

July 1, 2004

Mr. David Bartlett
Georgia Department of Community Affairs
60 Executive Parkway South, N. E.
Atlanta, Georgia 30329

Re: Comparison of Competing Tax Credit Projects in Milledgeville,
Georgia

Dear Mr. Waddell:

This letter is in response to GDCA's requirement of market analysts to provide a "Comparison of Competing Properties." There are two competing project proposals approximately 1.5 miles apart in the Milledgeville, Georgia market area.

The following is a brief synopsis of each proposed project and its feasibility.

Pecan Hills

The proposed Pecan Hills involves the new construction of 54 garden-style apartments in Milledgeville, Georgia. This proposed project will be developed as a Tax Credit property targeting seniors age 55+. The Tax Credit units will target households with incomes of up to 30%, 50%, and 60% of Area Median Household Income. Collected rents for these Tax Credit units will range from \$138 to \$345 per month. The project is expected to open by March 2006. The unit amenity package includes a range, refrigerator, disposal, microwave, washer/dryer hook-ups, window blinds, carpet, ceiling fans, emergency pull cords and central air conditioning. Project amenities include on-site management, fitness center and central laundry.

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Market penetration rates range from 9.8% to 57.6% of age- and income-qualified renter households and demonstrate that there is sufficient support for the proposed development. According to the management at the two existing LIHTC projects within the Milledgeville Site PMA, there are 8 to 10 senior households residing at each property. The proposed project may create new vacancies in these existing projects; however, the impact of the proposed project on the existing Tax Credit projects would be minimal, since the existing projects have 3- to 6-month waiting lists.

It is our opinion that the 54 LIHTC units will reach a stabilized occupancy of 90.0% within 17 months of opening, with an average absorption rate of 2 to 3 units per month. The project, as proposed, has a very high capture rate for the 34 units at 50% AMHI, primarily due to the lack of age- and income-qualified renters within the Milledgeville Site PMA. We believe these units will be absorbed but at a very slow rate of 1.5 to two units per month. The developer should consider reducing the number of units to 37 to 40 (primarily those units at 50% AMHI) and also consider adding one-bedroom units into the unit mix. This would accelerate the absorption rate. Changes in the project's site, rent, amenities, or opening date may alter these findings.

Riverbend Apartments

The proposed project involves rehabilitation of 76 existing apartment units at Riverbend Apartments in Milledgeville, Georgia. Once renovated, the project will operate under the Low-Income Housing Tax Credit (LIHTC) program, targeting households with incomes of up to 60% of Area Median Household Income (AMHI). The project offers one- through four-bedroom units with rents from \$430 to \$591 per month. Currently, the project is 100.0% occupied with a six- to twelve-month waiting list and operates under the HUD Section 8 program. Following renovations, the unit amenity package includes a range, refrigerator, microwave, window blinds, carpet, disposal and central air conditioning. Project amenities include a on-site management, laundry facilities, picnic areas, basketball court, fitness center, community room and a computer learning center.

Market penetration rates range from 17.4% with Project Based Rental Assistance to 700.0% for when the demand calculation was based on the project operating without Project Based Rental Assistance and. This clearly demonstrates that it would be extremely difficult for the existing subject property to operate solely as a Tax Credit property without project based rental assistance.

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The project is expected to be at least 95% occupied shortly after renovations, given the current 100% occupancy rate and the fact that the project will be significantly improved with the unit and property renovations. Time required for lease-up would be minimal, as the developer plans to retain most if not all of the of the existing tenants, especially given the HAP contract. Any units vacated after renovations would most likely be filled by the households on the six to twelve-month waiting list at the site.

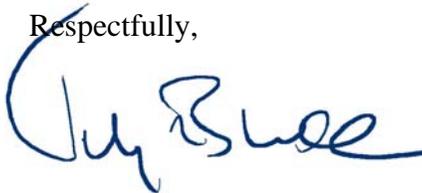
Summary

Based on the preceding project descriptions and summaries of our analysis, that even though these are two Tax Credit projects within the same market area, they target two unique household markets. Pecan Hills targets elderly households 55+ and Riverbend targets extremely low-income family households. Therefore, the market could support both projects as proposed, although Pecan Hill could accelerate the rate of absorption by reducing the number unit to between 37 and 40 and offering one-bedroom units.

However, if we had to select on project over another, while there is demand for affordable elderly rental housing in Milledgeville, we would select Riverbend over Pecan Hills. This selection is based on the fact that the time required for lease-up at Riverbend would be minimal, as the developer plans to retain most if not all of the of the existing tenants, especially given the HAP contract. Any units vacated after renovations would most likely be filled by the households on the six to twelve-month waiting list at the site.

Please contact me if you need additional information, or would like me to elaborate further on the issues outlined in this letter.

Respectfully,

A handwritten signature in blue ink that reads "Tim Williams". The signature is written in a cursive style with a large initial "T" and "W".

Tim Williams