



**A MARKET CONDITIONS AND PROJECT
EVALUATION SUMMARY OF**

**MOUNTAIN VIEW APARTMENTS
U.S. Highway 76 and Ross Lloyd Road
Hiawassee, Towns County, Georgia 31602**

Effective Date: June 8, 2012

Report Date: June 13, 2012

Prepared For

**Mr. Brandon Dampier
Dewar Properties, Inc.
2409 Bemiss Road
Valdosta, GA 31602**

Prepared By

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**NOVOGRADAC
& COMPANY LLP**
CERTIFIED PUBLIC ACCOUNTANTS

June 13, 2012

Mr. Brandon Dampier
Dewar Properties, Inc.
2409 Bemiss Road
Valdosta, GA 31602

Re: Market Study for Mountain View Apartments in Hiawassee, Georgia

Dear Mr. Dampier:

At your request, Novogradac & Company LLP performed a market study of the rental market in the Hiawassee, Towns County, Georgia area relative to the above-referenced Low-Income Housing Tax Credit (LIHTC) project, the (Subject). The purpose of this market study is to assess the viability of the construction of Mountain View Apartments, a proposed family development consisting of 50 revenue units and two non-rental units. Units will be restricted to general households earning 50 and 60 percent of the AMI, or less. The following report provides support for the findings of the study and outlines the sources of information and the methodologies used to arrive at these conclusions. The scope of this report meets the requirements of the Georgia Department of Community Affairs (DCA), including the following:

- Inspecting the site of the proposed Subject and the general location.
- Analyzing appropriateness of the proposed unit mix, rent levels, available amenities and site.
- Estimating market rent, absorption and stabilized occupancy level for the market area.
- Investigating the health and conditions of the multifamily market.
- Calculating income bands, given the proposed Subject rents.
- Estimating the number of income eligible households.
- Reviewing relevant public records and contacting appropriate public agencies.
- Analyzing the economic and social conditions in the market area in relation to the proposed project.
- Establishing the Subject Primary and Secondary Market Area(s) if applicable.
- Surveying competing projects, Low-Income Housing Tax Credit (LIHTC) and market rate.

This report contains, to the fullest extent possible and practical, explanations of the data, reasoning, and analyses that were used to develop the opinions contained herein. The report also includes a thorough analysis of the scope of the study, regional and local demographic and economic studies, and market analyses including conclusions. The depth of discussion contained in the report is specific to the needs of the client. Information included in this report is accurate and the report can be relied upon by DCA as a true assessment of the low-income housing rental market. This report was completed in accordance with DCA market study guidelines. We inform the reader that other users of this document may underwrite the LIHTC rents to a different standard than contained in this report.

Please do not hesitate to contact us if there are any questions regarding the report or if Novogradac & Company, LLP can be of further assistance. It has been our pleasure to assist you with this project.

Respectfully submitted,



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Partner
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ASSUMPTIONS AND LIMITING CONDITIONS

1. In the event that the client provided a legal description, building plans, title policy and/or survey, etc., the consultant 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 consultant assumes no responsibility for legal matters, and renders no opinion of property title, which is assumed to be good and merchantable.
3. 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.
4. The report was made assuming responsible ownership and capable management of the property. The analyses and projections are based on the basic assumption that the apartment complex will be managed and staffed by competent personnel and that the property will be professionally advertised and aggressively promoted
5. 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.
6. 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.
7. 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. 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 consultant 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.
8. A consulting analysis market study 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.
9. 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

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10. 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.
11. 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.
12. 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.
13. 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.
14. 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 conclusions contained in this report is based.
15. On all proposed developments, Subject to satisfactory completion, repairs, or alterations, the consulting report is contingent upon completion of the improvements in a workmanlike manner and in a reasonable period of time with good quality materials.
16. 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 consultant and contained in this report.
17. The party for whom this report is prepared has reported to the consultant 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.
18. 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.

19. No in-depth inspection was made of existing plumbing (including well and septic), electrical, or heating systems. The consultant does not warrant the condition or adequacy of such systems.
20. 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.
21. 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.

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Addendum

A. EXECUTIVE SUMMARY AND CONCLUSION

EXECUTIVE SUMMARY AND CONCLUSIONS

1. Project Description:

Mountain View Apartments (Subject) site is located on US Highway 76 in Hiawassee, Towns County, GA. The Subject will target general households and will consist of three walk-up garden-style buildings. The following table illustrates the unit mix including bedrooms/bathrooms, square footage, income targeting, rents, and utility allowance.

Per GA DCA’s QAP clarification question and answer round, 2012 utility allowances have been released; as a result, applicants must use 2011 rent and income limits in areas that are using 2011 utility allowance schedules.

PROPOSED RENTS

Unit Type	Number of Units	Size (SF)	Asking Rent	Utility Allowance (1)	Gross Rent	2011 LIHTC Maximum Allowable Gross Rent*	2011 HUD Fair Market Rents
<i>50% AMI</i>							
1BR/1BA	4	815	\$348	\$97	\$445	\$456	\$553
2BR/2BA	4	1,105	\$379	\$121	\$500	\$548	\$642
<i>60% AMI</i>							
1BR/1BA	24	815	\$403	\$97	\$500	\$548	\$553
2BR/2BA	18	1,105	\$468	\$121	\$589	\$658	\$642
<i>Manager's Unit</i>							
2BR/2BA	2	1,105	N/Ap	N/Ap	N/Ap	N/Ap	N/Ap
Total	52						

Notes (1) Source of Utility Allowance provided by the Developer.

*For Towns County. The national non-metropolitan rent cannot be used per GA DCA guidelines.

The Subject site is located in a USDA Rural Development eligible area and therefore we have used the 2011 national non-metropolitan income limits for the demand analysis. However, per GA DCA guidelines we have used the maximum allowable rents for Towns County.

None of the units will operate with additional project-based subsidy.

The Subject will offer the following amenities: balcony/patio, blinds, carpeting, central air conditioning, dishwasher, refrigerator, stove, business center/computer lab, clubhouse/meeting room/community room, exercise

facility, central laundry facility, off-street parking, on-site management, picnic area, playground, gazebo, and furnished arts and crafts activity center.

2. Overall Conclusion:

Based upon our market research, demographic calculations and analysis, we believe there is adequate demand for the Subject property. There is limited multifamily housing in Hiawassee and therefore the Subject will face limited competition. The one unsubsidized LIHTC property in Hiawassee is Big Sky Village, which is a senior LIHTC property that is currently 100 percent occupied and typically remains fully occupied. The Subject will offer new construction in a location that is desirable as it is located in Hiawassee off a major thoroughfare that is lined with commercial and other uses that are in good condition and are within walking distance of the Subject site. The comparables are maintaining stable vacancy rates among their one and two-bedroom units and the Subject will fill a void in the Hiawassee market given the area's general lack of rental housing. Further, the Subject's proposed rents will offer value in the market as they are below the average surveyed rents in the market.

Enota Village opened in 2008 and will be the most similar comparable to the Subject. It is located in Young Harris, which is a market that has a considerable portion of students. We believe Hiawassee has a locational advantage due to its proximity to the lake. Further, the property offers three- and four-bedroom units that are difficult to lease in the current market per the property manager. Prospective tenants have been looking for one and two-bedroom units as the majority are single-person households or small families. All of the property's two-bedroom units are occupied. The majority of vacancies are among the three-bedroom units, which the Subject does not offer. The Subject will only directly compete with Enota Village's two-bedroom units which are 100 percent occupied and do not have difficulty leasing. Therefore, we believe that the Subject will be well-positioned in the market.

3. Site Description/Evaluation:

The Subject site is currently vacant and elevated off of Highway 76/Main Street. The majority of uses in the Subject's neighborhood are office and commercial as Highway 76/Main Street serves as the main thoroughfare and commercial corridor in Hiawassee. Immediate surrounding uses of the Subject site are wooded land to the east, Zaxby's and a business park to the west, two small

commercial centers and a storage facility to the south, a commercial and office center immediately north of the Subject site. The commercial uses are estimated to be 90 percent occupied. Views are considered good and consist of commercial uses that are in good condition and are well-occupied. Proximity to local amenities are all within a few miles and considered average. Overall, the Subject will be a conforming use in the neighborhood and the site appears appropriate for a family LIHTC property given its convenience to surrounding commercial uses and employment centers.

4. Market Area Definition:

The PMA encompasses northeast Union County and Towns County, which border the state of North Carolina to the north. The PMA is defined by the Georgia-North Carolina state line to the north, Highway 129/19 to the west, Towns County line to the south, and the Towns-Rabun county line to the east. The farthest point in the PMA is 27.2 miles (driving distance) west of the Subject site along Highway 129. The PMA includes areas such as Macedonia, Jacksonville, Young Harris, and Ivylog. We have included comparables from Blairsville in the supply analysis. The following table illustrates a location comparison among these areas.

LOCATION COMPARISON

Location	Population	Median HH Income	Number of HHs	Median Gross Rent	Distance from Hiawassee
Hiawassee (Subject)	880	\$41,328	456	\$917	N/Ap
Young Harris	899	\$52,667	150	\$529	10 miles
Blairsville	652	\$27,411	249	\$528	16 miles

Source: US Census Bureau, ACS 2010 estimates, 5/2012.

As the previous table demonstrates, the median household income and gross rent in Hiawassee is significantly higher than that of Blairsville. We spoke with the property manager of a family LIHTC property in Blairsville who indicated that a new construction property in Hiawassee would be able to get higher rents because Hiawassee offers more amenities than Blairsville. While median household income in Young Harris is higher than that of Hiawassee, the median gross rent is significantly lower. The Young Harris rental population includes a considerable portion of students. Overall, Hiawassee has a locational advantage due to its proximity to the lake.

5. Community Demographic

Data:

Population and households in the PMA and SMA are both growing at rates above the nation by a fair margin. PMA population growth was at 2.6 percent annually while the SMA growth rate was 2.3 percent; this compares to just one percent in the nation as of 2010. These growth rates are expected to slow by the Subject's market entry date of 2014, but will still outpace the nation. Between 2000 and 2010, PMA households grew at 2.9 percent annually this compares to only one percent in the nation. SMA households grew at a slightly slower 2.5 percent. PMA household growth is expected to slow by the market entry date to 1.7 percent annually, but this will still be outpacing the national rate of 0.8 percent.

Owner-occupied housing dominates the PMA at 83.3 percent in 2010. This can be attributed to the large number of resort or vacation homes along Lake Chatuga. Renter-occupied housing is projected to rise by the market entry date, but only slightly.

Almost 40 percent of households in the PMA earned less than \$29,999 in 2010. This number is expected to dip to 37 percent by the market entry date, but this still makes up a large portion of Hiawassee's population. The Subject will target households earning less than \$29,999; therefore, this data indicates a sizeable market for the Subject to capture. In the PMA in 2010, 91 percent of renter households were composed of four persons and under. The Subject will offer one, two, and three bedroom floor plans at 50 and 60 percent AMI levels, so it will be well-positioned to service this market.

According to RealtyTrac.com, Hiawassee had only three foreclosures in April 2012; this equates to one in every 1,819 homes. Towns County experienced foreclosures of one in every 1,014 homes in April 2012. These foreclosure rates are extremely low compared to the state and nation; one in every 398 and 698 homes respectively. This speaks to the housing market's overall stability.

6. Economic Data:

Hiawassee is primarily a resort/vacation area for Georgia and the surrounding states of North Carolina, Alabama, and Tennessee. Chatuga Lake is the primary reason for this. Many resorts and vacation homes dot its shoreline. Therefore, employment for the area is concentrated in industries servicing the resorts and vacationing tourists. Three major employers for the area are the Brasstown

Valley Resort, the Fieldstone Family Entertainment Center, and the Ridges Resort. These employers offer visitors services year round, and are beginning to see rising numbers approaching pre-recession levels.

Total employment by industry in Towns County reflects the concentration in the service industries like education, health services, leisure, and trade-transportation & utilities. Young Harris College accounts for a large portion of employees in education, and Chatuga Regional Hospital accounts for many in health services. The leisure and hospitality industries exist to serve the many tourists in the area, as well as vacationers to the region surrounding Lake Chatuga. Blue Ridge Mountain Electric, the regions electricity provider, is one of the major employers for Towns County, and should account for most of the employees in the trade-transportation & utilities industries.

Unemployment rates in the SMA began to see a steep increase starting in 2007. Unemployment rates rose from 4.4 percent in 2007, to as high as 10.2 percent in 2010. However, year-over-year data for December 2010 and 2011 in the SMA shows a drop from 9.9 percent to 9.6 percent. This unemployment rate was on par with the national rate of 9.6 percent as of year-end 2011.

We spoke with Mrs. Candice Lee, President of the Towns County Chamber of Commerce, regarding expansions and contractions in the area. To her knowledge, employers in the area, especially those in the tourism industry, are expanding at conservative rates. She could report no constrictions in employment. There have been no WARN notices for Towns County in the past two and a half years.

Overall, the employment picture for Hiawassee and Towns County is fairly positive. While tourism, the area's main economic driver, suffered during the recent recession, vacationers and visitors are coming back at slightly increasing levels. Stable employment at a variety of wages is offered by this industry. Employment in other stable industries like utilities and education are also available. The Subject should be able to attract lower-income tenants looking for affordable housing.

7. Project-Specific Affordability And Demand Analysis:

The following table summarizes the Subject's capture rates.

CAPTURE RATE ANALYSIS CHART

Unit Size	Income limits	Units Proposed	Total Demand	Supply	Capture Rate	Absorption	Average Market	Market Rents Band Min-Max	Proposed Rents
1BR @ 50% AMI	50%	4	88	0	4.6%	12 months	\$463	\$425 - \$500	\$348
2BR @ 50% AMI	50%	4	72	7	6.1%	12 months	\$565	\$411 - \$717	\$379
1BR @ 60% AMI	60%	24	68	0	35.1%	12 months	\$463	\$425 - \$500	\$403
2BR @ 60% AMI	60%	18	56	0	32.0%	12 months	\$616	\$430 - \$717	\$468
Overall Project	-	50	191	7	27.2%				

The Subject’s capture rates at the 50 percent AMI level will range from 4.6 to 6.1 percent, with an overall capture rate of 5.2. The Subject’s 60 percent AMI capture rates range from 32.0 to 35.1 percent, with an overall capture rate of 33.7 percent. The overall capture rate is 27.2 percent, which is within GA DCA’s threshold. While the capture rates are high, we believe there is demand for the Subject given the lack of affordable housing in the PMA. Given the Subject’s age/condition, amenity package, and location, the Subject will be well-positioned in the Hiawassee submarket.

8. Competitive Rental Analysis:

There is limited non-subsidized multifamily rental data in the PMA. There is one non-subsidized family LIHTC property in the PMA: Enota Village. In addition to Enota Village, we have included one family LIHTC comparable located just outside the PMA in Blairsville: Nantahala Village. This property was built in 1997 and remains in good condition. The property offers 56 two-, three-, and four-bedroom units restricted at 50 and 60 percent AMI. The property is currently 93 percent occupied and management indicated that a LIHTC property in Hiawassee would be able to achieve higher rents as Hiawassee is a more desirable area. We have also included one unrestricted property—Oakmont Knoll Apartments—that is located in Hiawassee. The property is in average to fair condition and is privately-owned. The owner indicated that the property typically remains full and that the majority of tenants are students. Overall, the availability of unrestricted and LIHTC data is limited and therefore the Subject will face limited competition in the PMA.

When comparing the Subject’s rents to the average market rent, we have not included rents at lower AMI levels given that this artificially lowers the average market rent as those rents are constricted. Including rents at lower AMI levels does reflect an accurate average rent for rents at higher income levels. For example, if the Subject offers 50 and 60 percent AMI rents and there is a distinct difference at

comparable properties between rents at the two AMI levels, we have not included the 50 percent AMI rents in the average market rent for the 60 percent AMI comparison. The following table illustrates the rents in the surveyed market as well as estimates from local realtors.

SUBJECT COMARISON TO MARKET RENTS

Unit Type	Subject Rent	Surveyed Min	Surveyed Max	Surveyed Average	Subject Rent Advantage
1 BR @ 50% AMI	\$348	\$425	\$500	\$463	25%
2 BR @ 50% AMI	\$379	\$397	\$700	\$539	26%
1 BR @ 60% AMI	\$403	\$425	\$500	\$463	13%
2 BR @ 60% AMI	\$468	\$430	\$700	\$606	23%

As illustrated, the Subject’s proposed 50 and 60 percent AMI rents are below the range of the surveyed rents in the market.

Due to a lack of one-bedroom units, we interviewed realtors in the market. According to Craig Spafford from Coldwell Banker, the majority of rentals in Hiawassee are condominium or vacation rentals that typically rent for \$1,500 per month. Mr. Spafford indicated that a non-vacation rental one-bedroom unit would rent for \$425 to \$500 per month, not including utilities, and a two-bedroom unit without utilities included would rent for as much as \$700 per month. We have included Mr. Spafford’s estimates in the previous table. As shown in the previous table, the Subject’s proposed rents have an advantage over the surveyed and estimated rents in the market.

9. Absorption/Stabilization Estimate:

Management at the LIHTC comparables could not report absorption as management has turned over at these properties. Given the lack of multifamily housing in Hiawassee and the high occupancy rate at Oak Knoll Apartments, we believe that the Subject will stabilize at a steady rate. Conservatively, we estimate that the Subject will stabilize within one year, which equates to an absorption pace of approximately four units per month in order to reach 93 percent occupancy for its revenue units.

Mountain View Apartments, Hiawassee, GA; Market Study

Summary Table:

(must be completed by the analyst and included in the executive summary)

Development Name:	Mountain View Apartments	Total # Units: 52
Location:	US Highway 76 & Ross Lloyd Road	# LIHTC Units: 50
		# PBRA/PHA: 0
		# Market Units: 0
PMA Boundary:	Georgia-North Carolina state line to the north, Highway 129/19 to the west, Towns County line to the south, and the Towns-Rabun county line to the east. Farthest Boundary Distance to Subject: 27.7 miles	

Rental Housing Stock (found on page 85) *Only includes properties in PMA

Type	# Properties	Total Units	Vacant Units	Average Occupancy
All Rental Housing	3	132	13	90%
Market-Rate Housing	1	16	1	94%
Assisted/Subsidized Housing not to include LIHTC	0	0	12	N/Ap
LIHTC*	2	116	12	90%
Stabilized Comps	3	132	13	90%
Properties in Construction & Lease Up	0	0	0	N/Ap

*Enota Village offers two, three, and four-bedroom units at 30 and 50 percent AMI and market rate units. The Subject will only offer one and two-bedroom units at 50 and 60 percent AMI. All two-bedroom units at Enota Village are occupied; therefore, the occupancy rate for units that will be competitive with the Subject is 100 percent.

# Units	# Bedrooms	# Baths	Size (SF)	Proposed Tenant Rent	Average Market Rent			Highest Unadjusted Comp Rent	
					Per Unit	Per SF	Advantage	Per Unit	Per SF
4	1BR at 50% AMI	1	815	\$348	\$463	\$0.57	25%	N/Ap	N/Ap
4	2BR at 50% AMI	2	1,105	\$379	\$539	\$0.49	26%	\$675	\$0.56
24	1BR at 60% AMI	1	815	\$403	\$463	\$0.57	13%	N/Ap	N/Ap
18	2BR at 60% AMI	2	1,105	\$494	\$606	\$0.55	23%	\$675	\$0.56

Demographic Data (found on page 30)

Renter Households	2000		2010		2014	
	Count	%	Count	%	Count	%
Renter Households	1,012	15.49%	1,414	16.66%	1,517	16.75%
Income-Qualified Renter HHs (LIHTC)	210	20.80%	294	20.80%	316	20.80%

Targeted Income-Qualified Renter Household Demand (found on page 55)

Type of Demand	30%	50%	60%	Market-rate	Other: __	Overall**
Renter Household Growth	N/Ap	75	70	N/Ap	N/Ap	105
Existing Households (Overburdened + Substandard)	N/Ap	113	56	N/Ap	N/Ap	121
Homeowner conversion (Seniors)	N/Ap	0	0	N/Ap	N/Ap	0
Less Comparable/Competitive Supply	N/Ap	7	0	N/Ap	N/Ap	4
Net Income-qualified Renter HHs*	N/Ap	181	126	N/Ap	N/Ap	222

Capture Rates (found on page 55)

Targeted Population	30%	50%	60%	Market-rate	Other: __	Overall
Capture Rate:	N/Ap	5.20%	33.70%	N/Ap	N/Ap	27.20%

*Does not match demand analysis as this does not take into account bedroom types, persons per household, or leakage.

