSUMPTIONS AND LIMITING CONDITIONS

1. In the event that the client provided a legal description, building plans, title policy and/or survey, etc., the appraiser has relied extensively upon such data in the formulation of all analyses.
2. The legal description as supplied by the client is assumed to be correct and the author assumes no responsibility for legal matters, and renders no opinion of property title, which is assumed to be good and merchantable.
3. All encumbrances, including mortgages, liens, leases, and servitudes, were disregarded in this valuation unless specified in the report. It was recognized, however, that the typical purchaser would likely take advantage of the best available financing, and the effects of such financing on property value were considered.
4. All information contained in the report which others furnished was assumed to be true, correct, and reliable. A reasonable effort was made to verify such information, but the author assumes no responsibility for its accuracy.
5. The report was made assuming responsible ownership and capable management of the property.
6. The sketches, photographs, and other exhibits in this report are solely for the purpose of assisting the reader in visualizing the property. The author made no property survey, and assumes no liability in connection with such matters. It was also assumed there is no property encroachment or trespass unless noted in the report.
7. The author of this report assumes no responsibility for hidden or unapparent conditions of the property, subsoil or structures, or the correction of any defects now existing or that may develop in the future. Equipment components were assumed in good working condition unless otherwise stated in this report.
8. It is assumed that there are no hidden or unapparent conditions for the property, subsoil, or structures, which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering, which may be required to discover such factors.
9. The investigation made it reasonable to assume, for report purposes, that no insulation or other product banned by the Consumer Product Safety Commission has been introduced into the Subject premises. Visual inspection by the appraiser did not indicate the presence of any hazardous waste. It is suggested the client obtain a professional environmental hazard survey to further define the condition of the Subject soil if they deem necessary.
10. Any distribution of total property value between land and improvements applies only under the existing or specified program of property utilization. Separate valuations for land and buildings must not be used in conjunction with any other study or appraisal and are invalid if so used.

11. A valuation estimate for a property is made as of a certain day. Due to the principles of change and anticipation the value estimate is only valid as of the date of valuation. The real estate market is non-static and change and market anticipation is analyzed as of a specific date in time and is only valid as of the specified date.
12. Possession of the report, or a copy thereof, does not carry with it the right of publication, nor may it be reproduced in whole or in part, in any manner, by any person, without the prior written consent of the author particularly as to value conclusions, the identity of the author or the firm with which he or she is connected. Neither all nor any part of the report, or copy thereof shall be disseminated to the general public by the use of advertising, public relations, news, sales, or other media for public communication without the prior written consent and approval of the appraiser. Nor shall the appraiser, firm, or professional organizations of which the appraiser is a member be identified without written consent of the appraiser.
13. Disclosure of the contents of this report is governed by the Bylaws and Regulations of the professional appraisal organization with which the appraiser is affiliated: specifically, the Appraisal Institute.
14. The author of this report is not required to give testimony or attendance in legal or other proceedings relative to this report or to the Subject property unless satisfactory additional arrangements are made prior to the need for such services.
15. The opinions contained in this report are those of the author and no responsibility is accepted by the author for the results of actions taken by others based on information contained herein.
16. Opinions of value contained herein are estimates. There is no guarantee, written or implied, that the Subject property will sell or lease for the indicated amounts.
17. All applicable zoning and use regulations and restrictions are assumed to have been complied with, unless nonconformity has been stated, defined, and considered in the appraisal report.
18. It is assumed that all required licenses, permits, covenants or other legislative or administrative authority from any local, state, or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
19. On all appraisals, subject to satisfactory completion, repairs, or alterations, the appraisal report and value conclusions are contingent upon completion of the improvements in a workmanlike manner and in a reasonable period of time. A final inspection and value estimate upon the completion of said improvements should be required.
20. All general codes, ordinances, regulations or statutes affecting the property have been and will be enforced and the property is not subject to flood plain or utility restrictions or moratoriums, except as reported to the appraiser and contained in this report.

21. The party for whom this report is prepared has reported to the appraiser there are no original existing condition or development plans that would subject this property to the regulations of the Securities and Exchange Commission or similar agencies on the state or local level.
22. Unless stated otherwise, no percolation tests have been performed on this property. In making the appraisal, it has been assumed the property is capable of passing such tests so as to be developable to its highest and best use, as detailed in this report.
23. No in-depth inspection was made of existing plumbing (including well and septic), electrical, or heating systems. The appraiser does not warrant the condition or adequacy of such systems.
24. No in-depth inspection of existing insulation was made. It is specifically assumed no Urea Formaldehyde Foam Insulation (UFFI), or any other product banned or discouraged by the Consumer Product Safety Commission has been introduced into the appraised property. The appraiser reserves the right to review and/or modify this appraisal if said insulation exists on the Subject property.

