
A MARKET CONDITIONS AND PROJECT EVALUATION SUMMARY

COLUMBIA SENIOR RESIDENCES AT MLK VILLAGE (2003-025)

LOCATED AT

380 MARTIN STREET

ATLANTA, FULTON COUNTY, GEORGIA

July 2003

Prepared For

**Georgia Department of Community Affairs
60 Executive Park South, NE
Atlanta, GA 30329-2231**

Prepared By

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**NOVAGRADAC
& COMPANY** LLP

CERTIFIED PUBLIC ACCOUNTANTS

April 25, 2003

Ms. Joy Fitzgerald
Georgia Department of Community Affairs
60 Executive Park South, NE
Atlanta, GA 30329

Re: Market Study for Columbia Senior Residences at MLK Village located in Atlanta, Georgia

Dear Ms. Fitzgerald:

At your request, Novogradac & Company, LLP performed a study of the multifamily rental market in the Atlanta, Fulton County, Georgia area relative to the above-referenced Low-Income Housing Tax Credit (LIHTC) project, the (Subject).

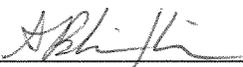
The purpose of this market study is to assess the viability of Columbia Senior Residences at MLK Village, a proposed LIHTC housing development consisting of 122 units. The property will offer affordable rental units restricted to older person households ages 62 and older earning 60 percent or less of the Area Median Gross Income (AMI) as well as market rate units. The Subject will also offer Project Based Rental Assisted (PBRA) units. It should be noted, although households that are income eligible to reside within PBRA units can earn up 80 percent or less of the Area Median Gross Income and pay 30 percent of household income towards rental rates, we have utilized a maximum allowable income for a two-person household at 60 percent AMI to estimate demand for the Subject. We believe that households with annual income up to this level are more likely to reside at the Subject. 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. Use by others, such as syndicators, loan underwriters etc., may require modification or revision. Novogradac & Company, LLP. Stands ready to modify this document to various standards with the permission of the client and for an additional fee.

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,
Novogradac & Company, LLC



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A. EXECUTIVE SUMMARY

PROPERTY SUMMARY OF SUBJECT

Subject Property Overview: The Subject property is currently an existing two-story family oriented development. The sponsor for the Subject intends to demolish the current improvement to construct the Subject, a LIHTC community for households ages 62 and older. Of the total units, 37 units will be Project Based Rental Assistance (PBRA). 59 units will be affordable rental units restricted to households earning 60 percent or less of the Area Median Gross Income (AMI). The remaining 25 units will be market rate.

Date of Construction: Proposed construction with a projected market entry of 2005.

Development Location: The site will be located at 380 Martin Street in Atlanta, Georgia.

Construction Type: The Subject property is the proposed new construction of 122 one-bedroom units. The improvements will consist of a 3+ story apartment building.

Occupancy Type: Older person households ages 62 and older.

Target Income Group: Of the total units, 48 percent (59 units) will be rent-restricted, Low Income Housing Tax Credit (LIHTC) units governed by Section 42 of the Internal Revenue Code and set-aside for older person household ages 62 and older earning not more than 60 percent of area median income adjusted for family size. Household sizes will range from one to two persons. Minimum household income level is \$21,390. Maximum household income level is \$32,200 in 2003 dollars. 37 units (30 percent) will be project based rental assisted (PBRA) units. Minimum household income level¹ is \$0. Maximum household income level is \$32,200 in 2003 dollars. The remaining units (25) will be market rate.

Land Area: 2.44 Acres.

¹ Assumes 35 percent of household income is spent on gross housing costs, per Georgia Department of Community Affairs Market Study Guidelines Appendix A, Page 3, G (2).

Unit Mix:

PBRA UNITS					
Unit Type	# of Units	Net Rents*	Estimated Utility Cost	Gross Rent	Fair Market Rents
1BR/1BA	37	BOI	\$92	\$720	\$795
Total	37				

*Based on Income

LIHTC UNITS AT 54 PERCENT OF AMI					
Unit Type	# of Units	Net Rents	Estimated Utility Cost	Gross Rent	Maximum Allowable Rent Per DCA
1BR/1BA	59	\$621	\$92	\$713	\$720
Total/Average	59				

MARKET-RATE UNITS					
Unit Type	# of Units	Net Rents	Estimated Utility Cost	Gross Rent	Fair Market Rents
1BR/1BA	25	\$634	\$92	\$726	\$795
Total	25				

Location and Surrounding Land Uses:

The Subject is located along Martin Street in the city of Atlanta. The immediate neighborhood is primarily a residential community with retail and commercial developments located along the main arteries. Surrounding land uses include:

NORTH- Recently demolished vacant land previously improved with multifamily development.

SOUTH- Interstate 20.

EAST- East is a small park and playground area, Cook Elementary and residential improvements.

WEST- West of the Subject is recently demolished vacant land previously improved with multifamily development.

According to Bakari Brooks with the Atlanta Housing Authority, the recently demolished multifamily project consisted of approximately 600 units and was 42 years old. The project, Capitol Homes, will consist of 1,044 units partially funded though a 35 million dollar HOPE VI allocation. This project will include 358 public housing eligible units, 289 LIHTC units, and 397 market-rate units.

Capitol Homes will be a mixed-use, mixed-income development. The project will include residential, retail, and office space. The construction will start in January of 2004 with the first units being opened in September of 2004. The project completion date is December of 2006.

**Ownership and History
of the Subject:**

The developer has applied for a reservation of Low-Income Housing Tax Credits in order to complete a new construction development.

Market Conclusions:

The overall Atlanta economy is moderately strong, benefiting from population, business and employment growth that has occurred in the area over the past ten years. As a result, the residential housing inventory has increased to support the economic escalations experienced within the market. However, given the elevated number of recent multifamily additions to supply, the Atlanta MSA is experiencing higher than normal vacancy levels. According to the REIS "Metro Trend Report" for the first quarter of 2003, overall vacancy for the Atlanta MSA is 11.3 percent. Established older vintage properties have reported the reliance of concessions to remain competitive to newer affordable housing and market rate product. In some cases, the presence of these concessions will remain in place throughout the foreseeable future.

Inspection Date:

The property was inspected on June 17, 2003.

Conclusion:

The Subject is located in an area that is demonstrating soft occupancy levels. It should be noted that most of the properties included in our survey are family oriented properties of an older vintage. The Subject will be a senior oriented affordable housing community that will be generally superior to the existing multifamily inventory in the immediate neighborhood. In general, the Subject is expected to benefit from limited housing options for low to very low-income households. Evidence of this is provided by a recently constructed senior oriented subsidized property, Columbia High Point, which reports 100 percent occupancy as well as the presence of a long waiting list.

B. PROJECT DESCRIPTION

Our description of the improvements is based on a site inspection as well as information provided by the developers. We assume that this information is accurate.