**Includes LIHTC and unrestricted (when applicable)

B. PROJECT DESCRIPTION

PROJECT DESCRIPTION

- Project Address and Development Location:** Mountain View Apartments (Subject) site is located east of Highway 76 and north of Ross Lloyd road in Hiawassee, Towns County, GA.
- Construction Type:** The Subject will be the new construction of three two-story, walk-up garden-style units with brick, stone and cementitious siding and one community building.
- Occupancy Type:** General households.
- Special Population Target:** None.
- Number of Units by Bedroom Type and AMI Level:** See following property profile.
- Unit Size:** See following property profile.
- Structure Type:** See following property profile.
- Rents and Utility Allowances:** See following property profile.
- Existing or Proposed Project Based Rental Assistance:** None of the units will operate with Project-Based Rental Assistance.
- Proposed Development Amenities:** See following property profile.

Mountain View Apartments												
Comp #	Subject											
Effective Rent Date	6/8/2012											
Location	U.S. Highway 76 & Ross Lloyd Road Hiawassee, GA 31602 Town's County											
Distance	n/a											
Units	52											
Vacant Units	N/A											
Vacancy Rate	N/A											
Type	Garden (2 stories)											
Year Built / Renovated	2014 / n/a											
Utilities												
A/C	not included -- central				Other Electric				not included			
Cooking	not included -- electric				Water				included			
Water Heat	not included -- electric				Sewer				included			
Heat	not included -- electric				Trash Collection				included			
Unit Mix (face rent)												
Beds	Baths	Type	Units	Size (SF)	Rent	Concession (monthly)	Restriction	Waiting List	Vacant	Vacancy Rate	Max rent?	
1	1	Garden (2 stories)	4	815	\$348	\$0	@50%	n/a	N/A	N/A	no	
1	1	Garden (2 stories)	24	815	\$403	\$0	@60%	n/a	N/A	N/A	no	
2	2	Garden (2 stories)	4	1,105	\$379	\$0	@50%	n/a	N/A	N/A	no	
2	2	Garden (2 stories)	18	1,105	\$468	\$0	@60%	n/a	N/A	N/A	no	
2	2	Garden (2 stories)	2	1,105	N/A	\$0	Non-Rental	n/a	N/A	N/A	N/A	
Amenities												
In-Unit	Balcony/Patio Blinds Carpeting Central A/C Dishwasher Oven Refrigerator				Security				none			
Property	Business Center/Computer Lab Clubhouse/Meeting Room/Community Room Exercise Facility Central Laundry Off-Street Parking On-Site Management Picnic Area Playground				Premium				none			
Services	none				Other				Gazebo, furnished arts & craft center			
Comments												
This is a proposed LIHTC property that will target general households. The utility allowances are \$97 and \$121 for the one- and two-bedroom units per the 2011 GA DCA utility allowance (most current available). The property's gross rents will be \$445, \$500, \$500, and \$589 for the one- and two-bedroom units restricted at 50 and 60 percent AMI, respectively.												



Scope of Renovations:	The Subject will be new construction.
Current Rents:	The Subject will be new construction. Therefore, there are no current rents to report.
Current Occupancy:	The Subject will be new construction.
Current Tenant Income:	The Subject will be new construction. Therefore, there are no current tenant incomes to report.
Placed in Service Date:	The Subject is projected to enter the market in 2014.
Conclusion:	The Subject will be an excellent-quality brick, stone, and cementitious siding two-story, walk-up garden-style complex. As new construction, the Subject will be in excellent condition. We have reviewed the floor plans and they appear to be functional and market-oriented.

C. SITE EVALUATION

1. Date of Site Visit and Name of Site Inspector:

Kristina Garcia visited the site on June 8, 2012.

2. Physical Features of the Site:

The following illustrates the physical features of the site.

Frontage:

The Subject site has frontage along the east side of Highway 76/Main Street and on the north side of Ross Lloyd Road.

Visibility/Views:

Visibility is considered excellent from Highway 76/Main Street as it is a heavily trafficked primary commercial corridor in Hiawassee. Views are considered good as the commercial and office uses in the Subject's immediate neighborhood are in good to excellent condition. Overall, visibility is considered excellent and views are considered good.

Surrounding Uses:

The following map and pictures illustrate the surrounding land uses.



Uses east of the Subject site include vacant wooded land. Uses immediately to the north, south, and west are of commercial and office centers including standalone restaurants such as Zaxby's. Commercial uses are in good to excellent condition and overall appear to be 90 percent occupied.

Positive/Negative Attributes of Site: Positive attributes to the site include its excellent visibility on Highway 76/17. Traffic along this major thoroughfare is significant and the Subject site is located within walking distance of restaurants, retail, public offices (city hall), places of worship, and Hiawassee's employment center. There do not appear to be any negative attributes of the site.

3. Physical Proximity to Locational Amenities:

The Subject is located in the downtown area of Hiawassee. The Subject site is located within walking distance of several retail centers in good condition as well as a Zaxby's fast food restaurant and public offices such as city hall.

4. Pictures of Site and Adjacent Uses:



Subject site from Ross Lloyd Road



Subject site



Subject site



Subject site



View of Ross Lloyd Road



View of vacant lot and storage facility south of Ross Lloyd Road



Moose Creek Landing commercial center south of Subject site



Town Place commercial center south of Subject site



Zaxby's west of Subject site



Hiawasse Business Center west of Subject site



Main Street Station commercial center north of Subject site



Tire & Auto Center south of Subject site on Main Street



Gas station north of Subject site



Town Trace professional office building complex north of Subject site



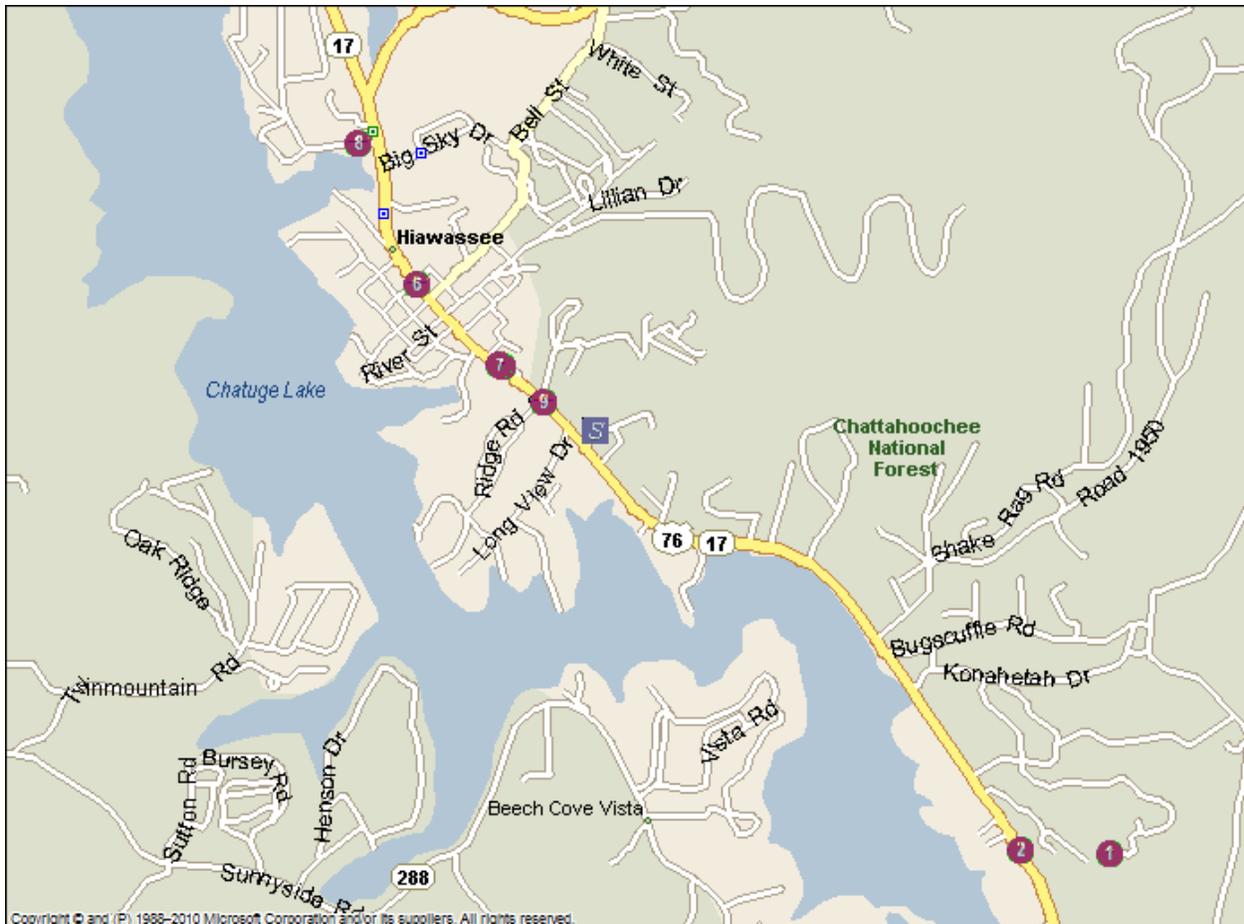
Oakmont Knoll Apartments west of Subject neighborhood



Subway restaurant north of Subject site

5. Proximity to Locational Amenities:

The following table details the Subject's distance from key locational amenities.



LOCATIONAL AMENITIES

Map #	Amenity	City	Distance (miles)
1	Towns County Elementary School	Hiawassee	1.5
2	Towns County Middle School	Hiawassee	1.4
3	Towns County High School	Hiawassee	1.4
5	Rite Aid	Hiawassee	0.1
6	Ingles Market	Hiawassee	0.4
7	Chatuge Regional Hospital	Hiawassee	0.1
8	Towns County Fire Department	Hiawassee	0.9
9	Circle M Food Shop (Gas)	Hiawassee	0.1

6. Description of Land Uses:

Immediate surrounding uses of the Subject site are wooded land to the east, Zaxby’s and a business park to the west, two small commercial centers and a storage facility to the south, and a commercial and office center immediately north of the Subject site.

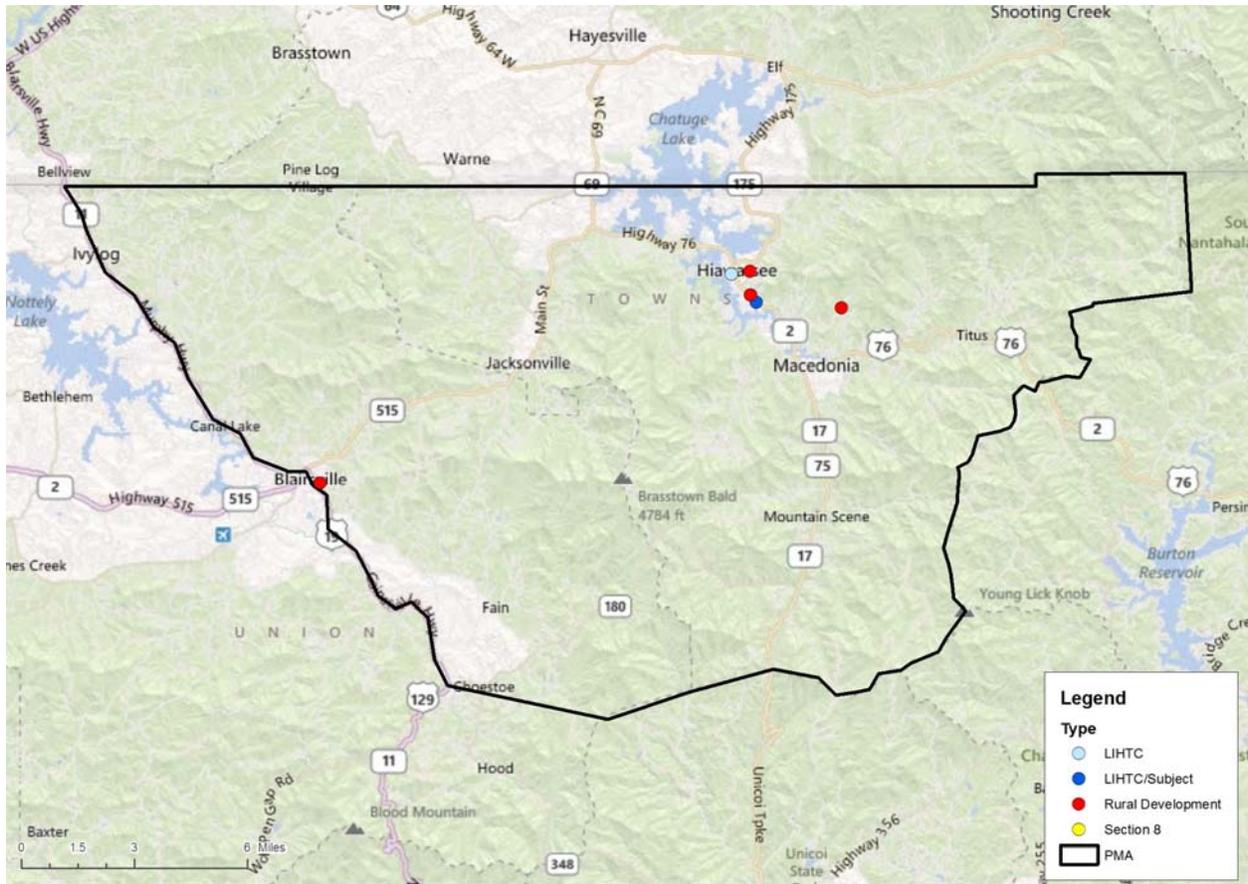
7. Multifamily Residential within Two Miles:

We have included Oakmont Knoll as a comparable. Oakmont Knoll is located within two miles of the Subject site and is a family unrestricted property. This property is discussed in great detail in the supply analysis section of this report.

8. Existing Assisted Rental Housing Property Map:

The following table illustrates the existing assisted rental properties in the PMA.

Property Name	Address	City	County	Map Color	Type	Tenancy	Included/Excluded	Reason for Exclusion
Mountain View Apartments	385 South Main Street	Hiawassee	Towns		LIHTC	Family	SUBJECT	N/Ap
Cottage Hill Apartments	500 Bell Street	Hiawassee	Towns		Rural Development	Senior	Excluded	All units are subsidized
Hiawassee Apartments	269 Zell St	Hiawassee	Towns		Rural Development	Family	Excluded	All units are subsidized
Young Harris Apartments	269 Zell St	Hiawassee	Towns		Rural Development	Family	Excluded	All units are subsidized
Tan Yard Branch I	230 Tanyard Street	Blairsville	Union		Rural Development	Family	Excluded	All units are subsidized
Tan Yard Branch II	234 Tanyard Street	Blairsville	Union		Rural Development	Senior	Excluded	All units are subsidized
Jackson Heights	150 Jackson Heights	Blairsville	Union		Rural Development	Family	Excluded	All units are subsidized
Carol Stroud	1449 Bearmeat Road	Hiawassee	Towns		Rural Development	Family	Excluded	All units are subsidized
Big Sky Village	301 Skyview Drive	Hiawassee	Towns		LIHTC	Senior	Included	N/Ap
Enota Village	875 Murphy At/Hwy 66	Young Harris	Towns		LIHTC	Family	Included	N/Ap



Affordable Properties around Hiawasse, GA



9. Road/Infrastructure

Proposed Improvements:

We witnessed no road/infrastructure improvements during our site inspection.

10. Access, Ingress/Egress and Visibility of site:

The Subject site is accessed via Highway 76/Main Street, which is a major thoroughfare that travels northwest-southeast through Hiawasse. Therefore, access and visibility of the site are considered excellent.

11. Environmental Concerns:

None visible upon site inspection.

Detrimental Influences:

There are no significant detrimental influences.

12. Conclusion:

The Subject site is currently vacant and elevated off Highway 76/Main Street. The majority of uses in the Subject’s neighborhood are office and commercial as Highway 76/Main Street serves as the main thoroughfare and commercial corridor in Hiawasse. Immediate surrounding uses of the Subject site are wooded land to the

east, Zaxby's and a business park to the west, two small commercial centers and a storage facility to the south, and a commercial and office center immediately north of the Subject site. The commercial uses are estimated to be 90 percent occupied. Views are considered good and consist of commercial uses that are in good condition and are well-occupied. Proximity to local amenities are all within a few miles and considered average. Overall, the Subject will be a conforming use in the neighborhood and the site appears appropriate for a family LIHTC property given its convenience to surrounding commercial uses and employment centers.

D. MARKET AREA

PRIMARY MARKET AREA

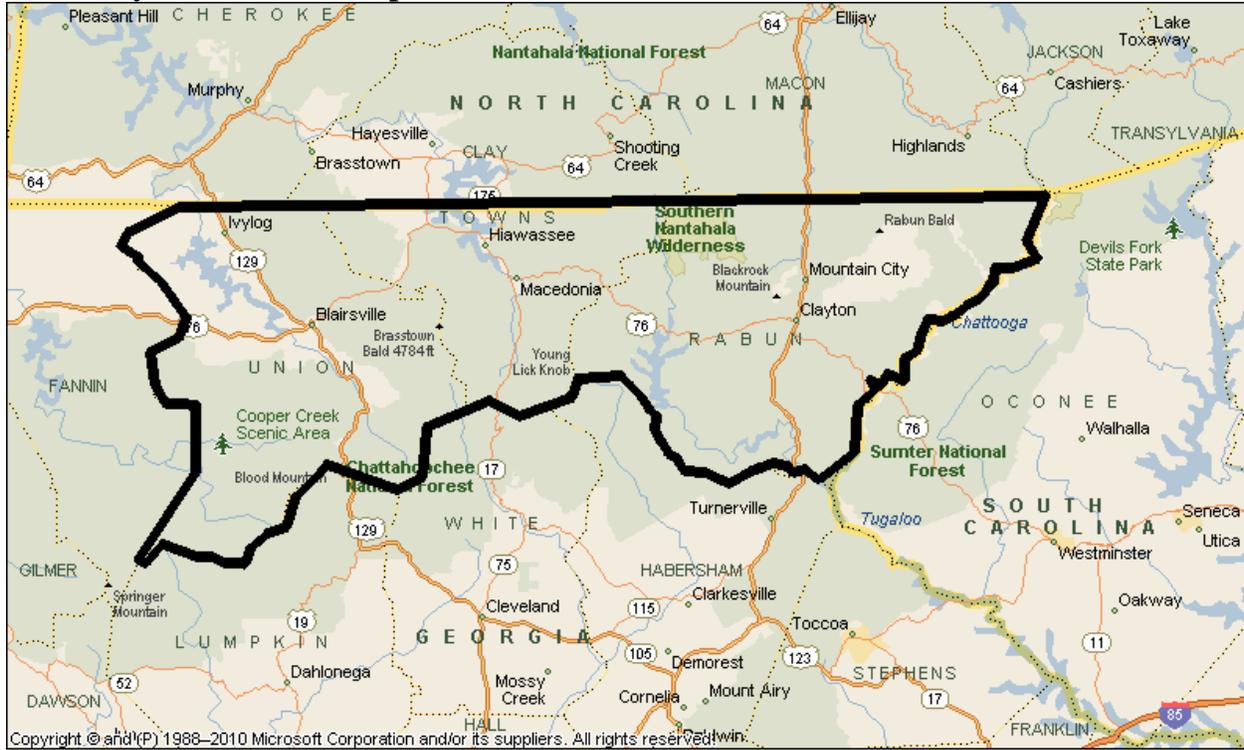
For the purpose of this study, it is necessary to define the market area, or the area from which potential tenants for the project are likely to be drawn. In some areas, residents are very much “neighborhood oriented” and are generally very reluctant to move from the area where they have grown up. In other areas, residents are much more mobile and will relocate to a completely new area, especially if there is an attraction such as affordable housing at below market rents.