Acceptance of and/or use of this report constitute acceptance of all assumptions and the above conditions. Estimates presented in this report are not valid for syndication purposes.

SPECIFIC ASSUMPTIONS

The terms of the subsidy programs are preliminary as of the appraisal's effective date, October 25, 2011; therefore, any description of such terms is intended to reflect the current expectations and perceptions of market participants along with available factual data. The terms should be judged on the information available when the forecasts are made, not whether specific items in the forecasts or programs are realized. The program terms outlined in this report, as of October 25, 2011, form the basis upon which the value estimates are made. Novogradac & Co. LLP cannot be held responsible for unforeseen events that alter the stated terms subsequent to the date of this report.

The prospective value estimates reported herein are prepared using assumptions stated in this report which are based on the owner's/developer's plan to construct the Subject.

Prospective value estimates, which are by the nature hypothetical estimates, are intended to reflect the current expectations and perceptions of market participants along with available factual data. They should be judged on the market support for the forecasts when made, not whether specific items in the forecasts are realized. The market conditions outlined in the report will be as of the last inspection date of the Subject, and these conditions will form the basis upon which the prospective value estimates are made. Novogradac & Co. LLP cannot be held responsible for unforeseen events that alter market conditions and/or the proposed property improvements subsequent to the date of the report.

CERTIFICATION

The undersigned hereby certify that:

We have no present or contemplated future interest in the real estate that is the subject of this appraisal report; the values expressed in this report are not based in whole or part upon race, color, or national origin of the current/prospective owners or occupants; We have no personal interest or bias with respect to the subject matter of this appraisal report or the parties involved;

Our compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event; The appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan;

This appraisal report sets forth all of the limiting conditions (imposed by the terms of this assignment or by the undersigned) affecting the analyses, opinions, and conclusions contained in this report; our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice and FIRREA;

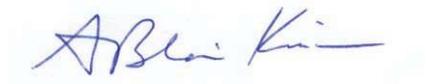
This appraisal report has been made in conformity with and is subject to the requirements of the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute; the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives;

H. Blair Kincer and Michalena Sukenik provided significant professional assistance to the persons signing this report. Brad Weinberg as inspected the Subject site from previous assignments and Jill Conable has personally inspected the Subject property, and has reviewed comparable market data incorporated in this report.

The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives. As of the date of this report, Brad E. Weinberg, MAI has completed the requirements of the continuing education program of the Appraisal Institute.



Brad E. Weinberg, MAI
Partner
Novogradac & Company LLP
Certified General Real Estate Appraiser
Georgia License #CG221179



H. Blair Kincer, MAI, CRE
Partner

Addendum B

Qualifications of Consultants

STATEMENT OF PROFESSIONAL QUALIFICATIONS

H. BLAIR KINCER, MAI, CRE

I. Education

Duquesne University, Pittsburgh, Pennsylvania
Masters in Business Administration
Graduated Summa Cum Laude

West Virginia University, Morgantown, West Virginia
Bachelor of Science in Business Administration
Graduated Magna Cum Laude

II. Licensing and Professional Affiliation

Member of the Appraisal Institute (MAI)
Member, The Counselors of Real Estate (CRE)
LEED Green Associate
Member, National Council of Affordable Housing Market Analysts (NCAHMA)
Past Member Frostburg Housing Authority

Certified General Real Estate Appraiser, No. 31534 – State of Arizona
Certified General Real Estate Appraiser, No. RCG1046 – State of Connecticut
Certified General Real Estate Appraiser, No. CG100026242 – State of Colorado
Certified General Real Estate Appraiser, No. 4206 – State of Kentucky
Certified General Real Estate Appraiser, No. 1326 – State of Maryland
Certified General Real Estate Appraiser, No. GA-805 – State of Mississippi
Certified General Real Estate Appraiser, No. 46000039124 – State of New York
Certified General Real Estate Appraiser, No. A6765 – State of North Carolina
Certified General Real Estate Appraiser, No. GA001407L – Commonwealth of Pennsylvania
Certified General Real Estate Appraiser, No. 5930 – State of South Carolina
Certified General Real Estate Appraiser, No. 3918 – State of Tennessee
Certified General Real Estate Appraiser, No. 4001004822 – Commonwealth of Virginia
Certified General Real Estate Appraiser, No. 1101008 – State of Washington
Certified General Real Estate Appraiser, No. CG360 – State of West Virginia

III. Professional Experience

Partner, Novogradac & Company LLP
Vice President, Capital Realty Advisors, Inc.
Vice President - Acquisitions, The Community Partners Development Group, LLC
Commercial Loan Officer/Work-Out Specialist, First Federal Savings Bank of Western MD
Manager - Real Estate Valuation Services, Ernst & Young LLP
Senior Associate, Joseph J. Blake and Associates, Inc.
Senior Appraiser, Chevy Chase, F.S.B.
Senior Consultant, Pannell Kerr Forster

IV. Professional Training

Have presented at and attended various IPED and Novogradac conferences regarding the affordable housing industry. Have done presentations on the appraisal and market analysis of Section 8 and 42 properties. Have spoken regarding general market analysis topics.