- Date of Construction:** Proposed construction with a projected market entry of 2005.
- Development Location:** The site will be located at 380 Martin Street in Atlanta, Georgia.
- Construction Type:** The Subject property is the proposed new construction of 122 one-bedroom units. The improvements will consist of three-story garden apartment buildings.
- Occupancy Type:** Older person households ages 62 and older.
- Target Income Group:** Of the total units, 48 percent (59 units) will be rent-restricted, Low Income Housing Tax Credit (LIHTC) units governed by Section 42 of the Internal Revenue Code and set-aside for older person household ages 62 and older earning not more than 60 percent of area median income adjusted for family size. Household sizes will range from one to two persons. Minimum household income level is \$21,390. Maximum household income level is \$32,200 in 2003 dollars. 37 units (30 percent) will be project based rental assisted (PBRA) units. Minimum household income level² is \$0. Maximum household income level is \$32,200 in 2003 dollars. The remaining units (25) will be market rate.
- Special Population Target:** Not Applicable

Unit Mix and Rents:

PBRA UNITS					
Unit Type	# of Units	Net Rents*	Estimated Utility Cost	Gross Rent	Fair Market Rents
1BR/1BA	37	BOI	\$92	\$720	\$795
Total	37				

*Based on Income

LIHTC UNITS AT 54 PERCENT OF AMI					
Unit Type	# of Units	Net Rents	Estimated Utility Cost	Gross Rent	Maximum Allowable Rent Per DCA
1BR/1BA	59	\$621	\$92	\$713	\$720
Total/Average	59				

² Assumes 35 percent of household income is spent on gross housing costs, per Georgia Department of Community Affairs Market Study Guidelines Appendix A, Page 3, G (2).

MARKET-RATE UNITS					
Unit Type	# of Units	Net Rents	Estimated Utility Cost	Gross Rent	Fair Market Rents
1BR/1BA	25	\$634	\$92	\$726	\$795
Total	25				

Structure Type: The Subject will have a three-story garden design. Curb appeal is expected to be above-average.

Existing or Proposed Project Based Rental Assistance:

The Subject will offer 37 Project Based Rental Assisted (PBRA) units. It should be noted, although households that are income eligible to reside within PBRA units can earn up to 80 percent or less of the Area Median Gross Income and pay 30 percent of household income towards rental rates, we have utilized a maximum allowable income for a two-person household at 60 percent AMI to estimate demand for the Subject. We believe that households with annual income up to this level are more likely to reside at the Subject.

Unit Amenities:

All units will include garbage disposal, refrigerator, stove, dishwasher, central air conditioning and visual and audio alarm system. All of the units at the Subject will feature patios or balconies.

Community Amenities:

The Subject includes leasing and management areas, community room/building, a gathering area located on each floor, equipped recreation area, equipped play-court, central laundry facility, barbecue/picnic area, covered gazebo with seating, fenced garden areas with walking trails. Additionally, the Subject will offer elevators which typically appeal to senior residents and a call system including a buzzer and a library.

Current Tenancy:

Not Applicable

Renovation Plan:

Development plans indicate that the existing 96 unit structure will be completely demolished and the new improvements, containing 122 units, will be constructed. The Subject is currently a family oriented subsidized community. We were not provided with documentation that suggests any retention of the existing tenancy. Therefore, our analysis assumes that the Subject will enter the market competing as a newly constructed development with zero occupancy.

Conclusion:

The Subject will be an average to above-average-quality multifamily apartment building. It will be superior to most of the inventory in the area.

C. SITE EVALUATION

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

Date of Site Visit: June 17, 2003.

Frontage: The Subject has frontage on Martin Street.

Topography: Generally level.

Visibility/Views: The Subject is expected to be highly visible from Martin Street once constructed. Although the road is not a main artery within the area, Martin Street connects with Memorial Drive approximately 0.25 miles north of the Subject. This is a main artery for the city connecting the Subject neighborhood and downtown Atlanta to DeKalb County. Views from the Subject include recently demolished vacant land as well as Interstate 20. Views are considered to be average.

Access and Traffic Flow: The Subject site is located on Martin Street. The site will be developed with an access road leading into the property. Access and traffic flow are expected to be adequate for the Subject.

Layout and Curb Appeal: The Subject will have an open layout and an above-average curb appeal.

Zoning of Surrounding Area: Reported as RG-5 by the City of Atlanta Planning and Zoning office. This zoning designation allows for the development of multifamily units. Surrounding zoning along Martin Street is residential. The zoning of the Subject and the surrounding land uses are not likely to change in the foreseeable future.

Road/Infrastructure Proposed Improvements: There exists no evidence of future roadwork or improvements within the immediate Subject neighborhood.

Proximity to Local Services: The Subject is located in reasonable proximity to local services including transportation, churches and retail.

Further, residents of the Subject with school age children will attend schools located relatively close to the Subject. A *Locational Amenities Map*, corresponding to the following table is provided in the addenda to this report.

LOCAL DISTANCES FROM SERVICES		
Service	Number	Distance (in Miles)
Shopping District	1	Downtown Atlanta (0.5 west)
Employment District	2	Downtown Atlanta
Library	3	Fulton County Public Library (1.0 mile south)
Local Transportation-bus stops	4	MARTA Bus Stop located along Memorial Drive
Local Parks and Recreation	5	Grant Park (1.5 miles south)
Senior Facility	6	Auburn Neighbo
Hospital/Medical Facilities	7	Grady Memorial Hospital (1.2 miles north)

Add senior center

Detrimental Influences:

No significant detrimental influences.

Environmental Concerns:

None visible upon site inspection. We recommend the sponsor obtain a Phase 1 environmental study to determine any possible environmental risk.

Conclusion:

The Subject is located in a residential community located just outside of downtown Atlanta. The immediate neighborhood is in the process of transition. Land located immediately north and west of the Subject is the site of a recently demolished multifamily community. According to the City of Atlanta Housing Authority, a new community is proposed that will consist of 1,044 units partially funded through a 35 million dollar HOPE VI allocation. This project will include 358 public housing eligible units, 289 LIHTC units, and 397 market-rate units. The construction will start in January of 2004 with the first units being opened in September of 2004. These factors will have positive impacts for the long-term prospects of the Subject. In general, the Subject site appears to be a favorable location for multifamily development.

Maps (included in the Addenda):

1. Regional Map
2. Neighborhood Map
3. Map of Primary Market Area
4. Map of Rent Comparables
5. Map Showing local services.
6. Showing subsidized low income housing (LIHTC, Sec 8, RD)

Photographs: (included in the Addenda):

1. Subject stating from which direction.
2. Street scenes and pertinent neighborhood photos.

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.

The Subject is located on Martin Street in Atlanta, Fulton County, Georgia. The primary market area defined as all the areas east of Cascade Avenue to Centra Villa Drive to Delowe Drive and Avenue) and south of 10th Street. U.S. Highway 23 (Moreland Avenue) defines the eastern boundary. Jonesboro Road to Central Avenue defines the southern boundary. The determination of this market area was influenced by conversations with surveyed property managers that reported that the majority of rental traffic is neighborhood oriented with most originating from within three to four miles of the apartment complexes.