Primary Market Area Map



We have utilized the combined counties of Towns, Union and Rabun for the secondary market area. These counties encompass the greater northwest GA area. The following map detail the secondary market area.

Secondary Market Area Map



The following sections will provide an analysis of the demographic characteristics within the market area. Data such as population, households and growth patterns will be studied, to determine if the Primary Market Area (PMA) and the Secondary Market Area (SMA) are areas of growth or contraction.

The PMA encompasses northeast Union County and Towns County, which border the state of North Carolina to the north. The PMA is defined by the Georgia-North Carolina state line to the north, Highway 129/19 to the west, Towns County line to the south, and the Towns-Rabun county line to the east. The farthest point in the PMA is 27.2 miles (driving distance) west of the Subject site along Highway 129. The PMA includes areas such as Macedonia, Jacksonville, Young Harris, and Ivylog. We have included one comparable from Blairsville and one comparable from Young Harris in the supply analysis. The following table illustrates a location comparison among these areas.

LOCATION COMPARISON

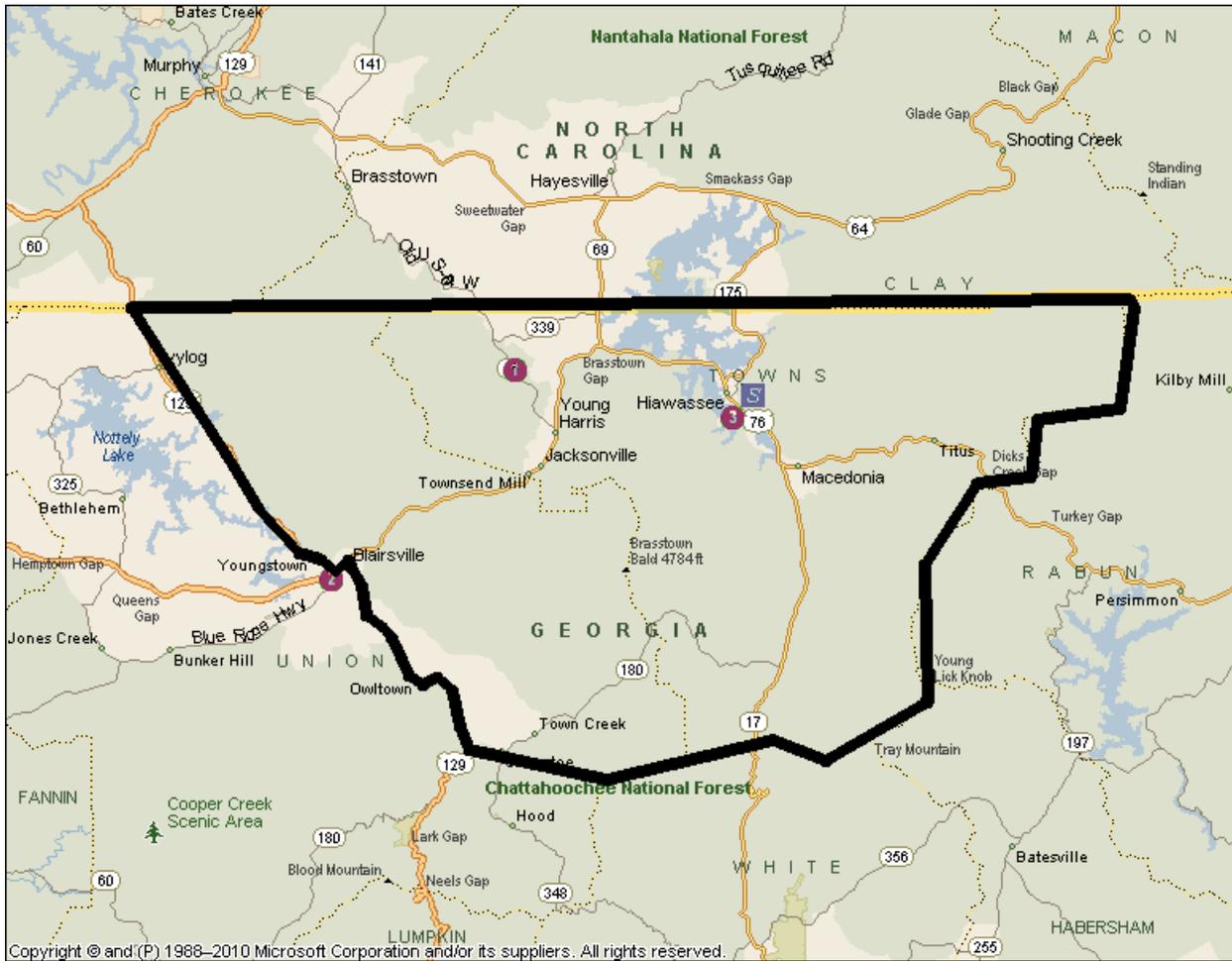
Location	Population	Median HH Income	Number of HHs	Median Gross Rent	Distance from Hiawasse
Hiawasse (Subject)	880	\$41,328	456	\$917	N/Ap
Young Harris	899	\$52,667	150	\$529	10 miles
Blairsville	652	\$27,411	249	\$528	16 miles

Source: US Census Bureau, ACS 2010 estimates, 5/2012.

As the previous table demonstrates, the median household income in Hiawasse is significantly higher than that of Blairsville and slightly lower than Young Harris. The median gross rent for

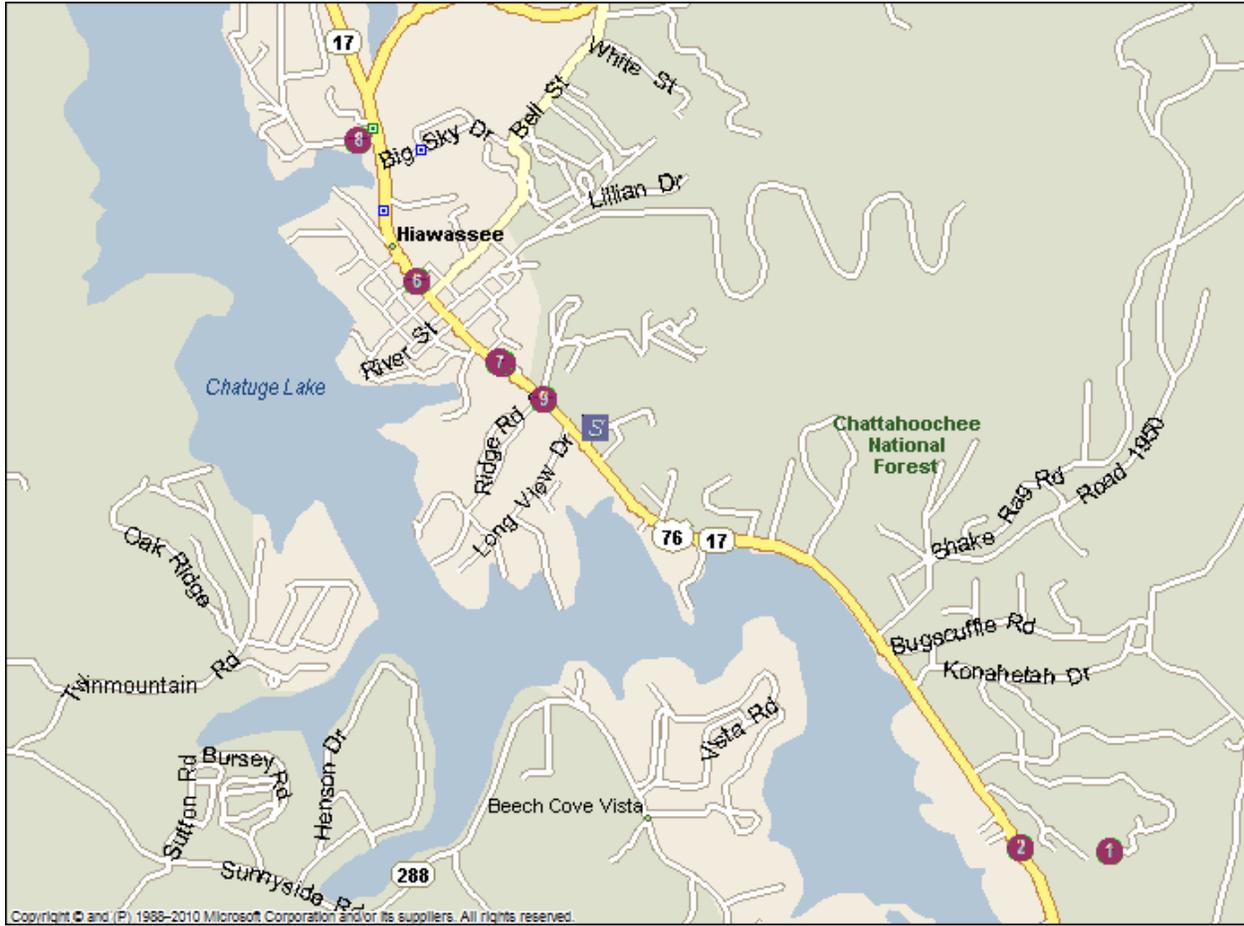
both Blairsville and Young Harris are significantly below the gross rent for Hiawassee. We spoke with the property manager of a family LIHTC property in Blairsville who indicated that a new construction property in Hiawassee would be able to get higher rents because Hiawassee offers more amenities than Blairsville. The Young Harris rental population includes a considerable portion of students. Overall, Hiawassee has a locational advantage due to its proximity to the lake.

Primary Market Area Map – Comparable Properties



Property	city	Program	Distance
Mountain View Apartments	Hiawassee	@50%, @60%, Non-Rental	N/Ap
Enota Village Apartment Homes	Young Harris	@30%, @50%, Market	11.1 miles
Nantahala Village Apartments	Blairsville	@50%, @60%	17.7 miles
Oakmont Knoll Apartments	Hiawassee	Market	0.5 miles

Primary Market Area Map – Locational Amenities



LOCATIONAL AMENITIES

Map #	Amenity	City	Distance (miles)
1	Towns County Elementary School	Hiwassee	1.5
2	Towns County Middle School	Hiwassee	1.4
3	Towns County High School	Hiwassee	1.4
5	Rite Aid	Hiwassee	0.1
6	Ingles Market	Hiwassee	0.4
7	Chatuge Regional Hospital	Hiwassee	0.1
8	Towns County Fire Department	Hiwassee	0.9
9	Circle M Food Shop (Gas)	Hiwassee	0.1

E. COMMUNITY DEMOGRAPHIC DATA

COMMUNITY DEMOGRAPHIC DATA

The following sections will provide an analysis of the demographic characteristics within the market area. Data such as population, households and growth patterns will be studied to determine if the Primary Market Area (PMA) and SMA are areas of growth or contraction. The discussions will also describe typical household size and will provide a picture of the health of the community and the economy. The following demographic tables are specific to the populations of the PMA and SMA.

1. Population Trends

The following tables illustrate (a) Total Population, (b) Population by Age Group within the population in SMA, the PMA and nationally from 1990 through 2015.

POPULATION						
Year	PMA		SMA		USA	
	Number	Annual Change	Number	Annual Change	Number	Annual Change
1990	11,464	-	30,394	-	248,709,873	-
2000	15,707	3.7%	41,657	3.7%	281,421,906	1.3%
2010	19,921	2.6%	51,444	2.3%	311,212,863	1.0%
Projected Mkt Entry June 2014	21,100	1.5%	53,642	1.1%	320,610,143	0.8%
2015	21,426	1.5%	54,250	1.1%	323,209,391	0.8%

Source: ESRI Demographics 2010, Novogradac & Company LLP, February 2012

POPULATION BY AGE IN 2010						
Age Cohort	PMA		SMA		USA	
	Number	Percentage	Number	Percentage	Number	Percentage
0-4	847	4.3%	2,460	4.8%	21,296,740	6.8%
5-9	910	4.6%	2,595	5.0%	20,832,961	6.7%
10-14	962	4.8%	2,782	5.4%	20,369,284	6.5%
15-19	1,202	6.0%	3,058	5.9%	21,883,995	7.0%
20-24	841	4.2%	2,038	4.0%	21,459,235	6.9%
25-29	813	4.1%	2,175	4.2%	21,517,303	6.9%
30-34	880	4.4%	2,417	4.7%	19,852,007	6.4%
35-39	1,043	5.2%	2,959	5.8%	20,531,543	6.6%
40-44	1,176	5.9%	3,063	6.0%	21,232,056	6.8%
45-49	1,267	6.4%	3,490	6.8%	23,163,948	7.4%
50-54	1,484	7.4%	3,850	7.5%	22,315,436	7.2%
55-59	1,610	8.1%	4,167	8.1%	19,742,941	6.3%
60-64	1,723	8.6%	4,408	8.6%	16,544,050	5.3%
65-69	1,546	7.8%	3,817	7.4%	12,081,110	3.9%
70-74	1,295	6.5%	2,955	5.7%	9,033,665	2.9%
75-79	969	4.9%	2,252	4.4%	7,339,326	2.4%
80-84	680	3.4%	1,551	3.0%	5,947,153	1.9%
85+	672	3.4%	1,407	2.7%	6,070,110	2.0%
Total	19,921	100.0%	51,444	100.0%	311,212,863	100.0%

Source: ESRI Demographics 2010, Novogradac & Company LLP, February 2012

Both populations of the PMA and SMA are growing at faster rates than the nation as of 2010. PMA population growth was at 2.6 percent annually while the SMA growth rate was 2.3 percent; compared to just one percent in the nation as of 2010. These growth rates are expected to slow by the Subject’s market entry date of 2014, but will still outpace the nation. Populations by age cohorts are spread fairly evenly in the PMA. The Subject will be a family property targeting all age groups.

2. Household Trends

2a. Total Number of Households, Average Household Size

HOUSEHOLDS						
Year	PMA		SMA		USA	
	Number	Annual Change	Number	Annual Change	Number	Annual Change
1990	4,591	-	12,151	-	91,947,410	-
2000	6,533	4.2%	17,436	4.3%	105,480,101	1.5%
2010	8,488	2.9%	21,944	2.5%	116,761,140	1.0%
Projected Mkt Entry	9,052	1.7%	23,006	1.2%	120,363,270	0.8%
2015	9,208	1.7%	23,300	1.2%	121,359,604	0.8%

Source: ESRI Demographics 2010, Novogradac & Company LLP, February 2012

AVERAGE HOUSEHOLD SIZE						
Year	PMA		SMA		USA	
	Number	Annual Change	Number	Annual Change	Number	Annual Change
1990	2.36	-	2.44	-	2.63	-
2000	2.26	-0.4%	2.32	-0.5%	2.59	-0.1%
2010	2.23	-0.2%	2.27	-0.2%	2.59	0.0%
Projected Mkt Entry	2.22	-0.1%	2.27	-0.1%	2.59	0.0%
June 2014	2.22	-0.1%	2.27	-0.1%	2.59	0.0%
2015	2.22	-0.1%	2.26	-0.1%	2.60	0.0%

Source: ESRI Demographics 2010, Novogradac & Company LLP, February 2012

Similar to population trends, PMA and SMA households are also growing at rates outpacing the nation. Between 2000 and 2010, PMA households grew at 2.9 percent annually; compared to only one percent in the nation. SMA households grew at a slightly slower 2.5 percent. PMA household growth is expected to slow by the market entry date to 1.7 percent annually, but this will still be outpacing the national rate of 0.8 percent. Average household size in the PMA and SMA were decreasing by 0.2 percent annually in 2010. This number will slow to 0.1 percent by the market entry date.

2b. Households by Tenure

The table below depicts household growth by tenure from 1990 through 2015.

TENURE PATTERNS PMA				
Year	Owner-Occupied	Percentage Owner-	Renter-Occupied	Percentage Renter-
	Units	Occupied	Units	Occupied
1990	3,987	86.84%	604	13.16%
2000	5,521	84.51%	1,012	15.49%
2010	7,074	83.34%	1,414	16.66%
Projected Mkt Entry				
June 2014	7,535	83.25%	1,517	16.75%
2015	7,663	83.22%	1,545	16.78%

Source: ESRI Demographics 2010, Novogradac & Company LLP, February 2012

Owner-occupied housing dominates the PMA at 83.3 percent in 2010. This can be contributed to the large number of resort or vacation homes along Lake Chatuga. Renter-occupied housing is projected to rise by the market entry date, but only slightly.

2c. Households by Income

The following table depicts household income in 2010, 2014 and 2015 for the PMA.

Income Cohort	HOUSEHOLD INCOME PMA							
	2010		Projected Mkt Entry June 2014		2015		Annual Change 2010 to 2015	
	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage
\$0-9,999	952	11.2%	943	10.4%	941	10.2%	-2	-0.2%
\$10,000-19,999	1,238	14.6%	1,209	13.4%	1,201	13.0%	-8	-0.6%
\$20,000-29,999	1,188	14.0%	1,174	13.0%	1,170	12.7%	-4	-0.3%
\$30,000-39,999	1,157	13.6%	1,173	13.0%	1,177	12.8%	4	0.3%
\$40,000-49,999	941	11.1%	993	11.0%	1,007	10.9%	13	1.4%
\$50,000-59,999	775	9.1%	836	9.2%	852	9.3%	16	2.0%
\$60,000-74,999	975	11.5%	1,100	12.2%	1,135	12.3%	32	3.3%
\$75,000-99,999	732	8.6%	851	9.4%	883	9.6%	30	4.1%
\$100,000+	530	6.2%	774	8.6%	842	9.1%	62	11.8%
Total	8,488	100.0%	9,052	100.0%	9,208	100.0%		

Source: Ribbon Demographics 2007, Novogradac & Company LLP, February 2012

Almost 40 percent of households in the PMA earned less than \$29,999 in 2010. This number is expected to dip to 37 percent by the market entry date, but this still makes up a large portion of Hiawassee’s population. The Subject will target households earning less than \$29,999; therefore, this data indicates a sizeable market for the Subject to capture.

2d. Renter Households by Number of Persons in the Household

The following table illustrates the number of persons per household among renter households.

	Renter Households by Number of Persons - PMA							
	2000		2010		Projected Mkt Entry June 2014		2015	
	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage
With 1 Person	424	41.9%	622	44.0%	680	44.8%	696	45.0%
With 2 Persons	262	25.9%	351	24.9%	360	23.8%	363	23.5%
With 3 Persons	147	14.5%	175	12.4%	176	11.6%	176	11.4%
With 4 Persons	92	9.1%	148	10.4%	166	11.0%	171	11.1%
With 5+ Persons	87	8.6%	118	8.3%	134	8.8%	138	9.0%
Total Renter Households	1,012	100.0%	1,414	100.0%	1,517	100.0%	1,545	100.0%

Source: Ribbon Demographics 2007, Novogradac & Company LLP, February 2012

In the PMA in 2010, 91 percent of renter households were composed of four persons and under. The Subject will offer one, two, and three bedroom floor plans at 50 and 60 percent AMI levels, so it will be well-positioned to service this market.

CONCLUSION

Population and households in the PMA are both growing at rates outpacing the SMA by a fair margin. PMA population growth was at 2.6 percent annually while the SMA growth rate was 2.3 percent; this compares to just one percent in the nation as of 2010. These growth rates are expected to slow by the Subject’s market entry date of 2014, but will still outpace the nation. Between 2000 and 2010, PMA households grew at 2.9 percent annually; this compares to only one percent in the nation. SMA households grew at a slightly slower 2.5 percent. PMA household growth is expected to slow by the market entry date to 1.7 percent annually, but this will still be outpacing the national rate of 0.8 percent.

Owner-occupied housing dominates the PMA at 83.3 percent in 2010. This can be attributed to the large number of resort or vacation homes along Lake Chatuga. Renter-occupied housing is projected to rise by the market entry date, but only slightly.