Obtained the MAI designation in 1998 and maintained continuing education requirements since.

V. Real Estate Assignments – Examples

In general, have managed and conducted numerous market analyses and appraisals for all types of commercial real estate since 1988.

- Performed numerous appraisals for the US Army Corps of Engineers US Geological Survey and the GSA. Property types included Office, Hotel, Residential, Land, Gymnasium, warehouse space, border patrol office. Properties located in varied locations such as the Washington, DC area, Yuma, AZ, Moscow, ID, Blaine, WA, Lakewood, CO, Seattle, WA
- Performed appraisals of commercial properties such as hotels, retail strip centers, grocery stores, shopping centers etc for properties in various locations throughout Pennsylvania, New Jersey, Maryland, New York for Holiday, Fenoglio, Fowler, LP and Three Rivers Bank.
- Have managed and conducted numerous market and feasibility studies for affordable housing. Properties are generally Section 42 Low Income Housing Tax Credit Properties. Local housing authorities, developers, syndicators and lenders have used these studies to assist in the financial underwriting and design of LIHTC properties. Analysis typically includes; unit mix determination, demand projections, rental rate analysis, competitive property surveying and overall market analysis. An area of special concentration has been the category of Senior Independent living properties. Work has been national in scope.
- Provided appraisal and market studies for a large portfolio of properties located throughout the United States. The reports provided included a variety of property types including vacant land, office buildings, multifamily rental properties, gas stations, hotels, retail buildings, industrial and warehouse space, country clubs and golf courses, etc. The portfolio included more than 150 assets and the work was performed for the SBA through Metec Asset Management LLP.
- Have managed and conducted numerous appraisals of affordable housing (primarily LIHTC developments). Appraisal assignments typically involved determining the as is, as if complete and the as if complete and stabilized values. Additionally, encumbered (LIHTC) and unencumbered values were typically derived. The three traditional approaches to value are developed with special methodologies included to value tax credit equity, below market financing and Pilot agreements.
- Performed numerous appraisals in 17 states of proposed new construction and existing properties under the HUD Multifamily Accelerated Processing program. These appraisals meet the requirements outlined in HUD Handbook 4465.1 and Chapter 7 of the HUD MAP Guide.

H. Blair Kincer

Qualifications

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- Performed numerous market study/appraisals assignments for USDA RD properties in several states in conjunction with acquisition rehabilitation redevelopments. Documents are used by states, FannieMae, USDA and the developer in the underwriting process. Market studies are compliant to State, FannieMae and USDA requirements. Appraisals are compliant to FannieMae and USDA HB-1-3560 Chapter 7 and Attachments.
- Completed numerous FannieMae appraisals of affordable and market rate multi-family properties for Fannie DUS Lenders. Currently have ongoing assignment relationships with several DUS Lenders.
- In accordance with HUD's Section 8 Renewal Policy and Chapter 9, Mr. Kincer has completed numerous Rent Comparability Studies for various property owners and local housing authorities. The properties were typically undergoing recertification under HUD's Mark to Market Program.
- Completed Fair Market Value analyses for solar panel installations, wind turbine installations, and other renewable energy assets in connection with financing and structuring analyses performed by various clients. The reports are used by clients to evaluate with their advisors certain tax consequences applicable to ownership. Additionally, the reports can be used in connection with the application for the federal grant identified as Section 1603 American Recovery & Reinvestment Act of 2009.