The overall Atlanta market has demonstrated steady population, business and employment growth in the area over the past ten years. As a result, the residential housing inventory has increased to support the economic escalations experienced within the market. As parts of the downtown Atlanta area become “built out”, more households have migrated to areas outside of Interstate 285. While the primary source of demand is expected to be generated from within the PMA. However, we believe that the Subject will attract a reasonable number of households from areas throughout Fulton County as well as the PMA.

Neighborhood Analysis

The neighborhood analysis provides a bridge between the area analysis and the study of the Subject. The goal of the neighborhood analysis is to determine how the operation of social, economic, governmental and environmental factors influences the marketability of real estate. In the neighborhood analysis, we focus on how these factors interact in the immediate vicinity of the Subject. Our analysis will focus on the neighborhood as a whole with individual focus on the location in the community and the demographic characteristics in the community.

The Subject is located along Martin Street in Atlanta, Georgia. To further illustrate the location of the Subject in relation to other properties and land uses, a map of the neighborhood is located in the addenda.

Location and Boundaries

The Subject neighborhood generally lies north of Interstate 20, east of Interstate 85/75 (downtown Atlanta), south of Freedom Parkway and west of U.S. Highway 23 (Moreland Avenue). The area is considered to be a residential area with retail and commercial improvements located along the major arteries.

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 the Atlanta MSA are areas of growth or contraction. The Atlanta MSA is considered the secondary market area. The discussions will also describe typical household size and will provide a picture of the health of the community and the economy. Historic and estimated data will be presented for years 1990, 2001 and 2006. Data has also been projected for 2005, the year in which the Subject is expected to begin operation.

Population for Seniors Aged 65 and Over

The table below illustrates senior population in the Primary Market Area and Atlanta MSA for 2001 and 2006. The Subject is age restricted to tenants aged 62 and over. However, based on DCA guidelines, we have used data for the 65 and over age group.

Senior Population				
Year	Atlanta MSA		PMA	
	<i>Number</i>	<i>Annual Change</i>	<i>Number</i>	<i>Annual Change</i>
2001	326,076	-	14,229	-
2006	402,138	4.67%	15,752	2.14%
Market Entry	386,926		15,447	

Source: ESRI Business Information Systems 6/2003

As illustrated in the table above, senior population is expected to continue growing in the PMA over the next five years. This is consistent with the demographic trends for the Atlanta MSA as a whole. This suggests an aging population that may choose apartment living to reduce home ownership burdens. These trends are occurring nationwide, with respect to the senior population, as the “baby-boomers” are now reaching retirement age. Further, based upon historic mortality trends, it suggests an increase in the number of single-person elderly female households. By the time of market entry, there will be approximately 386,926 persons aged 65 and older in the MSA compared to 15,447 in the PMA. The rapid growth of the senior population in the PMA and MSA will support demand for the Subject assuming a portion of these households are income eligible to reside at the Subject. We will analyze the number senior households the are income eligible in the demand analysis section of this report.

It is important to note that the projected annual growth in senior population will outpace the annual growth for the overall population from 2001 to 2006. The historical and projected growth trends for the overall populations in the MSA and PMA are illustrated in the following table.

Overall Population				
Year	Atlanta MSA		PMA	
	<i>Number</i>	<i>Annual Change</i>	<i>Number</i>	<i>Annual Change</i>
1990	2,833,511	-	153,242	-
2001	4,285,271	4.66%	158,676	0.32%
2006	5,016,695	3.41%	164,365	0.72%
Market Entry	4,870,410		163,227	

Source: ESRI Business Information Systems, Novogradac & Company LLP 6/2003

Population by Age Group

Population and household growth by age group can illustrate demand or lack of demand for a housing complex that may be age-restricted. The table below shows the population by age, percent of population in the age cohort, and the annual population change for the age cohort for the PMA.

POPULATION BY AGE

Age Cohort	Population by Age for the PMA				
	2001		2006		Annual Population Change
	<i>Number</i>	<i>Percent</i>	<i>Number</i>	<i>Percent</i>	
65 – 74	7,308	51.36%	8,256	52.41%	2.59%
75 – 84	4,860	34.16%	5,094	32.34%	0.96%
85 +	2,061	14.48%	2,402	15.25%	3.31%
Total	14,229	100%	15,752	100%	

As the table above illustrates, the majority of the senior households within the PMA are within the 65 to 74 age groups. In fact, this age segment accounts for approximately 51.36 percent of the overall senior population located within the PMA.

Senior Households

The table below describes senior household trends in the market area from 2001 through 2006.

SENIOR HOUSEHOLD TRENDS: 2001-2006		
Year	PMA	Atlanta MSA
2001	9,522	387,456
2006	10,403	507,188
Projected % Annual Change 2001-2006	1.85%	6.18%
Projected Average Annual Change 2001-2006	176	23,946
Projected Households 2005	10,227	483,242

Source: ESRI Information Systems, 06/2003

In the PMA, projections indicate that senior households ages 65 and older are expected to increase at an annual rate of 1.85 percent in the next five years. Although senior household growth is stable, the percentage of annual growth for elderly households within the PMA is considered to be marginal. This may affect future demand for the Subject.

Households by Tenure

While household growth is vital to the success of a new housing development, the presence of household growth by tenure can provide support for a particular housing type. For example, for demand to exist in a rental complex, growth must be evident for renter households. Senior specific household tenure is only available census year 2000. In that year 44.62 percent of senior households ages 65 and older were renter households. Seniors have the highest homeownership rates of any group, making up nearly one-quarter of all owners. Although they relocate much less often than younger households, people 65 or older currently account for about one-tenth of buyers of new homes; those between the ages of 55 and 64 accounts for another tenth. Only ten percent of seniors live in age-restricted communities.

Households Size

Household size is depicted in the following table for both the PMA and MSA. Most senior households consist of one to two people. The table below illustrates the percentage of households with one person and the percentage of households with two or more people.

Households with Persons 65 and Over - 2001

<i>Household Size</i>	MSA		PMA	
	<i>Senior Households</i>	<i>%household</i>	<i>Senior Households</i>	<i>%household</i>
One Person	75,933	34.00%	4,257	44.6%
Two Person or More	147,303	66.00%	5,265	55.4%

Source: US Census Bureau, Novogradac & Company LLP, 6/03.

Senior households are rarely composed of more than two individuals. According to ESRI Information Systems data, in 2000, approximately 45 percent of senior households age 65 and older within the PMA were one-person households. Although this data is slightly dated, we will make the assumption that the same percentage of senior households will be single person households in 2001 and in the base year for our demand analysis, 2005. For the purposes of this market study, the remainder of senior households is assumed to be two person households. In general, both one and two-person households are expected to provide demand for the Subject.

Income

The table below illustrates the median household income in the PMA and MSA for households with a senior aged 55 or older as the householder.