Almost 40 percent of households in the PMA earned less than \$29,999 in 2010. This number is expected to dip to 37 percent by the market entry date, but this still makes up a large portion of Hiawassee’s population. The Subject will target households earning less than \$29,999; therefore, this data indicates a sizeable market for the Subject to capture. In the PMA in 2010, 91 percent of

renter households were composed of four persons and under. The Subject will offer one, two, and three bedroom floor plans at 50 and 60 percent AMI levels, so it will be well-positioned to service this market.

F. EMPLOYMENT TRENDS

Employment Trends

The Subject is located in Hiawassee, Towns County, Georgia. Hiawassee is primarily a resort and vacation area for Georgia and the surrounding states of North Carolina, Alabama, and Tennessee. Chatuga Lake is the primary reason for this. Many resorts and vacation homes dot its shoreline. Therefore, employment for the area is concentrated in industries servicing the resorts and vacationing tourists.

1. Total Jobs

The following table illustrates the total jobs (also known as “covered employment”) in Towns County. The latest data available is from September 2011.

COVERED EMPLOYMENT

Towns County		
Year	Total Employment	% Change
2001	2,759	
2002	2,933	5.93%
2003	3,190	8.06%
2004	3,379	5.59%
2005	3,601	6.16%
2006	3,746	3.87%
2007	3,720	-0.70%
2008	3,498	-6.35%
2009	3,364	-3.98%
2010	3,260	-3.19%
2011 YTD Average*	3,250	-0.32%
Sep-10	3,410	-
Sep-11	3,406	-0.12%

Source: U.S. Bureau of Labor Statistics

*YTD as of Sept 11

Like most of the nation, covered employment saw a serious decrease between 2007 and 2010. Towns County lost around 14 percent in covered employment during this time period. Year-over-year data for September 2010 and 2011 indicate a much slower decline of covered employment at -0.12 percent. This indicates slow stabilization in covered employment for the PMA.

2. Total Jobs by Industry

The following table illustrates the total jobs by employment sectors within Towns County. The latest data available to us is from September 2011.

SEPT 2011 EMPLOYMENT JOBS BY INDUSTRY

Towns County		
Industry	Number Employed	Percent Employed
Trade, Transportation, and Utilities	632	22.36%
Leisure and Hospitality	798	28.23%
Education and Health Services	948	33.53%
Professional and Business Services	111	3.93%
Construction	83	2.94%
Manufacturing	45	1.59%
Other Services	-	0.00%
Financial Activities	168	5.94%
Unclassified	27	0.96%
Natural Resources and Mining	15	0.53%
Information	-	0.00%
Public Administration*	-	0.00%
Total Employment	2,827	100.00%

*Monthly data is not available

Source: U.S. Bureau of Labor Statistics 2011. Covered Employment

Employment by industry in Towns County is heavily concentrated in service industries like education, health services, leisure, and trade-transportation & utilities. Young Harris College accounts for a large portion of employees in education, and Chatuga Regional Hospital accounts for many in health services. The leisure and hospitality industries exist to serve the many tourists in the area, as well as vacationers to the region surrounding Lake Chatuga. Blue Ridge Mountain Electric, the regions electricity provider, is one of the major employers for Towns County, and should account for most of the employees in the trade-transportation & utilities industries.

2010 EMPLOYMENT BY INDUSTRY

Industry	PMA		USA	
	Number Employed	Percent Employed	Number Employed	Percent Employed
Construction	1,136	13.2%	8,872,843	6.5%
Retail Trade	1,129	13.1%	15,464,986	11.4%
Educational Services	1,119	13.0%	14,168,096	10.4%
Health Care/Social Assistance	1,114	12.9%	18,891,157	13.9%
Accommodation/Food Services	709	8.2%	9,114,767	6.7%
Manufacturing	545	6.3%	13,047,475	9.6%
Other Services (excl Publ Adm)	466	5.4%	6,679,783	4.9%
Finance/Insurance	396	4.6%	6,883,526	5.1%
Public Administration	300	3.5%	6,916,821	5.1%
Agric/Forestry/Fishing/Hunting	288	3.3%	1,790,318	1.3%
Transportation/Warehousing	282	3.3%	5,487,029	4.0%
Arts/Entertainment/Recreation	200	2.3%	2,628,374	1.9%
Prof/Scientific/Tech Services	176	2.0%	8,520,310	6.3%
Admin/Support/Waste Mgmt Svcs	170	2.0%	5,114,479	3.8%
Utilities	163	1.9%	1,115,793	0.8%
Real Estate/Rental/Leasing	119	1.4%	2,825,263	2.1%
Wholesale Trade	112	1.3%	4,407,788	3.2%
Information	110	1.3%	3,158,778	2.3%
Mining	58	0.7%	723,991	0.5%
Mgmt of Companies/Enterprises	46	0.5%	202,384	0.1%
Total Employment	8,638	100.0%	136,013,961	100.0%

Source: ESRI Demographics 2010, Novogradac & Company LLP, February 2012

Employment by industry in the PMA is concentrated in service based industries like retail, education, healthcare, and accommodation. These services serve the general population of the area, but undoubtedly do a large amount their business with vacationers and tourists. Construction being the largest employer by industry is unsurprising given the high number of vacation home builders along the Lake Chatuga, and other commercial builders for services in the area. All of these industries offer jobs with a wide range of wages, including lower-income. With the relatively stable economy in the Hiawassee area, this bodes well for the Subject.

3. Major Employers

Major Employers

Employer	Industry	Employees
Blue Ridge Mountain Electric Member	Utility	N/A
Brasstown Valley Resort	Leisure	N/A
Chatuge Regional Hospital	Healthcare	N/A
Divisions of Citizens South Bank	Banking	N/A
Fieldstone Family Entertainment Center	Leisure	N/A
Ingles Markets	Food	N/A
K-B Health Technology	Healthcare	N/A
McDonalds	Food Service	N/A
The Ridges Resort	Leisure	N/A
Young Harris College	Education	N/A

Source: Georgia Department of Labor, 2010

The major employers list above illustrates the top ten employers for Towns County in 2010. A more up to date list with employee numbers was sought by contacting the Towns County Chamber of Commerce, but that information was not available. This list was sourced from the Georgia Department of Labor with data from year end 2010. These employers are concentrated

in the leisure and service industries to accommodate tourism in the area. However, the electric utility Blue Ridge Mountain Electric is the largest employer in the County.

Expansions/Contractions

We spoke with Mrs. Candice Lee, President of the Towns County Chamber of Commerce, regarding the general economic outlook for the area. In general, Mrs. Lee opined that the area’s economy is doing well, and is close to hitting pre-recession levels as far as activity. Mrs. Lee reiterated that employment in the area is concentrated in the tourism industry and the services surrounding it. These industries experienced a slowdown amidst the economic recession of recent years, but Mrs. Lee stated that they are recovering nicely in terms of visitors. Construction and remodeling of homes in the area are beginning to pick up as well, according to Mrs. Lee. Small businesses in the area are experiencing a boost as well, with 36 new members being added to the Chamber in the past year.

As far as expansions or contractions in employment, Mrs. Lee stated that expansions to the tourism industry are happening, but at a very conservative pace. Towns County experienced slight contractions during the recession, but Mrs. Lee could not think of any major contractions within the past few years.

WARN Notices.

Below is a table illustrating the WARN Filings for the Northeast and Northwest Georgia Region for 2011 and 2012, which Towns County is a part of.

WARN Filings for Northeast and Northwest Georgia 2011-2012

Company	Industry	City	County	Employees Affected	Date
Atlanta Journal Constitution	Print	Cumming	Forsyth	70	3/8/2012
ActionMed Personnel	Healthcare	Calhoun	Gordon	280	1/24/2012
NuconSteel Georgia Manufacturing	Manufacturing	Dallas	Paulding	112	1/9/2012
Beaulieu of America	Manufacturing	Dalton	Whitfield	150	11/7/2011
Beaulieu of America	Manufacturing	Dalton	Whitfield	170	11/7/2011
Mowhawk Industries	Manufacturing	Rome	Floyd	227	10/28/2011
Shaw Industries	Manufacturing	Dalton	Whitfield	275	10/11/2011
Vend Service	Food Service	Rome	Floyd	51	8/30/2011
Northwest Georgia Regional Hospital	Healthcare	Rome	Floyd	750	12/5/2011
Shaw Industries	Manufacturing	Chatsworth	Murray	302	4/12/2011
General Aluminum	Manufacturing	Rome	Floyd	67	3/4/2011

Source: Georgia Department of Labor

As illustrated in the above table, Towns County has experienced no WARN filings in the past year and a half. Closings and layoffs for the region were concentrated in the manufacturing industry, an industry not prevalent in Towns County.

4. Employment and Unemployment Trends

The following table details employment and unemployment trends for the SMA from 2000 to 2011 (through December).

EMPLOYMENT & UNEMPLOYMENT TRENDS (NOT SEASONALLY ADJUSTED)

Year	SMA				USA			
	Total Employment	% Change	Unemployment Rate	Change	Total Employment	% Change	Unemployment Rate	Change
2000	18,982	-	3.7%	-	136,891,000	-	4.2%	-
2001	19,174	1.0%	3.7%	0.0%	136,933,000	0.0%	4.0%	-0.2%
2002	20,007	4.3%	4.1%	0.4%	136,485,000	-0.3%	4.7%	0.7%
2003	21,128	5.6%	3.9%	-0.2%	137,736,000	0.9%	5.8%	1.1%
2004	21,833	3.3%	3.8%	0.0%	139,252,000	1.1%	6.0%	0.2%
2005	22,826	4.5%	4.2%	0.4%	141,730,000	1.8%	5.5%	-0.5%
2006	23,236	1.8%	4.2%	0.0%	144,427,000	1.9%	5.1%	-0.4%
2007	23,501	1.1%	4.4%	0.2%	146,047,000	1.1%	4.6%	-0.5%
2008	22,253	-5.3%	6.1%	1.7%	145,362,000	-0.5%	4.6%	0.0%
2009	21,377	-3.9%	9.4%	3.3%	139,877,000	-3.8%	5.8%	1.2%
2010	20,802	-2.7%	10.2%	0.8%	139,064,000	-0.6%	9.3%	3.5%
2011 YTD Average*	20,947	0.7%	10.2%	0.0%	139,869,250	0.6%	9.6%	0.3%
Dec-2010	20,641	-	9.9%	-	139,159,000	-	9.6%	-
Dec-2011	20,994	1.7%	9.6%	-0.3%	140,681,000	1.1%	9.6%	0.0%

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

*2011 data is through Annual

Total employment in the SMA, like most of the nation, experienced a heavy drop during the recent recession. Between 2008 and 2010, the SMA lost approximately seven percent of total employment; compared to about 4.5 percent for the nation. However, between December 2010 and 2011, the SMA experienced a 1.7 percent jump in total employment. This is 0.6 percent larger than the national rate of 1.1 percent during the same time period.

The SMA has seen unemployment figures as high as 10.2 percent in 2010. However, year-over-year data for December 2010 and 2011 in the SMA shows a drop from 9.9 percent to 9.6 percent. This unemployment rate is on par with the national rate of 9.6 percent.

5. Map of Site and Major Employment Concentrations

The following map and table details the largest employers in Towns County.



Major Employers

Map #	Employer	Distance
1	Blue Ridge Mountain Electric Member	9.0
2	Brasstown Valley Resort	7.6
3	Chatuge Regional Hospital	0.3
4	Divisions of Citizens South Bank	0.5
5	Fieldstone Family Entertainment Center	4.8
6	Ingles Markets	0.5
7	K-B Health Technology	5.1
8	McDonalds	1.0
9	The Ridges Resort	4.3
10	Young Harris College	8.8

Conclusion

Hiawassee is primarily a resort and vacation area for Georgia and the surrounding states of North Carolina, Alabama, and Tennessee. Chatuga Lake is the primary reason for this. Many resorts and vacation homes dot its shoreline. Therefore, employment for the area is concentrated in industries servicing the resorts and vacationing tourists. Three major employers for the area are the Brasstown Valley Resort, the Fieldstone Family Entertainment Center, and the Ridges Resort. These employers offer visitors services year round, and are beginning to see rising numbers approaching pre-recession levels.

Total employment by industry in Towns County reflects the concentration in the service industries like education, health services, leisure, and trade-transportation & utilities. Young Harris College accounts for a large portion of employees in education, and Chatuga Regional Hospital accounts for many in health services. The leisure and hospitality industries exist to serve the many tourists in the area, as well as vacationers to the region surrounding Lake Chatuga. Blue Ridge Mountain Electric, the regions electricity provider, is one of the major employers for Towns County, and should account for most of the employees in the trade-transportation & utilities industries.

Unemployment rates in the SMA began to see a steep increase starting in 2007. Unemployment rates rose from 4.4 percent in 2007, to as high as 10.2 percent in 2010. However, year-over-year data for December 2010 and 2011 in the SMA shows a drop from 9.9 percent to 9.6 percent. This unemployment rate was on par with the national rate of 9.6 percent as of year-end 2011.

We spoke with Mrs. Candice Lee, President of the Towns County Chamber of Commerce, regarding expansions and contractions in the area. To her knowledge, employers in the area, especially those in the tourism industry, are expanding at conservative rates. She could report no constrictions in employment. There have been no WARN notices for Towns County in the past two and a half years.

Overall, the employment picture for Hiawassee and Towns County is fairly positive. While tourism, the area’s main economic driver, suffered during the recent recession, vacationers and visitors are coming back at slightly increasing levels. Stable employment at a variety of wages is offered by this industry. Employment in other stable industries like utilities and education are also available. The Subject should be able to attract lower-income tenants looking for affordable housing.

PROJECT-SPECIFIC DEMAND ANALYSIS

The following demand analysis evaluates the potential amount of qualified households, which the Subject would have a fair chance at capturing. The structure of the analysis is based on the guidelines provided by DCA.

1. INCOME RESTRICTIONS

LIHTC rents are based upon a percentage of the Area Median Gross Income (“AMI”), adjusted for household size and utilities. The Georgia Department of Community Affairs (“DCA”) will estimate the relevant income levels, with annual updates. The rents are calculated assuming that the maximum net rent a senior household will pay is 35 percent of its household income at the appropriate AMI level.

According to DCA, household size is assumed to be 1.5 persons per bedroom for LIHTC rent calculation purposes. For example, the maximum rent for a four-person household in a two-bedroom unit is based on an assumed household size of three persons (1.5 per bedroom). The Subject will target households ranging from one to five persons.

To assess the likely number of tenants in the market area eligible to live in the Subject, we use Census information as provided by ESRI Information Systems, to estimate the number of potential tenants who would qualify to occupy the Subject as a LIHTC project.

The maximum income levels are based upon the 2011 national non-metropolitan income limits as the Subject site is eligible under USDA Rural Development. The developer is using the 2011 GA DCA utility allowances and therefore we have used the 2011 income limits.

2. AFFORDABILITY

As discussed above, the maximum income is set by DCA while the minimum is based upon the minimum income needed to support affordability. This is based upon a standard of 35 percent. Lower and moderate-income families typically spend greater than 30 percent of their income on housing. These expenditure amounts can range higher than 50 percent depending upon market area. However, the 30 to 40 percent range is generally considered a reasonable range of affordability. DCA guidelines utilize 35 percent for families and 40 percent for seniors. We will use these guidelines to set the minimum income levels for the demand analysis.

3. DEMAND

The demand for the Subject will be derived from two sources: existing households and new households. These calculations are illustrated in the following tables.

3A. DEMAND FROM NEW HOUSEHOLDS

The number of new households entering the market is the first level of demand calculated. We have utilized 2014, the anticipated date of market entry, as the base year for the analysis. Therefore, 2010 household population estimates are inflated to 2014 by interpolation of the difference between 2010 estimates and 2014 projections. This change in households is considered the gross potential demand for the Subject property. This number is adjusted for income eligibility and renter tenure. In the following tables this calculation is identified as Step 1. This is calculated as an annual demand number. In other words, this calculates the anticipated new households in 2014. This number takes the overall growth from 2000 to 2014 and applies it

to its respective income cohorts by percentage. This number does not reflect lower income households losing population, as this may be a result of simple dollar value inflation.

3B. DEMAND FROM EXISTING HOUSEHOLDS

Demand for existing households is estimated by summing three sources of potential tenants. The first source (2a.) is tenants who are rent overburdened. These are households who are paying over 35 percent for family households and 40 percent for senior households of their income in housing costs. This data is interpolated using CHAS data based on appropriate income levels.

The second source (2b.) is households living in substandard housing. We will utilize this data to determine the number of current residents that are income eligible, renter tenure, overburdened and/or living in substandard housing and likely to consider the Subject. The third source (2c.) is those seniors likely to move from their own homes into rental housing. This source is only appropriate when evaluating senior properties and is determined by interviews with property managers in the PMA. It should be noted that we have lowered the demand from seniors who convert to homeownership to be at or below 20 percent. The Subject will target general households and therefore we have not included an estimate for senior homeownership conversion.

In general, we will utilize this data to determine the number of current residents that are income eligible, renter tenure, overburdened and/or living in substandard housing and likely to consider the Subject.

3C. SECONDARY MARKET AREA

To accommodate for the secondary market area, the Demand from Existing Qualified Households within the primary market area will be multiplied by 115 percent to account for demand from the secondary market area.

3D. OTHER

DCA does not consider household turnover to be a source of market demand.

4. NET DEMAND, CAPTURE RATES AND STABILIZATION CALCULATIONS

The following pages will outline the overall demand components added together (3(a), 3(b) and 3(c)) less the supply of competitive developments awarded and/or constructed from 2000 to the present.

ADDITIONS TO SUPPLY

Additions to supply will lower the number of potential qualified households. Pursuant to our understanding of DCA guidelines, we deduct additions to supply allocated since 2010 to present and those that will be constructed through 2012 that are considered directly competitive. There have been no family LIHTC allocations in the PMA since 2010.

PMA OCCUPANCY

Per DCA's guidelines, we have determined the average occupancy rate based on all available competitive conventional and LIHTC properties in the PMA. The following table illustrates the occupancy rates at properties in the PMA. Big Sky Village will not directly compete with the

Subject as it targets seniors; however, we have included it in the following table as it is a non-subsidized LIHTC property in Hiawassee.

PMA OCCUPANCY

Property Name	Rent Structure	Tenancy	Location	Total Units	Occupied Units	Occupancy Rate
Enota Village Apartment Homes	@30% , @50% , Market	Family	Young Harris	60	52	86.67%
Nantahala Village Apartments	@50% , @60%	Family	Blairsville	56	52	92.86%
Oakmont Knoll Apartments	Market	Family	Hiawassee	16	15	93.75%
Big Sky Village	@50% , @60%	Senior	Hiawassee	48	48	100.00%
Overall				180	167	92.78%

NET SUPPLY

The following Competitive Analysis chart may be used to determine the Net Supply number of each bedroom and income category when considering the deduction of properties in the net supply in cases where, for instance, the property is on the edge of the PMA, is a market rate property, or otherwise only partially fulfills the need for units that will be filled by the proposed subject. All properties determined to be competitive with the proposed development will be included in the Competitive Analysis and assigned a Comparability Factor to be used in determining Net Supply in the PMA.

The total Comparability Factor will be applied to each bedroom type for all income segments to determine the number of units to be allocated to the existing property. Total market supply will be comprised of the weighted units supply from the comparable existing properties and all units new to the market area since 2000.

With regards to affordability, we believe the following percent differentials are warranted.

Rent Differential	Adjustment Applied
0-5%	1.00
6-10%	0.75
11-15%	0.50
16-20%	0.25
20%+	0.00

Only one LIHTC comparable is located in the PMA: Enota Village. This property offers two, three, and four-bedroom units at 30 and 50 percent AMI and unrestricted units. The Subject will only compete with the two-bedroom units restricted at 50 percent AMI at Enota Village, all of which are occupied.

Competitive Property Analysis			
Enota Village		Percent	Comments
1	Location	0.50	Inferior location
2	Affordability	1.00	More affordable
3	Property Type	1.00	Similar amenities
4	Quality	1.00	Similar condition
		Comparability Factor	0.500

Competitive Property Analysis

Property Name	Total Number of Units*	Comparability Factor	Units to be Deducted from Demand
Enota Village	14	0.500	7

*Total number of comparable units by bedroom type

Additions To Supply (Cumulative)/Existing Units	50%	60%	Overall
Two Bedroom	7	0	7

Rehab Developments and PBRA

For any properties that are rehab developments, the capture rates will be based on those units that are vacant, or whose tenants will be rent burdened or over income as listed on the Tenant Relocation Spreadsheet.