CURRICULUM VITAE
BRAD E. WEINBERG, MAI, CCIM

I. Education

University of Maryland, Masters of Science in Accounting & Financial Management
University of Maryland, Bachelors of Arts in Community Planning

II. Licensing and Professional Affiliations

MAI Member, Appraisal Institute, No. 10790
Certified Investment Member (CCIM), Commercial Investment Real Estate Institute
Member, Urban Land Institute
Member, National Council of Affordable Housing Market Analysts (NCAHMA)

State of Alabama – Certified General Real Estate Appraiser; No. G00628
Washington, D.C. – Certified General Real Estate Appraiser; No. GA10340
State of Florida – Certified General Real Estate Appraiser; No. RZ3249
State of Georgia – Certified General Real Property Appraiser; No. 221179
State of Maryland – Certified General Real Estate Appraiser; No. 6048
State of New Jersey – Certified General Real Estate Appraiser; No. 42RG00224900
State of Ohio – Certified General Real Estate Appraiser; No. 2006007302
State of South Carolina – Certified General Real Estate Appraiser; No. 4566

III. Professional Experience

Partner, Novogradac & Company LLP
President, Capital Realty Advisors, Inc.
Vice President, The Community Partners Realty Advisory Services Group, LLC
President, Weinberg Group, Real Estate Valuation & Consulting
Manager, Ernst & Young LLP, Real Estate Valuation Services
Senior Appraiser, Joseph J. Blake and Associates
Senior Analyst, Chevy Chase F.S.B.
Fee Appraiser, Campanella & Company

IV. Professional Training

Appraisal Institute Coursework and Seminars Completed for MAI Designation and Continuing Education Requirements

Commercial Investment Real Estate Institute (CIREI) Coursework and Seminars Completed for CCIM Designation and Continuing Education Requirements

V. Speaking Engagements and Authorship

Numerous speaking engagements at Affordable Housing Conferences throughout the Country

Participated in several industry forums regarding the Military Housing Privatization Initiative

Authored “New Legislation Emphasizes Importance of Market Studies in Allocation Process,” *Affordable Housing Finance*, March 2001

VI. Real Estate Assignments

A representative sample of Due Diligence, Consulting or Valuation Engagements includes:

- On a national basis, conduct market studies and appraisals for proposed Low-Income Housing Tax Credit properties. Analysis includes preliminary property screenings, market analysis, comparable rent surveys, demand analysis based on the number of income qualified renters in each market, supply analysis and operating expense analysis to determine appropriate cost estimates.
- On a national basis, conduct market studies and appraisals of proposed new construction and existing properties under the HUD Multifamily Accelerated Processing program. This includes projects under the 221(d)3, 221(d)4, 223(f), and 232 programs.
- Developed a Flat Rent Model for the Trenton Housing Authority. Along with teaming partner, Quadel Consulting Corporation, completed a public housing rent comparability study to determine whether the flat rent structure for public housing units is reasonable in comparison to similar, market-rate units. THA also requested a flat rent schedule and system for updating its flat rents. According to 24 CFR 960.253, public housing authorities (PHAs) are required to establish flat rents, in order to provide residents a choice between paying a “flat” rent, or an “income-based” rent. The flat rent is based on the “market rent”, defined as the rent charged for a comparable unit in the private, unassisted market at which a PHA could lease the public housing unit after preparation for occupancy. Based upon the data collected, the consultant will develop an appropriate flat rent schedule, complete with supporting documentation outlining the methodology for determining and applying the rents. We developed a system that THA can implement to update the flat rent schedule on an annual basis.
- As part of an Air Force Privatization Support Contractor team (PSC) to assist the Air Force in its privatization efforts. Participation has included developing and analyzing housing privatization concepts, preparing the Request for Proposal (RFP), soliciting industry interest and responses to housing privatization RFP, Evaluating RFP responses, and recommending the private sector entity to the Air Force whose proposal brings best value to the Air Force. Mr. Weinberg has participated on numerous initiatives and was the project manager for Shaw AFB and Lackland AFB Phase II.
- Conducted housing market analyses for the U.S. Army in preparation for the privatization of military housing. This is a teaming effort with Parsons Corporation. These analyses were done for the purpose of determining whether housing deficits or surpluses exist at specific installations. Assignment included local market analysis, consultation with installation housing personnel and local government agencies, rent surveys, housing data collection, and analysis, and the preparation of final reports.
- Developed a model for the Highland Company and the Department of the Navy to test feasibility of developing bachelor quarters using public-private partnerships. The model was developed to test various levels of government and private sector participation and contribution. The model was used in conjunction with the market analysis of two test sites to determine the versatility of the proposed development model. The analysis included an analysis of development costs associated with both MILCON and private sector standards as well as the potential market appeal of the MILSPECS to potential private sector occupants.

STATE OF GEORGIA REAL ESTATE APPRAISERS BOARD

BRAD ELLIOTT WEINBERG

221179

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06/30/2012

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229 Peachtree Street, N.E.
Atlanta, GA 30303-1605



WILLIAM L. ROGERS, JR.
Real Estate
Commissioner

7156149

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Atlanta, GA 30303-1605



WILLIAM L. ROGERS, JR.
Real Estate
Commissioner

7156149

WEINBERG, BRAD
4520 EAST WEST HIGHWAY
SUITE 615
BETHESDA, MD 20814