MEDIAN HOUSEHOLD INCOME FOR SENIORS

Year	Atlanta MSA		PMA	
	<i>Income</i>	<i>Annual Change</i>	<i>Income</i>	<i>Annual Change</i>
2001	\$33,649	-	\$19,589	-
2006	\$41,470	4.65%	\$23,665	4.16%
Market Entry	\$39,905		\$22,850	

Source: ESRI Business Information Systems, Novogradac & Company LLP 6/2003

For the PMA, income levels are projected to increase approximately 4.16 percent annually over the next five-year period compared to 4.65 percent annually within the MSA. However, the median income for seniors ages 65 and older within the PMA is projected to be 57 percent less the MSA by the time of market entry. It should be noted that there is an increasing disparity with household income in the PMA compared to the MSA, which suggests a higher portion of the population households at the very low-income level. This indicates a greater housing need in the PMA versus the MSA. Disparities in wealth among seniors will continue to limit the housing and care options that many will be able to pursue. In particular, renter households headed by a person 65 or older in the United States in 1995 – one-fifth of the senior population – had a median net wealth of only \$6,460, compared with \$141,300 for those owning homes according to a study conducted by the American Association of Retired Persons (AARP). The following table illustrates the income distribution of the senior population in the PMA.

SENIOR HOUSEHOLD INCOME

Income Cohort	Senior Population PMA			
	2001		2006	
	<i>Number</i>	<i>Percent</i>	<i>Number</i>	<i>Percent</i>
\$0 - \$14,999	2,421	25.43%	2,076	19.95%
\$15,000 - \$24,999	2,506	26.32%	2,519	24.22%
\$25,000 - \$34,999	1,753	18.41%	1,573	15.12%
\$35,000 - \$49,999	1,065	11.18%	1,523	14.64%
\$50,000 - \$74,999	816	8.57%	1,102	10.59%
\$75,000 - \$99,999	440	4.62%	775	7.45%
\$100,000 +	521	5.47%	835	8.03%
Total	9,522	100.00%	10,403	100.00%

Source: ESRI Business Information Systems, 6/2003

As illustrated in the table above, the largest income bracket is \$15,000-\$24,000. The Subject is expected to target households with annual incomes ranging from \$0 to \$34,200. Therefore, a large number of households (6,142) are income eligible to reside at the Subject. However, many of these households are at the lowest income level.

Conclusion

By the time of market entry, there will be approximately 15,447 persons aged 65 and older in the PMA. The Subject is expected to target households with annual incomes ranging from \$0 to \$34,200. Therefore, a large number of households (6,142) are income eligible to reside at the Subject. However, many of these households are at the lowest income level.

The senior population within the PMA is expected to increase by 2.14 percent from 2001 to 2006 within the PMA. Further, projections indicate households are expected to increase at an annual rate of 1.85 percent during the same time period. Both annual growth rates are below those demonstrated throughout the MSA as a whole. In general, senior growth within the PMA is considered to be marginal, which may affect future demand for the Subject.

Sub Market Analysis – The National Senior Housing Market

According to *Housing America’s Seniors*, published by the Joint Center for Housing Studies of Harvard University, the senior housing situation is approaching a point at which supply and demand will change dramatically. One in 8 Americans today is a senior citizen, compared with only 1 in 25 at the dawn of the 20th century. By 2030, when most baby boomers will have retired, this ratio will have increased to 1 in 5. By 2030, the senior population is expected to nearly double to about 70 million – bringing their share of the entire U.S. population to a formidable 20 percent. With that increase in population comes an increase and a change in housing needs.

Seniors have the highest homeownership rates of any group, making up nearly one-quarter of all owners. Homeownership rates peak for persons 65-74 at 82.8% as of 2000. Although they relocate much less often than younger households, people 65 or older currently account for about one-tenth of buyers of new homes; those between the ages of 55 and 64 account for another tenth. Only ten percent of seniors live in age-restricted communities. Fully 9 in 10 people age 70 and over live in conventional housing. Assisted communities are home to only 3% of the nation’s seniors 70 or older living outside of nursing homes. The share does, however, rise with age and reach 7% of those aged 85 to 89.

Approximately one-quarter of seniors spend more than 30 percent of their income for housing and support services. Owners have lower cost-to-income ratios than renters: 18 percent of owners spend more than 30 percent of their incomes on out-of-pocket housing costs, compared with 52 percent of renters. According to the *1999 American Housing Survey*, all senior households pay a median of 19 percent of their income towards housing. However, for senior renter-occupied households, that percentage increases dramatically to 34 percent. The table below shows the breakdown.

MONTHLY HOUSING COSTS AS A % OF CURRENT INCOME		
	1999	1999 Renter-Occupied
<5%	5%	1%
5-9%	15%	2%
10-14%	15%	4%
15-19%	12%	6%
20-24%	9%	6%
25-29%	8%	11%
20-34%	5%	10%
35-39%	5%	7%
40-49%	6%	10%
50-49%	3%	7%
60-69%	2%	4%
70-99%	4%	8%
100%+	7%	12%
0 or Negative Income	3%	2%
No Cash Rent	2%	10%
Median (0-99)	19	34

Source: 1999 American Housing Survey

Only a small percentage of senior renters receive any type of rent reduction as shown on the table below.

RENT REDUCTIONS	1999 RENTER-OCCUPIED
No Subsidy	41%
Rent Control	3%
No Rent Control	38%
	11%
Reduced by Owner	
<i>Not Reduced by Owner</i>	88%
<i>Owner Reduction Not Reported</i>	1%
Owned by Public Housing Authority	8%
Government Subsidy	6%
Other, Income Verification	3%
Subsidy Not Reported	1%

Source: 1999 American Housing Survey

Only three percent have a rent-controlled apartment; eight percent reside in public housing; six percent receive a government subsidy; and three percent take advantage of rent other rent-reduction programs.

Trends Shaping Demand

Many of the factors shaping the lives and housing choices of tomorrow’s elderly, including better health, greater longevity for men, increased wealth, and ongoing technological innovation, are already at work. With the expectation of living longer, healthier lives, more seniors may elect to delay retirement. Increases in the qualifying age for receipt of Social Security payments may also induce many to continue working. Expanded telecommunications give seniors more choices about where to live and how long to work, with a growing share of semi-retirees likely to telecommute to their jobs.

Making Housing Choices

About 15 percent of the elderly make special arrangements to receive care in regular housing. Of this group, about two-thirds live in shared housing, a living arrangement generally including a non-elderly person or for the express purpose of assisted living. The other third live in “supported housing,” where they receive outside help from a non-family member.

The chances that seniors opt for shared or supported housing increase with the number of difficulties that they have with daily living activities. However, the proximity of children is an equally important factor. The fewer children they have living nearby, the more likely seniors are to choose assisted, supported, or shared arrangements.

Seniors consistently state that they prefer to “age in place,” and the percentage responding so increases with age. However, fully 39 percent of Americans do change residences after they reach the age of 60. At least four-fifths of the moves seniors make are local. In a typical year, only about one percent of the elderly move across a state boundary and many of these moves are within the same metropolitan area.