Units that are subsidized with PBRA or whose rents are more than 20 percent lower than the rent for other units of the same bedroom size in the same AMI band and comprise less than 10 percent of total units in the same AMI band will not be used in determining project demand. In addition, any units, if priced 30 percent lower than the average market rent for the bedroom type in any income segment, will be assumed to be leasable in the market and deducted from the total number of units in the project for determining capture rates.

Capture Rates

The above calculations and derived capture rates are illustrated in the following tables.

Renter Household Income Distribution 2010-2015									
Mountain View Apartments									
	PMA								
	2000		2010		Projected Mkt Entry June 2014		2015		Percent Growth
	#	%	#	%	#	%	#	%	
\$0-9,999	286	28.3%	371	26.2%	388	25.6%	393	25.4%	5.6%
\$10,000-19,999	244	24.2%	331	23.4%	341	22.5%	344	22.3%	3.8%
\$20,000-29,999	169	16.7%	194	13.7%	197	13.0%	198	12.8%	2.0%
\$30,000-39,999	106	10.4%	162	11.4%	167	11.0%	168	10.9%	3.9%
\$40,000-49,999	105	10.3%	132	9.3%	145	9.6%	148	9.6%	10.9%
\$50,000-59,999	30	2.9%	72	5.1%	78	5.1%	79	5.1%	9.4%
\$60,000-74,999	31	3.1%	67	4.7%	81	5.3%	85	5.5%	21.8%
\$75,000-99,999	20	2.0%	50	3.5%	63	4.1%	66	4.3%	24.6%
\$100,000+	22	2.2%	36	2.6%	57	3.8%	63	4.1%	42.8%
Total	1,012	100.0%	1,414	100.0%	1,517	100.0%	1,545	100.0%	8.5%

Households by Tenure Projected Mkt Entry June 2014		
	Number	Percentage
Renter	1,517	16.8%
Owner	7,535	83.2%
Total	9,052	100.0%

Renter Household Size for Projected Mkt Entry June 2014		
Size	Number	Percentage
1	680	44.82%
2	360	23.77%
3	176	11.62%
4	166	10.96%
5+	134	8.83%
Total	1,517	100%

50% AMI

Calculation of Potential Household Demand by Income Cohort by % of AMI

Percent of AMI Level			50%		
Minimum Income Limit			\$15,257		
Maximum Income Limit			\$23,200 3 Persons		
Income Category	New Renter Households - Total Change in Households PMA 2000 to Pj Mrkt Entry June 2014		Income Brackets	Percent within Cohort	Renter Households within Bracket
	Count	Percentage			
\$0-9,999	129	25.6%		0.0%	0
\$10,000-19,999	113	22.5%	4,742	47.4%	54
\$20,000-29,999	65	13.0%	3,200	32.0%	21
\$30,000-39,999	56	11.0%		0.0%	0
\$40,000-49,999	48	9.6%		0.0%	0
\$50,000-59,999	26	5.1%		0.0%	0
\$60,000-74,999	27	5.3%		0.0%	0
\$75,000-99,999	21	4.1%		0.0%	0
\$100,000+	19	3.8%		0.0%	0
	505	100.0%			75
Percent of renter households within limits versus total number of renter households					14.82%

Calculation of New Renter Household Demand by Income Cohort by % of AMI

Percent of AMI Level			50%		
Minimum Income Limit			\$15,257		
Maximum Income Limit			\$23,200 3 Persons		
Income Category	Total Renter Households PMA Pj Mrkt Entry June 2014		Income Brackets	Percent within Cohort	Households within Bracket
	Count	Percentage			
\$0-9,999	388	25.6%	0	0.0%	0
\$10,000-19,999	341	22.5%	4,742	47.4%	162
\$20,000-29,999	197	13.0%	3,200	32.0%	63
\$30,000-39,999	167	11.0%	0	0.0%	0
\$40,000-49,999	145	9.6%	0	0.0%	0
\$50,000-59,999	78	5.1%	0	0.0%	0
\$60,000-74,999	81	5.3%	0	0.0%	0
\$75,000-99,999	63	4.1%	0	0.0%	0
\$100,000+	57	3.8%	0	0.0%	0
	1,517	100.0%			225
Percent of renter households within limits versus total number of renter households					14.82%

Does the Project Benefit from Rent Subsidy? (Y/N)

Type of Housing (Family vs Senior)

Location of Subject (Rural versus Urban)

Percent of Income for Housing

2000 Median Income

Projected Mkt Entry June 2014 Median Income

Change from 2000 to Pj Mrkt Entry June 2014

Total Percent Change

Average Annual Change

Inflation Rate

Maximum Allowable Income

Maximum Allowable Income Inflation Adjusted

Maximum Number of Occupants

Rent Income Categories

Initial Gross Rent for Smallest Unit

Initial Gross Rent for Smallest Unit Inflation Adjusted

No		
Family		
Rural		
35%		
\$32,045		
\$43,079		
\$11,034		
34.4%		
5.7%		
5.7%	Two year adjustment	1.0000
\$23,200		
\$23,200		
3 Persons		
50%		
\$445		
\$445.00		

Persons in Household	0BR	1BR	2BR	3BR	4BR	5BR	Total
1	0%	90%	10%	0%	0%	0%	100%
2	0%	10%	90%	0%	0%	0%	100%
3	0%	0%	80%	20%	0%	0%	100%
4	0%	0%	0%	80%	20%	0%	100%
5+	0%	0%	0%	70%	30%	0%	100%

STEP 1 Please refer to text for complete explanation.

Demand from New Renter Households 2000 to Prj Mrkt Entry June 2014

Income Target Population		50%
New Renter Households PMA		505
Percent Income Qualified		14.8%
New Renter Income Qualified Households		75

STEP 2a. Please refer to text for complete explanation.

Demand from Existing Households 2000

Demand from Rent Overburdened Households

Income Target Population		50%
Total Existing Demand		1,517
Income Qualified		14.8%
Income Qualified Renter Households		225
Percent Rent Overburdened Prj Mrkt Entry June 2014		50.0%
Rent Overburdened Households		112

STEP 2b. Please refer to text for complete explanation.

Demand from Living in Substandard Housing

Income Qualified Renter Households		225
Percent Living in Substandard Housing		0.4%
Households Living in Substandard Housing		1

STEP 2c. Please refer to text for complete explanation.

Senior Households Converting from Homeownership

Income Target Population		50%
Total Senior Homeowners		0
Rural Versus Urban	5.0%	
Senior Demand Converting from Homeownership		0

Total Demand

Total Demand from Existing Households		113
Adjustment Factor - Leakage from SMA (use 115% for DCA)	115%	17
Adjusted Demand from Existing Households		130
Total New Demand		75
Total Demand (New Plus Existing Households)		205

By Bedroom Demand

One Person	44.8%	92
Two Persons	23.8%	49
Three Persons	11.6%	24
Four Persons	11.0%	22
Five Persons	8.8%	18
Total	100.0%	205

To place Person Demand into Bedroom Type Units

Of one-person households in 1BR units	90%	83
Of two-person households in 1BR units	10%	5
Of three-person households in 1BR units	0%	0
Of four-person households in 1BR units	0%	0
Of five-person households in 1BR units	0%	0
Of one-person households in 2BR units	10%	9
Of two-person households in 2BR units	90%	44
Of three-person households in 2BR units	80%	19
Of four-person households in 2BR units	0%	0
Of five-person households in 2BR units	0%	0
Of one-person households in 3BR units	0%	0
Of two-person households in 3BR units	0%	0
Of three-person households in 3BR units	20%	5
Of four-person households in 3BR units	80%	18
Of five-person households in 3BR units	70%	13
Of one-person households in 4BR units	0%	0
Of two-person households in 4BR units	0%	0
Of three-person households in 4BR units	0%	0
Of four-person households in 4BR units	20%	4
Of five-person households in 4BR units	30%	5
Total Demand		205
Check		OK
Total Demand by Bedroom		50%
1 BR		88
2 BR		72
Total Demand		160
Additions To Supply 2000 to Prj Mrkt Entry June 2014		50%
1 BR		0
2 BR		7
Total		7
Net Demand		50%
1 BR		88
2 BR		65
Total		153
Developer's Unit Mix		50%
1 BR		4
2 BR		4
Total		8
Capture Rate Analysis		50%
1 BR		4.6%
2 BR		6.1%
Total		5.2%

60%AMI

Calculation of Potential Household Demand by Income Cohort by % of AMI

Percent of AMI Level			60%		
Minimum Income Limit			\$17,143		
Maximum Income Limit			\$27,840 3 Persons		
Income Category	New Renter Households - Total Change in Households PMA 2000 to Pj Mrkt Entry June 2014		Income Brackets	Percent within Cohort	Renter Households within Bracket
	Count	Percentage			
\$0-9,999	129	25.6%		0.0%	0
\$10,000-19,999	113	22.5%	2,856	28.6%	32
\$20,000-29,999	65	13.0%	7,840	78.4%	51
\$30,000-39,999	56	11.0%		0.0%	0
\$40,000-49,999	48	9.6%		0.0%	0
\$50,000-59,999	26	5.1%		0.0%	0
\$60,000-74,999	27	5.3%		0.0%	0
\$75,000-99,999	21	4.1%		0.0%	0
\$100,000+	19	3.8%		0.0%	0
	505	100.0%			84
Percent of renter households within limits versus total number of renter households					16.59%

Calculation of New Renter Household Demand by Income Cohort by % of AMI

Percent of AMI Level			60%		
Minimum Income Limit			\$17,143		
Maximum Income Limit			\$27,840 3 Persons		
Income Category	Total Renter Households PMA Pj Mrkt Entry June 2014		Income Brackets	Percent within Cohort	Households within Bracket
	Count	Percentage			
\$0-9,999	388	25.6%	0	0.0%	0
\$10,000-19,999	341	22.5%	2,856	28.6%	97
\$20,000-29,999	197	13.0%	7,840	78.4%	154
\$30,000-39,999	167	11.0%	0	0.0%	0
\$40,000-49,999	145	9.6%	0	0.0%	0
\$50,000-59,999	78	5.1%	0	0.0%	0
\$60,000-74,999	81	5.3%	0	0.0%	0
\$75,000-99,999	63	4.1%	0	0.0%	0
\$100,000+	57	3.8%	0	0.0%	0
	1,517	100.0%			252
Percent of renter households within limits versus total number of renter households					16.59%

Does the Project Benefit from Rent Subsidy? (Y/N)

Type of Housing (Family vs Senior)

Location of Subject (Rural versus Urban)

Percent of Income for Housing

2000 Median Income

Projected Mkt Entry June 2014 Median Income

Change from 2000 to Pj Mrkt Entry June 2014

Total Percent Change

Average Annual Change

Inflation Rate

Maximum Allowable Income

Maximum Allowable Income Inflation Adjusted

Maximum Number of Occupants

Rent Income Categories

Initial Gross Rent for Smallest Unit

Initial Gross Rent for Smallest Unit Inflation Adjusted

No		
Family		
Rural		
35%		
\$32,045		
\$43,079		
\$11,034		
34.4%		
5.7%		
5.7%	Two year adjustment	1.0000
\$27,840		
\$27,840		
3 Persons		
60%		
\$500		
\$500.00		

Persons in Household	0BR	1BR	2BR	3BR	4BR	5BR	Total
1	0%	90%	10%	0%	0%	0%	100%
2	0%	10%	90%	0%	0%	0%	100%
3	0%	0%	80%	20%	0%	0%	100%
4	0%	0%	0%	80%	20%	0%	100%
5+	0%	0%	0%	70%	30%	0%	100%

STEP 1 Please refer to text for complete explanation.

Demand from New Renter Households 2000 to Prj Mrkt Entry June 2014

Income Target Population		60%
New Renter Households PMA		505
Percent Income Qualified		16.6%
New Renter Income Qualified Households		84

STEP 2a. Please refer to text for complete explanation.

Demand from Existing Households 2000

Demand from Rent Overburdened Households

Income Target Population		60%
Total Existing Demand		1,517
Income Qualified		16.6%
Income Qualified Renter Households		252
Percent Rent Overburdened Prj Mrkt Entry June 2014		26.0%
Rent Overburdened Households		65

STEP 2b. Please refer to text for complete explanation.

Demand from Living in Substandard Housing

Income Qualified Renter Households		252
Percent Living in Substandard Housing		0.4%
Households Living in Substandard Housing		1

STEP 2c. Please refer to text for complete explanation.

Senior Households Converting from Homeownership

Income Target Population		60%
Total Senior Homeowners		0
Rural Versus Urban	5.0%	
Senior Demand Converting from Homeownership		0

Total Demand

Total Demand from Existing Households		66
Adjustment Factor - Leakage from SMA (use 115% for DCA)	115%	10
Adjusted Demand from Existing Households		76
Total New Demand		84
Total Demand (New Plus Existing Households)		160

By Bedroom Demand

One Person	44.8%	72
Two Persons	23.8%	38
Three Persons	11.6%	19
Four Persons	11.0%	18
Five Persons	8.8%	14
Total	100.0%	160

To place Person Demand into Bedroom Type Units

Of one-person households in 1BR units	90%	65
Of two-person households in 1BR units	10%	4
Of three-person households in 1BR units	0%	0
Of four-person households in 1BR units	0%	0
Of five-person households in 1BR units	0%	0
Of one-person households in 2BR units	10%	7
Of two-person households in 2BR units	90%	34
Of three-person households in 2BR units	80%	15
Of four-person households in 2BR units	0%	0
Of five-person households in 2BR units	0%	0
Of one-person households in 3BR units	0%	0
Of two-person households in 3BR units	0%	0
Of three-person households in 3BR units	20%	4
Of four-person households in 3BR units	80%	14
Of five-person households in 3BR units	70%	10
Of one-person households in 4BR units	0%	0
Of two-person households in 4BR units	0%	0
Of three-person households in 4BR units	0%	0
Of four-person households in 4BR units	20%	4
Of five-person households in 4BR units	30%	4
Total Demand		160
Check		OK
Total Demand by Bedroom		60%
1 BR		68
2 BR		56
Total Demand		125
Additions To Supply 2000 to Prj Mrkt Entry June 2014		60%
2 BR		0
Total		0
Net Demand		60%
1 BR		68
2 BR		56
Total		125
Developer's Unit Mix		60%
1 BR		24
2 BR		18
Total		42
Capture Rate Analysis		60%
1 BR		35.1%
2 BR		32.0%
Total		33.7%

Overall

Calculation of Potential Household Demand by Income Cohort by % of AMI

Percent of AMI Level			Overall		
Minimum Income Limit			\$15,257		
Maximum Income Limit			\$27,840 3 Persons		
Income Category	New Renter Households - Total Change in Households PMA 2000 to Prj Mrkt Entry June 2014		Income Brackets	Percent within Cohort	Renter Households within Bracket
\$0-9,999	129	25.6%		0.0%	0
\$10,000-19,999	113	22.5%	4,742	47.4%	54
\$20,000-29,999	65	13.0%	7,840	78.4%	51
\$30,000-39,999	56	11.0%		0.0%	0
\$40,000-49,999	48	9.6%		0.0%	0
\$50,000-59,999	26	5.1%		0.0%	0
\$60,000-74,999	27	5.3%		0.0%	0
\$75,000-99,999	21	4.1%		0.0%	0
\$100,000+	19	3.8%		0.0%	0
	505	100.0%			105
Percent of renter households within limits versus total number of renter households					20.83%

Calculation of New Renter Household Demand by Income Cohort by % of AMI

Percent of AMI Level			Overall		
Minimum Income Limit			\$15,257		
Maximum Income Limit			\$27,840 3 Persons		
Income Category	Total Renter Households PMA Prj Mrkt Entry June 2014		Income Brackets	Percent within Cohort	Households within Bracket
\$0-9,999	388	25.6%	0	0.0%	0
\$10,000-19,999	341	22.5%	4,742	47.4%	162
\$20,000-29,999	197	13.0%	7,840	78.4%	154
\$30,000-39,999	167	11.0%	0	0.0%	0
\$40,000-49,999	145	9.6%	0	0.0%	0
\$50,000-59,999	78	5.1%	0	0.0%	0
\$60,000-74,999	81	5.3%	0	0.0%	0
\$75,000-99,999	63	4.1%	0	0.0%	0
\$100,000+	57	3.8%	0	0.0%	0
	1,517	100.0%			316
Percent of renter households within limits versus total number of renter households					20.83%

Does the Project Benefit from Rent Subsidy? (Y/N)

Type of Housing (Family vs Senior)

Location of Subject (Rural versus Urban)

Percent of Income for Housing

2000 Median Income

Projected Mkt Entry June 2014 Median Income

Change from 2000 to Prj Mrkt Entry June 2014

Total Percent Change

Average Annual Change

Inflation Rate

Maximum Allowable Income

Maximum Allowable Income Inflation Adjusted

Maximum Number of Occupants

Rent Income Categories

Initial Gross Rent for Smallest Unit

Initial Gross Rent for Smallest Unit Inflation Adjusted

No		
Family		
Rural		
35%		
\$32,045		
\$43,079		
\$11,034		
34.4%		
5.7%		
5.7%	Two year adjustment	1.0000
\$27,840		
\$27,840		
3 Persons		
Overall		
\$445		
\$445.00		

Persons in Household	0BR	1BR	2BR	3BR	4BR	5BR	Total
1	0%	90%	10%	0%	0%	0%	100%
2	0%	10%	90%	0%	0%	0%	100%
3	0%	0%	80%	20%	0%	0%	100%
4	0%	0%	0%	80%	20%	0%	100%
5+	0%	0%	0%	70%	30%	0%	100%

STEP 1 Please refer to text for complete explanation.

Demand from New Renter Households 2000 to Prj Mrkt Entry June 2014

	Overall
Income Target Population	
New Renter Households PMA	505
Percent Income Qualified	20.8%
New Renter Income Qualified Households	105

STEP 2a. Please refer to text for complete explanation.

Demand from Existing Households 2000

	Overall
Demand form Rent Overburdened Households	
Income Target Population	
Total Existing Demand	1,517
Income Qualified	20.8%
Income Qualified Renter Households	316
Percent Rent Overburdened Prj Mrkt Entry June 2014	38.0%
Rent Overburdened Households	120

STEP 2b. Please refer to text for complete explanation.

Demand from Living in Substandard Housing

Income Qualified Renter Households	316
Percent Living in Substandard Housing	0.4%
Households Living in Substandard Housing	1

STEP 2c. Please refer to text for complete explanation.