According to the National Institute on Aging’s Assets and Health Dynamics Among the Oldest Old (AHEAD) Survey, women are increasingly making up a larger share of the older population rising from 58.3 percent of 70-74-year olds to 79.2 percent of those aged 90 or older. This means there is an increasing supply of single women who will likely look to senior housing options rather than try to maintain a home alone. Roughly seven percent of those aged 70 and over - about two million seniors – currently reside in age-restricted communities that do not provide care to residents.

According to the 1999 American Housing Survey, 17 percent of seniors have moved since 1995. For renter households, 38 percent has moved in the last four years. However 53 percent of all households have lived in their homes for 20 years or more compared to only 18 percent of renter households. The table below gives a more complete breakdown.

YEAR HOUSEHOLDER MOVED INTO UNIT		
	1999	1999 Renter-Occupied
1995-1999	17%	38%
1990-1994	11%	20%
1985-1989	11%	13%
1980-1984	7%	8%
1975-1979	9%	6%
1970-1974	8%	4%
1960-1969	17%	6%
1950-1959	13%	2%
1940-1959	4%	1%
1939 or earlier	2%	1%
Median	1977	1992

Source: 1999 American Housing Survey

Seniors who make long-distance moves tend to be younger, healthier, and somewhat better educated. They also have somewhat higher incomes. As their health declines and they become more dependent, however, some return to their home states or move to locations closer to their families. Healthy seniors generally favor age-restricted communities that do not provide services.

Where Seniors Live

The 1999 American Housing Survey shows that 80.3 percent of all senior households 65 and over are homeowners while 19.7 percent are renter households. Home ownership is up 1.4 percent since 1997. Most households live in single-family homes with three bedrooms. However, there is a large disparity in the housing conditions of the senior population at-large and senior renter households. The table below gives some vital statistics on senior housing as of 1999.

	1999 Total Households	1999 Renter Households
Units in Structure		
1, detached	68.7%	18.2%
1, attached	5.7%	7.4%
2 to 4	5.6%	18.3%
5 to 9	2.7%	10.2%
10 to 19	2.4%	9.1%
20 to 49	3.0%	11.7%
50+	5.7%	22.6%
mobile home or trailer	6.4%	2.5%
Stories in Structure		
1	39.1%	26.4%
2	29.4%	28.1%
3	17.1%	18.2%
4 to 6	4.9%	12.0%
7+	3.2%	12.7%

Source: 1999 American Housing Survey

As the table below shows, there are some striking differences in lifestyle for senior renter households. While only 13.8 percent of all households live in a multi-family building, 71.9 percent of renter households live in buildings with two or more units. The majority (22.6 percent) live in large developments of 50 units or more. In addition to living in large developments, renter households are more likely to live in a mid-rise or high-rise development: 24.7 percent compared to only 8.1 percent for total households. This presents complications, as many seniors are not able to navigate staircases in the event of an emergency evacuation.

The biggest disparity between renter households and total households is in the size of the household and the housing unit as shown on the table below.

	1999 Total Households	1999 Renter Households
Bedrooms		
0	0.6%	2.7%
1	12.4%	47.2%
2	31.8%	35.6%
3	41.7%	11.9%
4+	13.5%	2.5%
<i>Median</i>	2.6	2.6
Persons Per Households		
1	44.9%	70.0%
2	45.2%	23.9%
3	5.9%	3.6%
4	2.2%	1.3%
5	0.9%	0.5%
6	0.5%	0.4%
7+	0.3%	0.2%
<i>Median</i>	1.6	N/Av

Source: 1999 American Housing Survey

Most renter households (70.0 percent) are one-person households compared to only 44.9 percent of total senior households. This reflects the trend of persons moving into senior housing upon the death of a spouse. Those persons who are married or living with someone are much more likely to retain their current residence. There are very few senior households with more than two persons in residence. Many of these larger households include grandchildren.

This disparity in the size of the household is further reflected in the number of bedrooms in each housing unit. While only 12.4 percent of total senior households live in a one-bedroom unit, 47.2 percent of renter households live in a one-bedroom unit. The two-bedroom unit is the most common for the total population with 31.8 percent, slightly below the 35.6 percent of renter households in a two-bedroom. Because of the smaller household size, very few senior households require a home with three bedrooms or more. However, because many owner households have lived in their homes since their children were born and a three-bedroom home was necessary, 41.7 percent of the total senior population occupied a three-bedroom unit. Only 11.9 percent of renter households live in a three-bedroom home.

Where Seniors Move

The table below shows data collected in a 1992 AARP survey. Although the survey only included single elderly women, it is relevant to all senior housing as single elderly women make up the largest portion of tenants in senior housing.

FACILITIES AND SERVICES DESIRED WITHIN EASY WALKING DISTANCE BY ELDERLY WOMEN LIVING ALONE	
Facility or Service	% Response
Bus stop for buses to important places	91%
Favorite grocery store	79%
Own Bank	68%
Favorite library	67%
Own place of worship	65%
Senior's Center	65%
Favorite drugstore	62%
Favorite restaurant	56%
Nutrition site for seniors	55%
Another drugstore	55%
Own doctor	53%
Another bus stop	51%
Favorite beauty shop	51%
Fire station	51%

Source: 1999 American Housing Survey

The results of the survey confirm the desire of elderly persons to age in place – if not in their own home, then at least in their own neighborhood. They want to be surrounded by familiar things including their own grocery store, bank, library, place of worship, drugstore, restaurant, and doctor. If senior housing is not located within an existing neighborhood, it should be designed to provide comparable amenities nearby. The transition to a new grocery store, drugstore, etc. is made easier if the facility is conveniently located.

The 1999 American Housing Survey supports the findings of the AARP report. According to the Survey, of those seniors who moved within the past year, 39 percent of all senior households selected their present neighborhood based on its convenient access to friends and family. This again indicates that seniors want to stay within familiar surroundings. The full results are on the table below.

MAIN REASON FOR CHOICE OF PRESENT NEIGHBORHOOD		
Senior Households Who Moved In the Last Year		
	1999	1999 Renter-Occupied
Convenient to Friends/Family	39%	42%
Look/Design of Neighborhood	25%	22%
House was Most Important Consideration	20%	18%
Convenient to Leisure Activities	7%	7%
Convenient to Job	5%	5%
Other Public Services	3%	5%
Convenient to Public Transportation	1%	2%
Good Schools	0%	0%
All Equal	7%	9%
Other	27%	33%
Not Reported	16%	16%

Source: 1999 American Housing Survey

For those who moved in the last year, their reasons were varied, but included family/personal reasons; a need for lower rent or housing maintenance; and other housing related reasons. The need for lower rent and home maintenance costs was more important to renters than to seniors in general. More homeowners tended to move out of a desire for a better home as shown on the table below.

MAIN REASON FOR LEAVING PREVIOUS UNIT SENIOR HOUSEHOLDS WHO MOVED IN THE LAST YEAR		
	1999	1999 Renter-Occupied
Other Family/Personal Related	19%	20%
Wanted Lower Rent or Maintenance	7%	10%
Other Housing Related Reasons	11%	10%
Wanted Better Home	10%	8%
To Establish Own Household	3%	5%
Married/Separated/Divorced/Widowed	4%	4%
Other Financial/Employment Related	3%	4%
Needed Larger House or Apartment	4%	3%
Change from Owner/Renter or Renter/Owner	5%	3%
Private Displacement	1%	2%
To be Closer to Work/School/Other	2%	1%
Government Displacement	1%	1%
Disaster Loss	1%	1%
New Job or Job Transfer	0%	0%
All Equal	2%	2%
Other	24%	21%
Not Reported	5%	4%

Source: 1999 American Housing Survey

Despite a need for lower rent and home maintenance, most households reported an increase in housing costs after their move. This is most likely the result of a move into assisted living or nursing home care. Only 24 percent of renter-occupied households reported a rent decrease with their move.

CHANGE IN HOUSING COST SENIOR HOUSEHOLDS WHO MOVED IN THE LAST YEAR		
	1999	1999 Renter-Occupied
Increased with Move	36%	41%
Decreased	28%	24%
Stayed About the Same	31%	29%
Don't Know	5%	5%
Not Reported	0%	0%

Source: 1999 American Housing Survey

Of those who moved, 42 percent went from homeowner to renter as shown on the table below.

TENURE OF PREVIOUS RESIDENCE SENIOR HOUSEHOLDS WHO MOVED IN THE LAST YEAR		
	1999	1999 Renter-Occupied
Owner	63%	42%
Renter	37%	58%

Source: 1999 American Housing Survey

For those who are currently apartment-dwellers, 75 percent of renter-occupied households did not consider moving into a single-family home.

FOR THOSE NOW IN APARTMENT SENIOR HOUSEHOLDS WHO MOVED IN THE LAST YEAR		
	1999	1999 Renter-Occupied
Did Not Look at Houses	82%	75%
Looked at Houses Too	13%	18%
Not Reported	5%	7%

Source: 1999 American Housing Survey

Financial reasons were the primary determinant for rent-occupied households. However, for all senior households, room layout and design was the most important ingredient in their housing choice. In addition, 18 percent of renter households did not have a choice to make, as their current home was the only one available at the time. Owner-occupied households had more options as only 13 percent of total households faced the same situation.

MAIN REASON FOR CHOICE OF PRESENT HOME Senior Households Who Moved In the Last Year		
	1999	1999 Renter-Occupied
Financial Reasons	28%	35%
Room Layout/Design	30%	20%
Only One Available	13%	18%
Size	12%	12%
Yards/Trees/View	6%	7%
Exterior Appearance	6%	5%
Quality of Construction	4%	3%
Kitchen	0%	1%
All Equal	10%	7%
Other	21%	23%
Not Reported	17%	17%

Source: 1999 American Housing Survey

This chart reveals the disparity in the living conditions between owner and renter households. Many renter households are forced to make their housing decisions based on limited options and tight financial constraints.

Income Factors

Wealth and income disparities will continue to limit the housing choices of millions of Americans, especially those of color. About 20 percent of seniors have a net worth of less than \$25,000 and ten percent have net worth between \$25,000 and \$50,000. Many seniors face difficulties paying for their current housing. In 1995, 2.2 million aged 65 and over – more than half of them homeowners – paid more than half their incomes for housing.

Disparities in wealth among seniors will continue to limit the housing and care options that many will be able to pursue. In particular, renter households headed by a person 65 or older in 1995 – one-fifth of the senior population – had median net wealth of only \$6,460, compared with \$141,300 for those owning homes.

Approximately nine percent of seniors are currently working. Even so, over half of the incomes of those ages 65 and over are derived from Social Security, with another 20 percent from pensions and only five percent from earnings. Earnings from other household members and other investment income each contribute another eight to nine percent of elderly incomes. Very little income comes from Supplementary Social Insurance (SSI) or food stamps.

In addition to low incomes, the senior population must compete with the general working population for housing. In areas such as Seattle, which have seen strong income growth in recent years, affordable housing is increasingly out of reach for households with fixed incomes. This problem has the largest impact on renters who are more susceptible to market swings than homeowners who generally feel the impact through property taxes.

Conclusion

The national indicators for senior housing paint a positive picture for the Subject. The surveys indicate seniors will leave even their owner-occupied housing for more affordable, lower-maintenance rental housing such as that which the Subject will provide. The surveys also indicate a desire to move near children and medical facilities. The Subject is adjacent to the regional most comprehensive medical facility and is additionally proximate to all necessary services.

F. 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.

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 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).

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 information obtained from the Rent and Income Limits Guidelines Table as accessed from the DCA website.

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.

Demand

The demand for the Subject will be derived from two sources: existing households and new households. These calculations are illustrated on the attached table.

1. Demand from New Households

The number of new households entering the market is the first level of demand calculated. We have utilized 2005, the anticipated date of market entry, as the base year for the analysis. Therefore, 2001 household population estimates are inflated to 2005 by interpolation of the difference between 2001 estimates and 2006 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 2005.

2. 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 50 percent of their income in housing costs.

This data is based upon the 2001 census. 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.

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 constructed from 1999 to 2005 that are considered directly competitive. Therefore, 133 LIHTC and market rate units have been excluded in our demand analysis. We have illustrated demand analysis for the Subject in the following table. As stated, the Subject is located in an area that will experience significant development over the next couple of years. Although approximately 1,044 units are being proposed, we were not provided with a breakdown of unit types. Additionally, these units are expected to be family oriented. Therefore, we have not excluded these units from our demand analysis.

Capture Rates

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

(INCLUDING 2000-2004 CONSTRUCTED UNITS)

Household Income Distribution 2001-2006 Columbia Senior Residences at MLK Village PMA					
Income Category	2001		2006		Percent Growth
	#	%	#	%	
Less than \$14,999	2,421	25.43%	2,076	19.95%	-16.7%
\$15,000 - \$24,999	2,506	26.32%	2,519	24.22%	0.5%
\$25,000 - \$34,999	1,753	18.41%	1,573	15.12%	-11.4%
\$35,000 - \$49,999	1,065	11.18%	1,523	14.64%	30.1%
\$50,000 - \$74,999	816	8.59%	1,102	10.59%	25.9%
\$75,000 - \$99,999	440	4.62%	775	7.45%	43.2%
\$100,000 +	521	5.47%	835	8.03%	37.7%
Total	9,522	100.00%	10,403	100.00%	8.3%

Household Income Distribution 2006 Columbia Senior Residences at MLK Village PMA				
Income Category	2006		Change 2001 to 2005	
	#	%	#	%
Less than \$14,999	2,145	20.97%	-277	-11.4%
\$15,000 - \$24,999	2,517	24.61%	16	0.6%
\$25,000 - \$34,999	1,609	15.74%	-144	-8.7%
\$35,000 - \$49,999	1,431	14.00%	367	25.6%
\$50,000 - \$74,999	1,045	10.22%	229	21.9%
\$75,000 - \$99,999	708	6.92%	268	37.9%
\$100,000 +	772	7.55%	252	32.7%
Total	10,227	100.00%	705	6.8%