Senior Households Converting from Homeownership

	Overall
Income Target Population	
Total Senior Homeowners	0
Rural Versus Urban	5.0%
Senior Demand Converting from Homeownership	0

Total Demand

Total Demand from Existing Households		121
Adjustment Factor - Leakage from SMA (use 115% for DCA)	115%	18
Adjusted Demand from Existing Households		139
Total New Demand		105
Total Demand (New Plus Existing Households)		245

By Bedroom Demand

One Person	44.8%	110
Two Persons	23.8%	58
Three Persons	11.6%	28
Four Persons	11.0%	27
Five Persons	8.8%	22
Total	100.0%	245

To place Person Demand into Bedroom Type Units

Of one-person households in 1BR units	90%	99
Of two-person households in 1BR units	10%	6
Of three-person households in 1BR units	0%	0
Of four-person households in 1BR units	0%	0
Of five-person households in 1BR units	0%	0
Of one-person households in 2BR units	10%	11
Of two-person households in 2BR units	90%	52
Of three-person households in 2BR units	80%	23
Of four-person households in 2BR units	0%	0
Of five-person households in 2BR units	0%	0
Of one-person households in 3BR units	0%	0
Of two-person households in 3BR units	0%	0
Of three-person households in 3BR units	20%	6
Of four-person households in 3BR units	80%	21
Of five-person households in 3BR units	70%	15
Of one-person households in 4BR units	0%	0
Of two-person households in 4BR units	0%	0
Of three-person households in 4BR units	0%	0
Of four-person households in 4BR units	20%	5
Of five-person households in 4BR units	30%	6
Total Demand		245

Total Demand by Bedroom	Overall
1 BR	105
2 BR	86
Total Demand	191

Additions To Supply 2000 to Prj Mrkt Entry June 2014	Overall
1 BR	0
2 BR	7
Total	7

Net Demand	Overall
1 BR	105
2 BR	79
Total	184

Developer's Unit Mix	Overall
1 BR	28
2 BR	22
Total	50

Capture Rate Analysis	Overall
1 BR	26.8%
2 BR	27.8%
Total	27.2%

CAPTURE RATE ANALYSIS CHART

Unit Size	Income limits	Units Proposed	Total Demand	Supply	Capture Rate	Absorption	Average Market	Market Rents Band Min-Max	Proposed Rents
1BR @ 50% AMI	50%	4	88	0	4.6%	12 months	\$463	\$425 - \$500	\$348
2BR @ 50% AMI	50%	4	72	7	6.1%	12 months	\$565	\$411 - \$717	\$379
1BR @ 60% AMI	60%	24	68	0	35.1%	12 months	\$463	\$425 - \$500	\$403
2BR @ 60% AMI	60%	18	56	0	32.0%	12 months	\$616	\$430 - \$717	\$468
Overall Project	-	50	191	7	27.2%				

Demand and Net Demand

	HH at 50% AMI (min to max income)	HH at 60% AMI (min to max income)	All Tax Credit Households
Demand from New Households (age and income appropriate)	75	84	105
PLUS	+	+	+
Demand from Existing Renter Households - Substandard Housing	1	1	1
PLUS	+	+	+
Demand from Existing Renter Housholds - Rent Overburdened	112	65	120
PLUS	+	+	+
Secondary Market Demand adjustment IF ANY Subject to 15%	17	10	18
Sub Total	205	160	245
Demand from Existing Households - Elderly Homeowner Turnover	0	0	0
Equals Total Demand	205	160	245
Less	-	-	-
Supply of comparable LIHTC or Market Rate housing units built and/or planned in the projected	7	0	7
Equals Net Demand	198	160	238

The Subject's capture rates at the 50 percent AMI level will range from 4.6 to 6.1 percent, with an overall capture rate of 5.2. The Subject's 60 percent AMI capture rates range from 32.0 to 35.1 percent, with an overall capture rate of 33.7 percent. The overall capture rate is 27.2 percent, which is within GA DCA's threshold. While the capture rates are high, we believe there is demand for the Subject given the lack of affordable housing in the PMA. Given the Subject's age/condition, amenity package, and location, the Subject will be well-positioned in the Hiawassee submarket.

H. COMPETITIVE RENTAL ANALYSIS

Survey of Comparable Projects

Comparable properties are examined on the basis of physical characteristics, i.e. building type, age/quality, level of common amenities, absorption, as well as similarity in rent. We attempted to compare the Subject to complexes from the competing market to provide a broader picture of the health and available supply in the market. Our competitive survey includes three comparable properties containing 72 units. A detailed matrix describing the individual competitive properties as well as the proposed Subject is provided in the addenda. A map illustrating the location of the Subject in relation to comparable properties is also provided in the addenda. The properties are further profiled in the following write-ups. The property descriptions include information on vacancy, turnover, absorption, age, competition, and the general health of the rental market, when available.

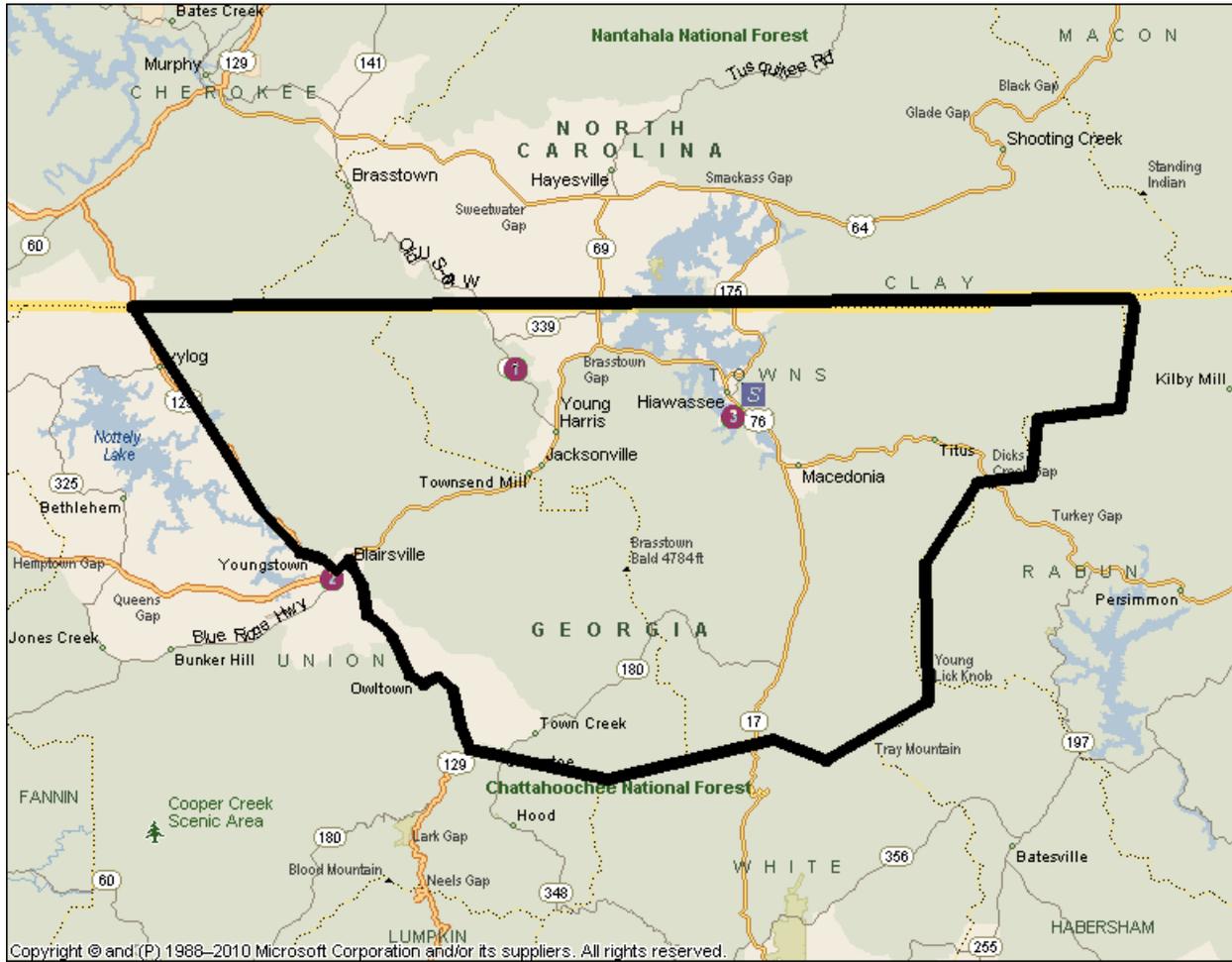
There is limited non-subsidized multifamily rental data in the PMA. There is one non-subsidized family LIHTC property in the PMA: Enota Village. In addition to Enota Village, we have included one family LIHTC comparable located just outside the PMA in Blairsville: Nantahala Village. This property was built in 1997 and remains in good condition. The property offers 56 two-, three-, and four-bedroom units restricted at 50 and 60 percent AMI. The property is currently 93 percent occupied and management indicated that a LIHTC property in Hiawassee would be able to achieve higher rents as Hiawassee is a more desirable area. We have also included one unrestricted property—Oakmont Knoll Apartments—that is located in Hiawassee. The property is in average to fair condition and is privately-owned. The owner indicated that the property typically remains full and that the majority of tenants are students. Overall, the availability of unrestricted and LIHTC data is limited and therefore the Subject will face limited competition in the PMA.

General Market Overview/Included/Excluded Properties

The following table includes properties that are located in or around the PMA.

Property Name	Address	Type	Tenancy	Included/Excluded	Reason for Exclusion
Mountain View Apartments	385 South Main Street	LIHTC	Family	SUBJECT	N/Ap
Cottage Hill Apartments	500 Bell Street	Rural Development	Senior	Excluded	All units are subsidized
Hiawassee Apartments	269 Zell St	Rural Development	Family	Excluded	All units are subsidized
Young Harris Apartments	269 Zell St	Rural Development	Family	Excluded	All units are subsidized
Tan Yard Branch I	230 Tanyard Street	Rural Development	Family	Excluded	All units are subsidized
Tan Yard Branch II	234 Tanyard Street	Rural Development	Senior	Excluded	All units are subsidized
Jackson Heights	150 Jackson Heights	Rural Development	Family	Excluded	All units are subsidized
Carol Stroud	1449 Bearmeat Road	Rural Development	Family	Excluded	All units are subsidized
Big Sky Village	301 Skyview Drive	LIHTC	Senior	Included	N/Ap
Enota Village	875 Murphy At/Hwy 66	LIHTC	Family	Included	N/Ap
Nantahala Village Apts	501 Nantahala Lane	LIHTC	Family	Included	N/Ap

Comparable Rental Property Map



Property	city	Program	Distance
Mountain View Apartments	Hiawassee	@ 50%, @ 60%, Non-Rental	N/Ap
Enota Village Apartment Homes	Young Harris	@ 30%, @ 50%, Market	11.1 miles
Nantahala Village Apartments	Blairsville	@ 50%, @ 60%	17.7 miles
Oakmont Knoll Apartments	Hiawassee	Market	0.5 miles

1. The following tables illustrate detailed information in a comparable framework for the Subject and the comparable properties.

SUMMARY MATRIX

Comp #	Project	Distance	Type / Built / Renovated	Market / Subsidy	Units	#	%	Restriction	Rent (Adj.)	Size (SF)	Max Rent?	Wait List?	Units Vacant	Vacancy Rate
Subject	Mountain View Apartments U.S. Highway 76 & Ross Lloyd Road Hiawassee, GA 31602 Towns County	n/a	Garden (2 stories) 2014 / n/a	@50%, @60%, Non-Rental	1BR / 1BA	4	7.70%	@50%	\$348	815	no		N/A	N/A
					1BR / 1BA	24	46.20%	@60%	\$403	815	no		N/A	N/A
					2BR / 2BA	4	7.70%	@50%	\$379	1,105	no		N/A	N/A
					2BR / 2BA	18	34.60%	@60%	\$468	1,105	no		N/A	N/A
					2BR / 2BA	2	3.80%	Non-Rental	N/A	1,105	n/a		N/A	N/A
					52	100%						N/A	N/A	
1	Enota Village Apartment Homes 875 Murphy St/hwy 66 Young Harris, GA 30582 Towns County	11.1 miles	Garden (3 stories) 2008 / n/a	@30%, @50%, Market	2BR / 2BA	2	3.30%	@30%	\$235	1,143	n/a	No	0	0.00%
					2BR / 2BA	14	23.30%	@50%	\$397	1,143	n/a	No	0	0.00%
					2BR / 2BA	4	6.70%	Market	\$578	1,143	n/a	No	0	0.00%
					3BR / 2BA	6	10.00%	@30%	\$259	1,412	n/a	No	0	0.00%
					3BR / 2BA	21	35.00%	@50%	\$449	1,412	n/a	No	7	33.30%
					3BR / 2BA	5	8.30%	Market	\$630	1,412	n/a	No	0	0.00%
					4BR / 2BA	2	3.30%	@30%	\$266	1,615	n/a	No	0	0.00%
					4BR / 2BA	2	3.30%	@50%	\$482	1,615	n/a	No	1	50.00%
					4BR / 2BA	4	6.70%	Market	\$680	1,615	n/a	No	0	0.00%
										60	100%			
2	Nantahala Village Apartments 501 Nantahala Lane Blairsville, GA 30512 Union County	17.7 miles	Garden (3 stories) 1997 / n/a	@50%, @60%	2BR / 2BA	N/A	N/A	@50%	\$411	878	no	Yes	0	N/A
					2BR / 2BA	N/A	N/A	@60%	\$430	878	no	Yes	0	N/A
					3BR / 2BA	N/A	N/A	@50%	\$444	1,100	no	No	2	N/A
					3BR / 2BA	N/A	N/A	@60%	\$550	1,100	no	No	2	N/A
					4BR / 2BA	N/A	N/A	@50%	\$451	1,372	no	Yes	0	N/A
					4BR / 2BA	N/A	N/A	@60%	\$592	1,372	no	Yes	0	N/A
										56	100%			
3	Oakmont Knoll Apartments Longview Dr Hiawassee, GA 30546 Towns County	0.5 miles	Garden (2 stories) 1997 / n/a	Market	2BR / 2BA	16	100.00%	Market	\$717	1,200	n/a	No	1	6.20%
						16	100%							1

RENT AND SQUARE FOOTAGE RANKING -- All rents adjusted for utilities and concessions extracted from the market.

Effective Rent Date:		Jun-12	Units Surveyed:		132	Weighted Occupancy:		90.20%
			Market Rate		16	Market Rate		93.80%
			Tax Credit		116	Tax Credit		89.70%
One Bedroom One Bath			Two Bedrooms Two Bath					
	Property	Average	Property	Average	Property	Average		
RENT	Mountain View Apartments * (60%)	\$403	Oakmont Knoll Apartments	\$717				
	Mountain View Apartments * (50%)	\$348	Enota Village Apartment Homes * (M)	\$578				
			Mountain View Apartments * (60%)	\$468				
			Nantahala Village Apartments * (60%)	\$430				
			Nantahala Village Apartments * (50%)	\$411				
			Enota Village Apartment Homes * (50%)	\$397				
			Mountain View Apartments * (50%)	\$379				
			Enota Village Apartment Homes * (30%)	\$235				
SQUARE FOOTAGE	Mountain View Apartments * (50%)	815	Oakmont Knoll Apartments	1,200				
	Mountain View Apartments * (60%)	815	Enota Village Apartment Homes * (30%)	1,143				
			Enota Village Apartment Homes * (50%)	1,143				
			Enota Village Apartment Homes * (M)	1,143				
			Mountain View Apartments * (50%)	1,105				
			Mountain View Apartments * (60%)	1,105				
			Nantahala Village Apartments * (50%)	878				
			Nantahala Village Apartments * (60%)	878				
RENT PER SQUARE FOOT	Mountain View Apartments * (60%)	\$0.49	Oakmont Knoll Apartments	\$0.60				
	Mountain View Apartments * (50%)	\$0.43	Enota Village Apartment Homes * (M)	\$0.51				
			Nantahala Village Apartments * (60%)	\$0.49				
			Nantahala Village Apartments * (50%)	\$0.47				
			Mountain View Apartments * (60%)	\$0.42				
			Enota Village Apartment Homes * (50%)	\$0.35				
			Mountain View Apartments * (50%)	\$0.34				
			Enota Village Apartment Homes * (30%)	\$0.21				

PROPERTY PROFILE REPORT

Enota Village Apartment Homes

Effective Rent Date	6/12/2012
Location	875 Murphy St/hwy 66 Young Harris, GA 30582 Township County
Distance	11.1 miles
Units	60
Vacant Units	8
Vacancy Rate	13.3%
Type	Garden (3 stories)
Year Built/Renovated	2008 / N/A
Marketing Began	N/A
Leasing Began	N/A
Last Unit Leased	N/A
Major Competitors	None
Tenant Characteristics	Majority singles; Some tenants rely on SSI; Tenants come from Blairsville and Haysville, NC
Contact Name	Kayla
Phone	(706) 379-2787



Market Information

Program	@30%, @50%, Market
Annual Turnover Rate	20%
Units/Month Absorbed	Could not report
HCV Tenants	0%
Leasing Pace	2-4 weeks
Annual Chg. in Rent	30% AMI rents increased
Concession	Half off first month's rent

Utilities

A/C	not included -- central
Cooking	not included -- electric
Water Heat	not included -- electric
Heat	not included -- electric
Other Electric	not included
Water	not included
Sewer	not included
Trash Collection	included

Unit Mix (face rent)

Beds	Baths	Type	Units	Size (SF)	Rent	Concession (monthly)	Restriction	Waiting List	Vacant	Vacancy Rate	Max Rent?	Range
2	2	Garden (3 stories)	2	1,143	\$201	\$8	@30%	No	0	0.0%	N/A	None
2	2	Garden (3 stories)	14	1,143	\$370	\$15	@50%	No	0	0.0%	N/A	None
2	2	Garden (3 stories)	4	1,143	\$559	\$23	Market	No	0	0.0%	N/A	None
3	2	Garden (3 stories)	6	1,412	\$212	\$9	@30%	No	0	0.0%	N/A	None
3	2	Garden (3 stories)	21	1,412	\$410	\$17	@50%	No	7	33.3%	N/A	None
3	2	Garden (3 stories)	5	1,412	\$599	\$25	Market	No	0	0.0%	N/A	None
4	2	Garden (3 stories)	2	1,615	\$207	\$9	@30%	No	0	0.0%	N/A	None
4	2	Garden (3 stories)	2	1,615	\$432	\$18	@50%	No	1	50.0%	N/A	None
4	2	Garden (3 stories)	4	1,615	\$639	\$27	Market	No	0	0.0%	N/A	None

Enota Village Apartment Homes, continued

Unit Mix

@30%	Face Rent	Conc.	Concd. Rent	Util.	Adj. Rent	@50%	Face Rent	Conc.	Concd. Rent	Util.	Adj. Rent
2BR / 2BA	\$201	\$8	\$193	\$42	\$235	2BR / 2BA	\$370	\$15	\$355	\$42	\$397
3BR / 2BA	\$212	\$9	\$203	\$56	\$259	3BR / 2BA	\$410	\$17	\$393	\$56	\$449
4BR / 2BA	\$207	\$9	\$198	\$68	\$266	4BR / 2BA	\$432	\$18	\$414	\$68	\$482

Market	Face Rent	Conc.	Concd. Rent	Util.	Adj. Rent
2BR / 2BA	\$559	\$23	\$536	\$42	\$578
3BR / 2BA	\$599	\$25	\$574	\$56	\$630
4BR / 2BA	\$639	\$27	\$612	\$68	\$680

Amenities

In-Unit

Blinds	Carpeting
Central A/C	Dishwasher
Garbage Disposal	Oven
Refrigerator	Washer/Dryer hookup

Security

None

Services

Afterschool Program

Property

Business Center/Computer Lab	Clubhouse/Meeting
Exercise Facility	Central Laundry
Off-Street Parking	On-Site Management

Premium

None

Other

None

Comments

The property is 87 percent occupied and 88 percent leased. The property manager reported that demand is highest for the two-bedroom units as a considerable portion of tenants are single-person households. Management could not comment on absorption data for the property as the property manager began working at the property in 2011. The concession has been offered for three months.

PROPERTY PROFILE REPORT

Nantahala Village Apartments

Effective Rent Date 6/07/2012
Location 501 Nantahala Lane
 Blairsville, GA 30512
 Union County
Distance 17.7 miles
Units 56
Vacant Units 4
Vacancy Rate 7.1%
Type Garden (3 stories)
Year Built/Renovated 1997 / N/A
Marketing Began N/A
Leasing Began N/A
Last Unit Leased N/A
Major Competitors N/A
Tenant Characteristics Mixed tenancy.
Contact Name Anthony
Phone (706) 781-1834



Market Information

Program @50%, @60%
Annual Turnover Rate 32%
Units/Month Absorbed N/A
HCV Tenants 3%
Leasing Pace N/A
Annual Chg. in Rent Could not report
Concession Half off first month's rent.