Household Size for 2005	
Owner	44.71%
Renter	55.29%
Total	100.00%

Household Size for 2006	
Owner	44.62%
Renter	55.38%
Total	100.00%

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

Income Category	New Households - Total Change in Households PMA 2001 to 2005		PBRA		Market	
	Number	Percentage	Income Brackets	Percent within Cohort	Income Brackets	Percent within Cohort
Less than \$14,999	21	2.1%	\$21,780	32%	\$21,780	32%
\$15,000 - \$24,999	144	14.4%	\$34,200 - 2 Person	36%	\$45,200 - 2 Person	100%
\$25,000 - \$34,999	367	36.7%		92%		68%
\$35,000 - \$49,999	229	22.9%				
\$50,000 - \$74,999	268	26.8%				
\$75,000 - \$99,999	252	25.2%				
\$100,000 +	705	70.5%				
Total	1,487	148.7%				

Percent of households within limits versus total number of households

-56.51%

-18.23%

15.45%

(INCLUDING 2000-2004 CONSTRUCTED UNITS)

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

Demand from Living in Substandard Housing				
Income Qualified Renter Households	2746	1068	1517	
Percent Living in Substandard Housing	1%	1%	1%	
Households Living in Substandard Housing	27	11	15	

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

Senior Households Converting from Homeownership				
Income Target Population	PBRA	54%	Market	
Total Senior Homeowners	3396	1321	1876	
Rural Versus Urban	2.0%			
Senior Demand Converting from Homeownership	68	26	38	

Total Demand				
Total Demand from Existing Households	851	331	470	
Adjustment Factor	0	0	0	
Adjusted Demand from Existing Households	851	331	470	
Total New Demand	-178	-57	49	
Total Demand (New Plus Existing Households)	672	273	519	

Demand from Seniors Who Convert from Homeownership	68	26	38	
Percent of Total Demand From Homeownership Conversion	10.1%	9.7%	7.2%	
Is this Demand Over 20 percent of Total Demand?	No	No	No	

By Bedroom Demand				
One Person	44.62%	300	122	232
Two Persons	55.38%	372	151	287
Total	100.00%	672	273	519

To place Person Demand into Bedroom Type Units

Of one person households in one-bedroom units	90%	270	110	208
Of two person households in one-bedroom units	20%	74	30	57
Of one person households in two-bedroom units	10%	30	12	23
Of two person households in two-bedroom units	80%	298	121	230
Total Demand		672	273	519
Check		OK	OK	OK

Total Demand by Bedroom				
One Bedroom	PBRA	54%	Market	
Two Bedroom	344	140	266	
	3.28	133	253	
Total Demand	672	273	519	

Additions To Supply 2000 to 2004

One Bedroom	PBRA	54%	Market	
Two Bedroom	133	133	133	
Three Bedroom	0	0	0	
Four Bedroom	0	0	0	
Total	133	133	133	

Net Demand				
One Bedroom	PBRA	54%	Market	
Two Bedroom	211	7	133	
Total	0	0	0	
	211	7	133	

Net Demand				
One Bedroom	PBRA	54%	Market	
Two Bedroom	211	7	133	
Total	0	0	0	
	211	7	133	

Developer's Unit Mix

One Bedroom	PBRA	54%	Market	
Two Bedroom	37	59	26	
Three Bedroom	0	0	0	
Four Bedroom	0	0	0	
Total	37	59	26	

Capture Rate Analysis

One Bedroom	PBRA	54%	Market	
Two Bedroom	18%	859%	20%	
Three Bedroom	N/A	N/A	N/A	
Four Bedroom	N/A	N/A	N/A	
Total	18%	859%	20%	

Conclusions

We have conducted such an analysis to determine a base of demand for the Subject as a tax credit property. Several factors affect the indicated capture rates and are discussed following.

- The number of households in the PMA is expected to increase 8.5 percent between 2001 and 2006.
- The Subject's target income group is from \$0 to \$34,200. This spreads across three income cohorts. The \$0 to \$14,999 cohort is expected to contract by 16.7 percent from 2001 to 2006. The \$15,000 to \$24,999 cohort is expected to increase by 0.5 percent from 2001 to 2006. The \$25,000 to \$34,999 cohort is expected to contract by 11.4 percent from 2001 to 2006. Overall, the appropriate income cohorts in the PMA are projected to contract by 512 households (7.6 percent).
- This demand analysis does not measure the PMA's or Subject's ability to attract additional or latent demand into the market from elsewhere by offering an affordable and income restricted option. We believe this to be significant and therefore the demand analysis is somewhat conservative in its conclusions because this demand is not included.

As the analysis illustrates, the Subject's capture rates vary from 18 to 856 percent. It should be noted that this demand analysis excludes 133 units of demand as a result of additions to supply from family oriented properties. By removing these units for households ages 65 and older, we believe that this significantly understates the available demand for the Subject given that the Subject will be an age restricted community. Without excluding additions to supply, capture rate range from 42 percent (54 percent AMI) to 11 percent (PBRA), which suggests moderate demand. The elevated capture rates for units at the 54 percent AMI level may be the result of proposed rents that limits the number of households that can afford to occupy the Subject. Therefore, the Sponsor of the Subject may want to consider adjusting rents to increase demand.

We also conducted a demand analysis for the market rate units at the Subject. While these units are not subject to income restrictions, we have based our analysis to assuming a 35 percent affordability factor for proposed rents. Also, we have conducted our analysis utilizing 80 percent of the area medium income for Fulton County for a two person households, \$45,200, as our maximum income level. The capture rates demonstrated an overall capture rate of 20 percent for market rate units.

G. SUPPLY ANALYSIS

ATLANTA MULTIFAMILY RENTAL MARKET OVERVIEW

Introduction

We have conducted approximately 20 market studies in the Atlanta MSA the past several years and we have witnessed a tremendous increase in supply. Furthermore we have witnessed an increasing softness in the broader market area. However, there are numerous pockets of strong demand, particularly affordable housing. Therefore we will examine the broader market in general, then focus on the particular sub-market within Atlanta for the Subject.

Rental Rates

According to the REIS “Metro Trend Report” for the first quarter of 2003, the rental rates for the Atlanta region have increased for the previous five years. However, the rate of this growth has slowed significantly since 2000. The average rental rate increase in the first quarter of 2003 was 0.1 percent. This rate of increase compares to an increase in 2000 at a rate of approximately eight percent. The following table depicts the average asking rental rate for properties in the Atlanta region based on the year that they were constructed.