Utilities

A/C not included -- central
Cooking not included -- electric
Water Heat not included -- electric
Heat not included -- electric
Other Electric not included
Water not included
Sewer not included
Trash Collection included

Unit Mix (face rent)

Beds	Baths	Type	Units	Size (SF)	Rent	Concession (monthly)	Restriction	Waiting List	Vacant	Vacancy Rate	Max Rent?	Range
2	2	Garden (3 stories)	N/A	878	\$385	\$16	@50%	Yes	0	N/A	no	None
2	2	Garden (3 stories)	N/A	878	\$405	\$17	@60%	Yes	0	N/A	no	None
3	2	Garden (3 stories)	N/A	1,100	\$405	\$17	@50%	No	2	N/A	no	None
3	2	Garden (3 stories)	N/A	1,100	\$515	\$21	@60%	No	2	N/A	no	None
4	2	Garden (3 stories)	N/A	1,372	\$400	\$17	@50%	Yes	0	N/A	no	None
4	2	Garden (3 stories)	N/A	1,372	\$547	\$23	@60%	Yes	0	N/A	no	None

Unit Mix

@50%	Face Rent	Conc.	Concd. Rent	Util.	Adj. Rent	@60%	Face Rent	Conc.	Concd. Rent	Util.	Adj. Rent
2BR / 2BA	\$385	\$16	\$369	\$42	\$411	2BR / 2BA	\$405	\$17	\$388	\$42	\$430
3BR / 2BA	\$405	\$17	\$388	\$56	\$444	3BR / 2BA	\$515	\$21	\$494	\$56	\$550
4BR / 2BA	\$400	\$17	\$383	\$68	\$451	4BR / 2BA	\$547	\$23	\$524	\$68	\$592

Nantahala Village Apartments, continued

Amenities

In-Unit

Balcony/Patio
Carpeting
Dishwasher
Microwave
Refrigerator
Washer/Dryer

Blinds
Central A/C
Garbage Disposal
Oven
Walk-In Closet

Security

None

Services

None

Property

Central Laundry
On-Site Management

Off-Street Parking
Playground

Premium

None

Other

None

Comments

The contact indicated that the property experienced high turnover and slow leasing during first quarter 2012 but the vacancy was temporary as the property is currently 93 percent occupied with a waiting list for the two- and three-bedroom units. The property manager indicated that a property in Hiwassee would be able to achieve higher rents than one in Blairsville as Hiwassee is considered a more desirable area with more locational amenities to offer.

Nantahala Village Apartments, continued

Trend Report

Vacancy Rates

1Q12	2Q12
21.4%	7.1%

Trend: @50%

2BR / 2BA

Year	QT	Vac.	Face Rent	Conc.	Concd. Rent	Adj. Rent
2012	1	N/A	\$385	\$16	\$369	\$411
2012	2	N/A	\$385	\$16	\$369	\$411

3BR / 2BA

Year	QT	Vac.	Face Rent	Conc.	Concd. Rent	Adj. Rent
2012	1	N/A	\$405	\$17	\$388	\$444
2012	2	N/A	\$405	\$17	\$388	\$444

4BR / 2BA

Year	QT	Vac.	Face Rent	Conc.	Concd. Rent	Adj. Rent
2012	1	N/A	\$400	\$17	\$383	\$451
2012	2	N/A	\$400	\$17	\$383	\$451

Trend: @60%

2BR / 2BA

Year	QT	Vac.	Face Rent	Conc.	Concd. Rent	Adj. Rent
2012	1	N/A	\$405	\$17	\$388	\$430
2012	2	N/A	\$405	\$17	\$388	\$430

3BR / 2BA

Year	QT	Vac.	Face Rent	Conc.	Concd. Rent	Adj. Rent
2012	1	N/A	\$515	\$21	\$494	\$550
2012	2	N/A	\$515	\$21	\$494	\$550

4BR / 2BA

Year	QT	Vac.	Face Rent	Conc.	Concd. Rent	Adj. Rent
2012	1	N/A	\$547	\$23	\$524	\$592
2012	2	N/A	\$547	\$23	\$524	\$592

Trend: Comments

- 1Q12** Property consists of seven three story buildings. Contact indicated that he is a new hire, and could not answer to the square footage of the units, or the change in rents over the past year. Contact reported that there is stronger demand for family units than senior units and. Contact opined that the high vacancy rate is due to the slow time of year, and reported that they have several applications that are currently pending.
- 2Q12** The contact indicated that the property experienced high turnover and slow leasing during first quarter 2012 but the vacancy was temporary as the property is currently 93 percent occupied with a waiting list for the two- and three-bedroom units. The property manager indicated that a property in Hiwassee would be able to achieve higher rents than one in Blairsville as Hiwassee is considered a more desirable area with more locational amenities to offer.

2. The following information is provided as required by DCA:

Housing Choice Vouchers

The property manager at Nantahala Village reported that an estimated three percent of tenants are using Housing Choice Vouchers. Therefore, we do not anticipate that the Subject will need to rely on HCV tenants in order to maintain a healthy occupancy rate.

Lease Up History

Management at the LIHTC comparables could not report absorption as management has turned over at these properties. Given the lack of multifamily housing in Hiawassee and the high occupancy rate at Oak Knoll Apartments, we believe that the Subject will stabilize at a steady rate. Conservatively, we estimate that the Subject will stabilize within one year, which equates to an absorption pace of approximately four units per month in order to reach 93 percent occupancy for its revenue units.

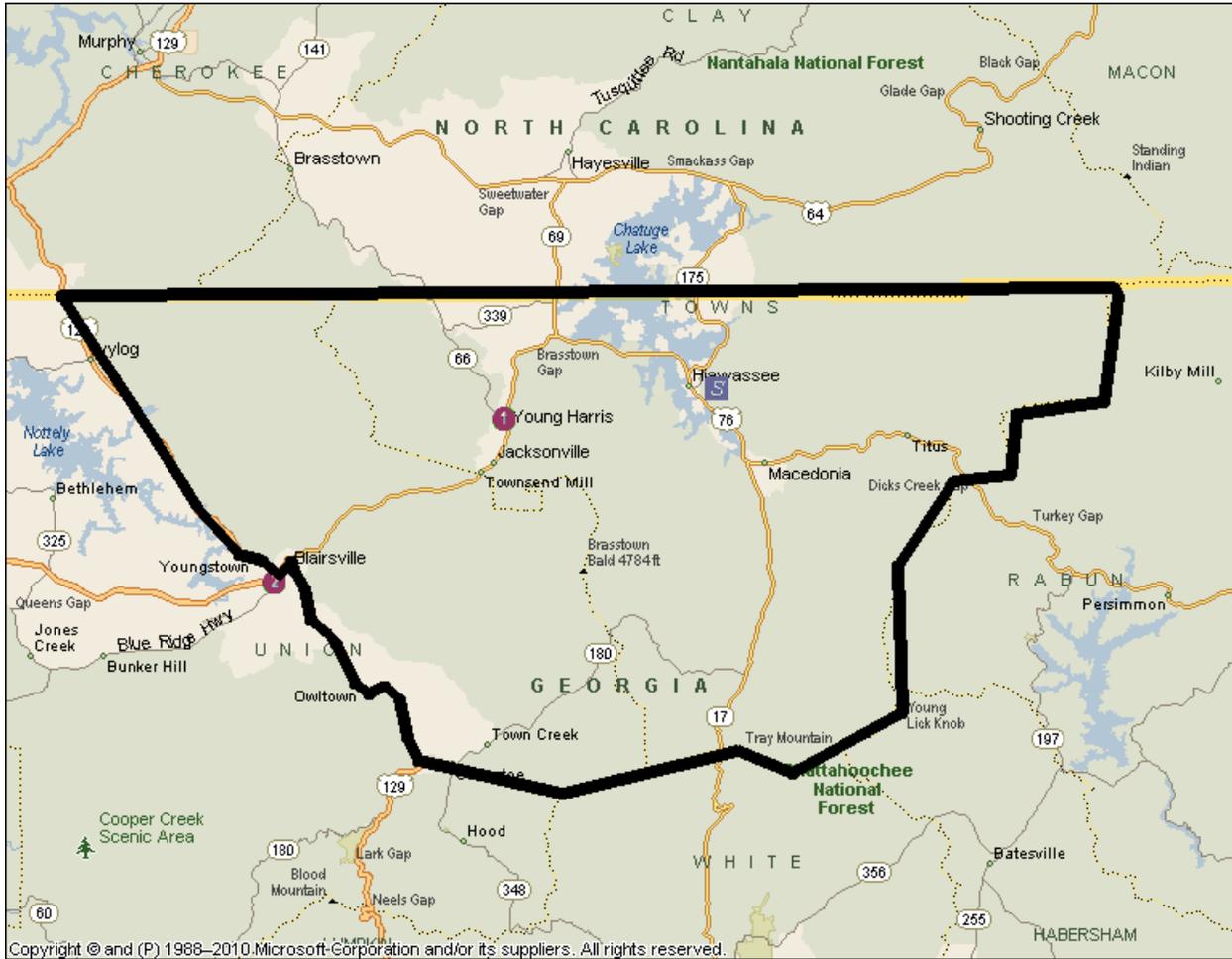
Phased Developments

The Subject is not a phase of an existing development.

Rural Areas

The Subject is located in Hiawassee, which is a USDA Rural Development eligible area. There is a general lack of multifamily housing in the market. Subsidized housing is limited as well while vacation rentals renting for more than \$1,000 per month are common. We have included one family LIHTC property just outside the PMA in Blairsville (Nantahala Village) and one unrestricted family property in Hiawassee (Oakmont Knoll). We have also called realtors in the area in order to supplement the rent discussion.

3. COMPETITIVE PROJECT MAP



COMPETITIVE PROJECTS

#	Property Name	City	Type	Distance
1	Enota Village	Young Harris	@30%, @50%, Market	11.1 miles
2	Nantahala Village Apartments	Blairsville	@50%, @60%	17.7 miles

4. Amenities

A detailed description of amenities included in both the Subject and the comparable properties can be found in the amenity matrix below. The matrix has been color coded. Those properties that offer an amenity that the Subject does not offer are shaded in pink, while those properties that do not offer an amenity that the Subject does offer are shaded in blue. Thus, the inferior properties can be identified by the blue and the superior properties can be identified by the pink.

AMENITY MATRIX

	Mountain View Apartments	Enota Village	Nantahala Village Apartments	Oakmont Knoll Apartments
Comp #	Subject		1	2
Property Information				
Property Type	Garden (2 stories)	Garden (3 stories)	Garden (3 stories)	Garden (2 stories)
Year Built / Renovated	2014 / n/a	2008	1997 / n/a	1997 / n/a
Market (Conv./Subsidy Type)	@50%, @60%, Non-Rental	@30%, @50%, Market	@50%, @60%	Market
Utility Adjustments				
Cooking	no	no	no	no
Water Heat	no	no	no	no
Heat	no	no	no	no
Other Electric	no	no	no	no
Water	yes	no	no	no
Sewer	yes	no	no	no
Trash Collection	yes	yes	yes	yes
In-Unit Amenities				
Balcony/Patio	yes	no	yes	yes
Blinds	yes	yes	yes	yes
Carpeting	yes	yes	yes	yes
Central A/C	yes	yes	yes	yes
Dishwasher	yes	yes	yes	yes
Garbage Disposal	no	yes	yes	yes
Microwave	no	yes	yes	no
Oven	yes	yes	yes	yes
Refrigerator	yes	yes	yes	yes
Walk-In Closet	no	no	yes	no
Washer/Dryer	no	no	yes	yes
Washer/Dryer hookup	no	yes	yes	yes
Property Amenities				
Business Center/Computer Lab	yes	yes	no	no
Clubhouse/Meeting Room/Community Room	yes	yes	yes	no
Exercise Facility	yes	yes	no	no
Central Laundry	yes	yes	yes	no
Off-Street Parking	yes	yes	yes	yes
On-Site Management	yes	yes	yes	no
Picnic Area	yes	yes	no	no
Playground	yes	yes	yes	no
Other Amenities				
Other	Gazebo, furnished arts & craft center	Afterschool program	n/a	n/a

The Subject will offer an extensive amenity package and will be significantly superior when compared to the comparable properties. The Subject will have an advantage in the market.

5. The Subject will target family households. Therefore, per DCA’s guidelines, senior properties were not included. There is one senior unsubsidized property in Hiawassee: Big Sky Village.

6. Vacancy

The following table illustrates the vacancy rates in the market.

OVERALL VACANCY

Property Name	Rent Structure	Location	Total Units	Vacant Units	Vacancy Rate
Enota Village	@30%, @50%, Market	Young Harris	60	8	13.33%
Nantahala Village Apartments	@50%, @60%	Blairsville	56	4	7.10%
Oakmont Knoll Apartments	Market	Hiawassee	<u>16</u>	<u>1</u>	<u>6.20%</u>
Total			132	13	9.85%

The Subject will face limited competition as there is only one unsubsidized family LIHTC property in the PMA and there are none in Hiawassee.

Enota Village opened in 2008 and will be the most similar comparable to the Subject. It is located in Young Harris, which is a market that has a considerable portion of students. We believe Hiawassee has a locational advantage due to its proximity to the lake. Further, the property offers three- and four-bedroom units that are difficult to lease in the current market per the property manager. Prospective tenants have been looking for one and two-bedroom units as the majority are single-person households or small families. All of the property’s two-bedroom units are occupied. The majority of vacancies are among the three-bedroom units, which the Subject does not offer. The Subject will only directly compete with Enota Village’s two-bedroom units which are 100 percent occupied and do not have difficulty leasing. Therefore, we believe that the Subject will be well-positioned in the market.

Management at Nantahala Village reported that the property experienced higher than usual turnover during the winter months and is now offering a concession in order to bring down vacancy. Oakmont Knoll Apartments is maintaining a slightly lower vacancy rate; however, it should be noted that the property only offers 16 units, therefore the percent vacancy is skewed downwards. Only one unit is vacant at the property.

The Subject will be superior to these comparables in terms of age/condition and amenities. Both properties were built in the 1990s and have been well-maintained; however, they will have a considerable disadvantage in terms of age/condition when compared to the Subject. The Subject will also offer larger unit sizes and an extensive common area amenity package, which these properties lack. The Subject will offer a business center/computer lab, exercise facility, and recreation areas. Both comparables, however, offer in-unit washer/dryers. Further, the Subject site’s location is off a major thoroughfare that is lined with commercial uses within walking distance; therefore, the Subject will have an advantage in terms of visibility as well as walkability of the neighborhood.

Overall, because of the lack of direct LIHTC competition for the Subject in Hiawassee in conjunction with the Subject’s excellent age/condition, common area amenity package, and

location, we believe that the Subject will maintain a vacancy rate of seven percent, or less, once stabilized.

7. Properties Under Construction and Proposed

There are no new LIHTC or market rate properties that have been proposed or under construction in the PMA.

8. Rental Advantage

The following table illustrates the Subject’s similarity to the comparable properties. We inform the reader that other users of this document may underwrite the LIHTC rents to a different standard than contained in this report.

Similarity Matrix								
#	Property Name	Type	Property Amenities	Unit Features	Location	Age / Condition	Unit Size	Overall Comparison
1	Enota Village	@30%, @50%, Market	Similar	Slightly Superior	Slightly Inferior	Similar	Similar	0
2	Nantahala Village Apartments	@50%, @60%	Slightly Inferior	Superior	Inferior	Inferior	Inferior	-25
3	Oakmont Knoll Apartments	Market	Inferior	Superior	Slightly Inferior	Inferior	Superior	-5

*Inferior=-10, slightly inferior=-5, similar=0, slightly superior=5, superior=10.

The rental rates at the LIHTC properties are compared to the Subject’s proposed 50 and 60 percent AMI rents in the following tables.

LIHTC Rent Comparison - @50%

Property Name	Location	1BR	2BR
Mountain View Apartments (Subject)	Hiawassee	\$348	\$379
LIHTC Maximum (Net)	-	\$359	\$427
Enota Village	Young Harris	-	\$397
Nantahala Village Apartments	Blairsville	-	\$411
Average (excluding Subject)		N/Ap	\$411

LIHTC Rent Comparison - @60%

Property Name	Location	1BR	2BR
Mountain View Apartments (Subject)	Hiawassee	\$403	\$468
LIHTC Maximum (Net)	-	\$451	\$537
Nantahala Village Apartments	Blairsville	-	\$430
Average (excluding Subject)		N/Ap	\$430

The Subject’s rents are set below the maximum allowable levels at 50 and 60 percent AMI. The 50 percent AMI rents at Nantahala Village are also set below the maximum allowable levels.

Enota Village offers two-bedroom units at 50 percent AMI. This property will be similar to the Subject in terms of product but the Subject will have a locational advantage due to its proximity to the lake area. The Subject will have a locational advantage and will offer one- and two-bedroom units only. All of the two-bedroom units at Enota Village are occupied, which indicates that the rents have been well-received in the market. Enota Village is achieving two-bedroom

rents at 50 percent AMI that are above that of the Subject. Given that 100 percent of these units are occupied and that management indicated that these units are in highest demand, we believe that the Subject’s rents are feasible as proposed.

Nantahala Village is currently 93 percent occupied with its current adjusted and conceded rent, which is listed in the previous tables. Therefore, it appears that these rents have been accepted in the market. The Subject will be superior to Nantahala Village in terms of age/condition, unit sizes, and common area amenities. The Subject will be inferior in terms of in-unit amenities as the Subject will lack in-unit washer/dryers; however, the Subject is located in Hiawassee, which is reportedly a more desirable area per the property manager at Nantahala Village. The property manager indicated that a property, particularly a new construction property, could get higher rents in Hiawassee than in Blairsville. The following table illustrates the rent and income level differences between the two areas.

LOCATION COMPARISON

Location	Population	Median HH Income	Number of HHs	Median Gross Rent	Distance from Hiawassee
Hiawassee (Subject)	880	\$41,328	456	\$917	N/Ap
Young Harris	899	\$52,667	150	\$529	10 miles
Blairsville	652	\$27,411	249	\$528	16 miles

Source: US Census Bureau, ACS 2010 estimates, 5/2012.

As the previous table demonstrates, the median household income and gross rent in Hiawassee is significantly higher than that of Blairsville. The Subject’s rent at 50 percent AMI is below that of Nantahala Village and the Subject’s rent at 60 percent AMI is above by just under \$40. We believe that this rent differential is reasonable given the Subject’s superior age/condition and its location in a walkable neighborhood in Hiawassee, which is considered a desired area.

Analysis of “Market Rents”

Per DCA’s market study guidelines, “average market rent is to be a reflection of rents that are achieved in the market. In other words, the rents the competitive properties are currently receiving. Average market rent is not “Achievable unrestricted market rent.” In an urban market with many tax credit comps, the average market rent might be the weighted average of those tax credit comps. In cases where there are few tax credit comps, but many market rate comps with similar unit designs and amenity packages, then the average market rent might be the weighted average of those market rate comps. In a small rural market there may be neither tax credit comps nor market rate comps with similar positioning as the subject. In a case like that the average market rent would be a weighted average of whatever rents were present in the market.”

When comparing the Subject’s rents to the average market rent, we have not included rents at lower AMI levels given that this artificially lowers the average market rent as those rents are constricted. Including rents at lower AMI levels does reflect an accurate average rent for rents at higher income levels. For example, if the Subject offers 50 and 60 percent AMI rents and there is a distinct difference at comparable properties between rents at the two AMI levels, we have not included the 50 percent AMI rents in the average market rent for the 60 percent AMI comparison.

The overall average and the maximum and minimum adjusted rents for the market properties surveyed are illustrated in the table below in comparison with net rents for the Subject.

SUBJECT COMARISON TO MARKET RENTS

Unit Type	Subject Rent	Surveyed Min	Surveyed Max	Surveyed Average	Subject Rent Advantage
1 BR @ 50% AMI	\$348	\$425	\$500	\$463	25%
2 BR @ 50% AMI	\$379	\$397	\$700	\$539	26%
1 BR @ 60% AMI	\$403	\$425	\$500	\$463	13%
2 BR @ 60% AMI	\$468	\$430	\$700	\$606	23%

*Per GA DCA guidelines, "market" rents include surveyed LIHTC rents in the market.

As illustrated, the Subject's proposed 50 and 60 percent AMI rents are below the range of the surveyed rents in the market.

Due to a lack of one-bedroom units, we interviewed realtors in the market and have included their estimates in the previous table. According to Craig Spafford from Coldwell Banker, the majority of rentals in Hiawassee are condominium or vacation rentals that typically rent for \$1,500 per month. Mr. Spafford indicated that a one bedroom unit would rent for \$425 to \$500 per month, not including utilities, and a two-bedroom unit without utilities included would rent for as much as \$700 per month. We have included Mr. Spafford's estimates in the previous table. As shown in the previous table, the Subject's proposed rents have an advantage over the surveyed and estimated rents in the market.

9. LIHTC Competition – Recent Allocations within Two Miles

According to information on Georgia Department of Community Affairs LIHTC allocation lists, there have been no family properties allocated in the PMA in the past two years.

10. Rental Trends in the PMA

The following table is a summary of the tenure patterns of the housing stock in the PMA.

TENURE PATTERNS PMA

Year	Owner-Occupied Units	Percentage Owner-Occupied	Renter-Occupied Units	Percentage Renter-Occupied
1990	3,987	86.84%	604	13.16%
2000	5,521	84.51%	1,012	15.49%
2010	7,074	83.34%	1,414	16.66%
Projected Mkt Entry				
June 2014	7,535	83.25%	1,517	16.75%
2015	7,663	83.22%	1,545	16.78%

Source: ESRI Demographics 2010, Novogradac & Company LLP, February 2012

Owner-occupied housing dominates the PMA at 83.3 percent in 2010. This can be attributed to the large number of resort or vacation homes along Lake Chatuga. Renter-occupied housing is projected to rise by the market entry date, but only slightly.

Change in Rental Rates

Neither comparable reported rent growth over the past year. Therefore, we do not anticipate that the Subject will experience rent growth in the near term.

11. Impact of Foreclosed, Abandoned and Vacant Structures

According to RealtyTrac.com, Hiawassee had only three foreclosures in April 2012; this equates to one in every 1,819 homes. Towns County experienced foreclosures of one in every 1,014 homes in April 2012. These foreclosure rates are extremely low compared to the state and nation; one in every 398 and 698 homes respectively. This speaks to the housing market's overall stability. Per our site visit, we did not see many abandoned or vacant structures in the Subject's immediate neighborhood.

12. Primary Housing Void

There are no family LIHTC properties in Hiawassee and there is only one non-subsidized family LIHTC property in the PMA, Enota Village. The property manager at Enota Village reported that demand is highest for the two-bedroom units at the property, which are currently 100 percent occupied. The contact indicated that the majority of households at the property consists of one or two persons. Overall, there is a general lack of affordable rental housing in Hiawassee because this area predominantly consists of luxury vacation rentals. The Subject would fulfill the need for good quality, affordable multifamily rental units in Hiawassee.

13. Effect of Subject on Other Affordable Units in Market

There are no LIHTC comparables in Hiawassee. There is one senior LIHTC property, Big Sky Village, located in Hiawassee. The property consists of 48 one- and two-bedroom units restricted at 50 and 60 percent of AMI. The property is currently 100 percent occupied and will not compete directly with the Subject as Big Sky Village targets seniors ages 55 and older. Nantahala Village is located in Blairsville, just outside the PMA, and is maintaining a stable occupancy rate. Enota Village is maintaining a high vacancy rate; however, the majority of the vacant units are among the three-bedrooms, which the Subject will offer. The property manager reported that demand is highest for the smaller bedroom types and that 100 percent of the property's two-bedroom units are occupied. The Subject will only offer one and two-bedroom units and it will target households earning 50 and 60 percent of AMI or less. In contrast, Enota Village also targets households earning 30 percent of AMI and market rate tenants. Given the lack of vacancies among Enota Village's two-bedroom units, we do not believe that the Subject will have a long term impact on the existing comparable properties.

Conclusions

Based upon our market research, demographic calculations and analysis, we believe there is adequate demand for the Subject property. There is limited multifamily housing in Hiawassee and therefore the Subject will face limited competition. The one unsubsidized LIHTC property in Hiawassee is Big Sky Village, which is a senior LIHTC property that is currently 100 percent occupied and typically remains fully occupied. The Subject will offer new construction in a location that is desirable as it is located in Hiawassee off a major thoroughfare that is lined with commercial and other uses that are in good condition and are within walking distance of the Subject site. The two comparables are maintaining stable vacancy rates and the Subject will fill a void in the Hiawassee market given the area's general lack of rental housing. Further, the Subject's proposed rents will offer value in the market as they are below the average surveyed rents in the market.

I. ABSORPTION & STABILIZATION RATES

Stabilization/Absorption Rate

Management at the LIHTC comparables could not report absorption as management has turned over at these properties. Given the lack of multifamily housing in Hiawassee and the high occupancy rate at Oak Knoll Apartments, we believe that the Subject will stabilize at a steady rate. Conservatively, we estimate that the Subject will stabilize within one year, which equates to an absorption pace of approximately four units per month in order to reach 93 percent occupancy for its revenue units.

J. INTERVIEWS

Georgia Department of Rental Assistance, Towns County

Attempts were made to reach out to Tom Smithermen of the Rental Assistance Division of the Georgia Department of Community Affairs regarding housing vouchers in use in Towns County. Mr. Smithermen was unable to be reached. The 2012 payment standards for Towns County are listed in the table below.

Payment Standards	
1BR	\$559
2BR	\$649
3BR	\$833
4BR	\$1,009

Payment standards for the county are 100 percent of FMR. The Subject's gross rents at 50 and 60 percent AMI are well below the payment standard.

Planning

Many attempts were made to contact the planning department of Hiawassee, but none were met with success. We did speak James Goodwin of Towns County Building Inspections regarding any planned new developments in the area, but he stated that he had no knowledge of any. Mr. Goodwin also stated Hiawassee has a planning committee, not a full department.

Chamber of Commerce

We spoke with Mrs. Candice Lee, President of the Towns County Chamber of Commerce, regarding the general economic outlook for the area. In general, Mrs. Lee opined that the area's economy is doing well, and is close to hitting pre-recession levels as far as activity. Mrs. Lee reiterated that employment in the area is concentrated in the tourism industry and the services surrounding it. These industries experienced a slowdown amidst the economic recession of recent years, but Mrs. Lee stated that they are recovering nicely in terms of visitors. Construction and remodeling of homes in the area are beginning to pick up as well, according to Mrs. Lee. Small businesses in the area are experiencing a boost as well, with 36 new members being added to the Chamber in the past year.

As far as expansions or contractions in employment, Mrs. Lee stated that expansions to the tourism industry are happening, but a very conservative pace. Towns County experienced slight contractions during the recession, but Mrs. Lee could not think of any major contractions within the past few years.

Additional interviews can be found in the comments section of the property profiles.

K. CONCLUSIONS AND RECOMMENDATIONS

CONCLUSIONS

- Population and households in the PMA are both growing at rates outpacing the SMA by a fair margin. PMA population growth was at 2.6 percent annually while the SMA growth rate was 2.3 percent; this compares to just one percent in the nation as of 2010. These growth rates are expected to slow by the Subject's market entry date of 2014, but will still outpace the nation. Between 2000 and 2010, PMA households grew at 2.9 percent annually; this compares to only one percent in the nation. SMA households grew at a slightly slower 2.5 percent. PMA household growth is expected to slow by the market entry date to 1.7 percent annually, but this will still be outpacing the national rate of 0.8 percent.

Owner-occupied housing dominates the PMA at 83.3 percent in 2010. This can be attributed to the large number of resort or vacation homes along Lake Chatuga. Renter-occupied housing is projected to rise by the market entry date, but only slightly.

Almost 40 percent of households in the PMA earned less than \$29,999 in 2010. This number is expected to dip to 37 percent by the market entry date, but this still makes up a large portion of Hiawassee's population. The Subject will target households earning less than \$29,999; therefore, this data indicates a sizeable market for the Subject to capture. In the PMA in 2010, 91 percent of renter households were composed of four persons and under. The Subject will offer one, two, and three bedroom floor plans at 50 and 60 percent AMI levels, so it will be well-positioned to service this market.

- Hiawassee is primarily a resort and vacation area for Georgia and the surrounding states of North Carolina, Alabama, and Tennessee. Chatuga Lake is the primary reason for this. Many resorts and vacation homes dot its shoreline. Therefore, employment for the area is concentrated in industries servicing the resorts and vacationing tourists. Three major employers for the area are the Brasstown Valley Resort, the Fieldstone Family Entertainment Center, and the Ridges Resort. These employers offer visitors services year round, and are beginning to see rising numbers approaching pre-recession levels.

Total employment by industry in Towns County reflects the concentration in the service industries like education, health services, leisure, and trade-transportation & utilities. Young Harris College accounts for a large portion of employees in education, and Chatuga Regional Hospital accounts for many in health services. The leisure and hospitality industries exist to serve the many tourists in the area, as well as vacationers to the region surrounding Lake Chatuga. Blue Ridge Mountain Electric, the regions electricity provider, is one of the major employers for Towns County, and should account for most of the employees in the trade-transportation & utilities industries.

Unemployment rates in the SMA began to see a steep increase starting in 2007. Unemployment rates rose from 4.4 percent in 2007, to as high as 10.2 percent in 2010. However, year-over-year data for December 2010 and 2011 in the SMA shows a drop from 9.9 percent to 9.6 percent. This unemployment rate was on par with the national rate of 9.6 percent as of year-end 2011.

We spoke with Mrs. Candice Lee, President of the Towns County Chamber of Commerce, regarding expansions and contractions in the area. To her knowledge, employers in the area, especially those in the tourism industry, are expanding at conservative rates. She could report no constrictions in employment. There have been no WARN notices for Towns County in the past two and a half years.

Overall, the employment picture for Hiawassee and Towns County is fairly positive. While tourism, the area's main economic driver, suffered during the recent recession, vacationers and visitors are coming back at slightly increasing levels. Stable employment at a variety of wages is offered by this industry. Employment in other stable industries like utilities and education are also available. The Subject should be able to attract lower-income tenants looking for affordable housing.

- The Subject's capture rates at the 50 percent AMI level will range from 4.6 to 6.1 percent, with an overall capture rate of 5.2. The Subject's 60 percent AMI capture rates range from 32.0 to 35.1 percent, with an overall capture rate of 33.7 percent. The overall capture rate is 27.2 percent, which is within GA DCA's threshold. While the capture rates are high, we believe there is demand for the Subject given the lack of affordable housing in the PMA. Given the Subject's age/condition, amenity package, and location, the Subject will be well-positioned in the Hiawassee submarket.
- Management at the LIHTC comparables could not report absorption as management has turned over at these properties. Given the lack of multifamily housing in Hiawassee and the high occupancy rate at Oak Knoll Apartments, we believe that the Subject will stabilize at a steady rate. Conservatively, we estimate that the Subject will stabilize within one year, which equates to an absorption pace of approximately four units per month in order to reach 93 percent occupancy for its revenue units.
- The Subject will face limited competition as there is only one unsubsidized family LIHTC property in the PMA and there are none in Hiawassee.

Enota Village opened in 2008 and will be the most similar comparable to the Subject. It is located in Young Harris, which is a market that has a considerable portion of students. We believe Hiawassee has a locational advantage due to its proximity to the lake. Further, the property offers three- and four-bedroom units that are difficult to lease in the current market per the property manager. Prospective tenants have been looking for one and two-bedroom units as the majority are single-person households or small families. All of the property's two-bedroom units are occupied. The majority of vacancies are among the three-bedroom units, which the Subject does not offer. The Subject will only directly compete with Enota Village's two-bedroom units which are 100 percent occupied and do not have difficulty leasing. Therefore, we believe that the Subject will be well-positioned in the market.

Management at Nantahala Village reported that the property experienced higher than usual turnover during the winter months and is now offering a concession in order to bring down vacancy. Oakmont Knoll Apartments is maintaining a slightly lower vacancy

rate; however, it should be noted that the property only offers 16 units, therefore the percent vacancy is skewed downwards. Only one unit is vacant at the property.

The Subject will be superior to these comparables in terms of age/condition and amenities. Both properties were built in the 1990s and have been well-maintained; however, they will have a considerable disadvantage in terms of age/condition when compared to the Subject. The Subject will also offer larger unit sizes and an extensive common area amenity package, which these properties lack. The Subject will offer a business center/computer lab, exercise facility, and recreation areas. Both comparables, however, offer in-unit washer/dryers. Further, the Subject site's location is off a major thoroughfare that is lined with commercial uses within walking distance; therefore, the Subject will have an advantage in terms of visibility as well as walkability of the neighborhood.

Overall, because of the lack of direct LIHTC competition for the Subject in Hiawassee in conjunction with the Subject's excellent age/condition, common area amenity package, and location, we believe that the Subject will maintain a vacancy rate of seven percent, or less, once stabilized.

- Based upon our market research, demographic calculations and analysis, we believe there is adequate demand for the Subject property. There is limited multifamily housing in Hiawassee and therefore the Subject will face limited competition. The one unsubsidized LIHTC property in Hiawassee is Big Sky Village, which is a senior LIHTC property that is currently 100 percent occupied and typically remains fully occupied. The Subject will offer new construction in a location that is desirable as it is located in Hiawassee off a major thoroughfare that is lined with commercial and other uses that are in good condition and are within walking distance of the Subject site. The comparables are maintaining stable vacancy rates among their one and two-bedroom units and the Subject will fill a void in the Hiawassee market given the area's general lack of rental housing. Further, the Subject's proposed rents will offer value in the market as they are below the average surveyed rents in the market.

Enota Village opened in 2008 and will be the most similar comparable to the Subject. It is located in Young Harris, which is a market that has a considerable portion of students. We believe Hiawassee has a locational advantage due to its proximity to the lake. Further, the property offers three- and four-bedroom units that are difficult to lease in the current market per the property manager. Prospective tenants have been looking for one and two-bedroom units as the majority are single-person households or small families. All of the property's two-bedroom units are occupied. The majority of vacancies are among the three-bedroom units, which the Subject does not offer. The Subject will only directly compete with Enota Village's two-bedroom units which are 100 percent occupied and do not have difficulty leasing. Therefore, we believe that the Subject will be well-positioned in the market.

Recommendations

- We believe that the Subject is feasible as proposed.

L. SIGNED STATEMENT REQUIREMENTS

I affirm that I (or one of the persons signing below) have made a physical inspection of the market area and the subject property and that information has been used in the full study of the need and demand for the proposed units. To the best of my knowledge, the market can (cannot) support the project as shown in the study. I understand that any misrepresentation of this statement may result in the denial of further participation in DCA's rental housing programs. I also affirm that I have no interest in the project or relationship with the ownership entity and my compensation is not contingent on this project being funded.



H. Blair Kincer, MAI, CRE
Partner
Novogradac & Company LLP

6-13-2012
Date



Michalena M. Sukenik Principal
Novogradac & Company LLP

6-13-2012
Date



Kristina Garcia
Real Estate Analyst
Novogradac & Company LLP

6-13-2012
Date

M. MARKET STUDY REPRESENTATION

Novogradac & Company LLP states that DCA may rely on the representation made in the market study provided and this document is assignable to other lenders that are parties to the DCA loan transaction.



H. Blair Kincer, MAI, CRE
Partner
Novogradac & Company LLP

6-13-2012

Date



Michalena M. Sukenik
Principal
Novogradac & Company LLP

6-13-2012

Date



Kristina Garcia
Real Estate Analyst
Novogradac & Company LLP

6-13-2012

Date



Jill Conable
Real Estate Analyst
Novogradac & Company LLP

6-13-2012

Date

N. QUALIFICATIONS

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)
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.

STATEMENT OF PROFESSIONAL QUALIFICATIONS

MICHALENA M. SUKENIK

I. Education

Union College, Schenectady, New York
Bachelor of Arts in Cultural Anthropology
Union College Study Abroad, St. Lucy, Barbados

II. Professional Experience

Principal, Novogradac & Company LLP (Start date: September 2002 - present)
Dallas / Fort Worth and Atlanta Research Manager, CoStar Group, Inc.
Senior Research Analyst / Newswire Editor, CoStar Group, Inc.

III. Professional Training and Continuing Education

Member, National Council of Affordable Housing Market Analysts (NCAHMA)
Attended HUD Community Development Block Grant (CDBG) 30th Anniversary Conference, September 13-14, 2004, Washington, DC
Successfully completed "Introduction to Commercial Real Estate Analysis" and "Financial Analysis for Commercial Real Estate Investment"

IV. Real Estate Assignments

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

- 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.
- Prepared a comprehensive city wide housing market analysis for the City of Biloxi, MS which included a housing needs assessment.
- Prepared a comprehensive neighborhood housing market analysis for the New Orleans East neighborhood in New Orleans, LA for the Louisiana Housing and Finance Agency. The study focused on the housing and economic trends Pre- and Post- Hurricane Katrina and overall housing needs in that neighborhood.
- Assisted in preparing an approved HUD Consolidated Plan for the City of Gainesville, GA; which included a housing and homeless needs assessment, market analysis, non-housing needs analysis, and a strategic plan, which conformed to 24CFR Part 91, Consolidated Plan Regulations for the ensuing five-year period (2004-2009).
- Assisted in preparing a comprehensive senior housing study in Seattle, Washington for the Seattle Housing Authority. This study evaluated the Seattle Housing Authority's affordable senior housing project for their position within the entire city's senior housing market. The research involved analysis of the senior population by neighborhood, income, household size, racial composition, and tenure.
- Conducted market studies for senior projects in Alabama, Alaska, Arizona, California, Colorado, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kentucky, Louisiana, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nevada, New Jersey, New York, North Carolina, Oregon, Pennsylvania, South Carolina, Tennessee, Texas, Utah, Virginia, West Virginia, Washington, and Wisconsin.
- Assisted in appraisals of proposed new construction and existing Low-Income Housing Tax Credit properties.
- Assisted in the preparation of Rent Comparability Studies and HUD MAP Market Studies according to HUD guidelines.

STATEMENT OF PROFESSIONAL QUALIFICATIONS

KRISTINA V. GARCIA

I. Education

Emory University, Atlanta, Georgia
Bachelor of Arts

II. Professional Experience

Researcher, Novogradac & Company LLP (April 2007 – Present)

III. Assignments

- Conducts and assists with market feasibility studies of proposed new construction and existing Low-Income Housing Tax Credit (LIHTC) properties. Local housing authorities, developers, syndicators and lenders have used these studies to assist in the financial underwriting and design of LIHTC properties. Market analysis typically includes: physical inspection of site and market, demand projections, rental rate analysis, competitive property surveying and overall market analysis.
- Assists with appraisals of existing and proposed Low-Income Housing Tax Credit properties, Rural Development properties, and Section 8 properties.
- Conducts and assists with the preparation of Rent Comparability Studies according to HUD guidelines.

REPRESENTATIVE SAMPLE OF ENGAGEMENTS

Market Study Experience—Proposed LIHTC New Construction and Rehabilitation Developments:

Analyst has conducted research for market studies within the following states and U.S. territories:

- Alabama
- Arizona
- Arkansas
- California
- Florida
- Georgia
- Guam
- Illinois
- Indiana
- Kentucky
- Louisiana
- Massachusetts
- Michigan
- Mississippi
- New York
- New Jersey
- North Carolina
- North Dakota
- Oklahoma
- Pennsylvania
- Puerto Rico
- Rhode Island
- South Carolina
- Tennessee
- Texas
- Utah
- Virginia
- Washington
- West Virginia

HUD Rent Comparability Study Experience:

Analyst has conducted research for rent comparability studies within the following states:

- Alabama
- Florida
- Georgia
- New York
- South Carolina
- Texas

Appraisal Research Experience:

Analyst has conducted research for appraisals within the following states:

- Alabama
- Florida
- Georgia
- Louisiana
- New York
- South Carolina
- Virginia

Miscellaneous Housing Studies:

- Conducted research for a comprehensive citywide housing market analysis for the City of Biloxi, MS which included a housing needs assessment.
- Conducted research for comprehensive neighborhood housing market analysis for the New Orleans East neighborhood in New Orleans, LA for the Louisiana Housing and Finance Agency. regarding housing needs and economic trends Pre- and Post- Hurricane Katrina
- Conducted research for mixed-use HOPE VI redevelopment plan for Tindall Heights Macon Housing Authority's Tindall Heights Public Housing