AVERAGE ASKING RENT BY DATE OF CONSTRUCTION	
Year	Average Rent
Before 1970	\$690
1970 – 1979	\$718
1980 – 1989	\$794
1990 – 1994	\$931
After 1994	\$1,018
All Properties	\$822

Source: REIS Metro Trend Report, First Quarter 2003

As the table above depicts, the newer properties in the market are achieving significantly higher rents than the older properties. Additionally, the properties that were constructed after 1990 are achieving higher than the average rental rate. Therefore, newly constructed properties will have higher achievable rental rates than the properties in the market that are constructed prior to 1990.

Vacancy

The vacancy rate in the Atlanta region continues to increase according to the REIS report. In 2000, the vacancy rate was approximately five percent. As of the first quarter of 2003, the vacancy rate is 11.3 percent. The vacancy rate slightly declined from 1998 to 2000. The following table depicts the average vacancy rates for properties based on the year that they were constructed.

AVERAGE VACANCY BY DATE OF CONSTRUCTION	
Year	Average Vacancy
Before 1970	11.2%
1970 – 1979	12.6%
1980 – 1989	10.7%
1990 – 1994	9.6%
After 1994	11.4%
All Properties	11.3%

Source: REIS Metro Trend Report, First Quarter 2003

As the table above depicts, the average vacancy rate varies by age of construction. The properties that were constructed from 1980 to 1994 are out performing the properties constructed in all other years in terms of vacancy rates. However, the vacancy rate of the properties that have been constructed since 1994 is somewhat skewed since the newest properties in the survey are still in their initial leasing periods. Therefore, it is expected that this age cohort will have a high vacancy rate when compared to the other age cohorts.

Growth in the Rental Inventory

The Atlanta market continues to experience an increase in its rental inventory. However, this rate of increase is slower now than it was in 1999. The peak of the growth rate in the rental market occurred in 1999 at a rate of approximately 4.5 percent. The growth rate in 2002 was approximately two percent. The following table depicts the overall market share of properties based on the year that they were constructed.

PERCENT OF MARKET SHARE BY DATE OF CONSTRUCTION	
Year	Market Share
Before 1970	15%
1970 – 1979	25%
1980 – 1989	31%
1990 – 1994	6%
After 1994	24%

Source: REIS Metro Trend Report, First Quarter 2003

As the table above depicts, a slight plurality of multifamily properties were constructed from 1980 to 1989. However, the recent years have also experienced a large portion of growth in terms of new units being added to the rental market.

Planned Developments

Metro Atlanta is split up into six relatively straightforward planning zones. These zones are Northside, Northwest, Northeast, Westside, Intown/South and Southside. Several of the recent residential developments that has occurred within these sections has been outlined in the following text.

Westside Redevelopment District:

This development area contains The Villages at Castelbury Hills and Magnolia Park Apartments, both of which are Low Income Housing Tax Credit Properties. These two projects were contributing factors to the redevelopment of this historical area of the city. Future new development initiatives include a \$140 million dollar renovation plan designed to refurbish commercial, retail, residential and recreational areas of this district. Project completion is planned for 2006 and will include condominiums, loft housing and mixed-use commercial spaces, spanning an area of 15 acres. The proposed developmental plan proposes 200 apartments over mixed commercial space as well as 125 condo’s and 35 town homes.

Park Place South

Park Place South, a 68 million dollar residential project, will ultimately consist of 434 single family detached homes, town homes, multifamily complexes, and a 100-unit senior citizen independent living center. The project is currently under construction and is located south of the downtown Atlanta, on Pryor Road and Amal Drive. While these housing units are not quite complete, they are almost 50 percent pre-sold/leased.

Kings Ridge Development Area;

Kings Ridge Project Re-development area will consist of both single and multifamily housing structures located on the cities southeastern side. This area was the home of former multifamily structures which have since been demolished, and will be replaced by for sale and for rent single family detached homes, town homes, rental apartments, and independent living residences for seniors. The community will also feature, walking trails, a pool, clubhouse and a playground area for children.

Conclusion

The overall Atlanta economy is moderately strong, benefiting from population, business and employment growth that has occurred in the area over the past ten years. As a result, the residential housing inventory has increased to support the economic escalations experienced within the market. However, given the elevated number of recent multifamily additions to supply, the Atlanta MSA is experiencing higher than normal vacancy levels. According to the REIS “Metro Trend Report” for the first quarter of 2003, overall vacancy for the Atlanta MSA is 11.3 percent. Established older vintage properties have reported the reliance of concessions to remain competitive to newer affordable housing and market rate product. In some cases, the presence of these concessions will remain in place throughout the foreseeable future.

CHARACTERISTICS OF LIHTC PROJECTS UNDER CONSTRUCTION AND IN PLANNING

Each year the Georgia Housing Finance Authority, in conjunction with the Georgia Department of Community Affairs, accepts bids for LIHTC tax credit projects. The following table details the list of projects that have received tax credit allocations in Fulton County.

2001-02 LIHTC Allocations in Fulton County				
Property	Address	City	Units	Tenancy
Croggman School	1093 West Avenue SW	Atlanta	105	Family
Peaks at West Atlanta	1255 Northwest Drive	Atlanta	214	Family
Ashley Courts	1371 Kimberly Road	Atlanta	96	Family
Lakewood Christian Manor	2141 Springdale Road	Atlanta	250	Older Persons
Holly Ridge	1620 Hollywood Rd NW	Atlanta	216	Family
Brookside Parkway	1780 Metropolitan Parkway	Atlanta	200	Family
Carver Redevelopment	201 Moury Avenue	Atlanta	216	Family
Park Place South Senior	240 Amal Drive	Atlanta	100	Elderly
Etheridge Court I & II	2500 Center St NW	Atlanta	354	Family
City View at Rosa Burney Park*	259 Richardson Street	Atlanta	180	Family/Older
Allen Temple Apt	3040 Middleton Avenue	Atlanta	458	Family
Town West Manor	330 Brownlee Rd SW	Atlanta	108	Family
Misty Amber Senior	3704 Martin Luther King Jr. SW	Atlanta	152	Elderly
Valena Henderson Village	431 Edgewood Avenue	Atlanta	39	Elderly
Hickory Park	4900 Delano Road	Atlanta	150	Family
Big Bethel Village	505 Fairburn Road	Atlanta	132	Elderly
Providence Heights	McClelland Avenue	East Pointe	244	Family
Orchard Springs	Oakley Industrial Boulevard	Fairburn	221	Family
Robins Creste	under construction	Atlanta	160	Family
Eagles Creste	under construction	Atlanta	284	Family
Columbia Estate	under construction	Atlanta	124	Family
Columbia at Peoplestown	under construction	Atlanta	99	Family
Columbia Highlands Senior	under construction	Atlanta	130	Elderly
The Peaks at MLK	under construction	Atlanta	183	Family
Alta Pointe	under construction	Atlanta	230	Family
Total			4645	

*Included in our survey

Section 8

According to Rene Stokes of the Fulton County Housing Authority there are currently 1,100 Section 8 vouchers that have been distributed and there is a waiting list for 1,500 households, or an approximate one and a half years to two years. Ms. Stokes also stated that there was large demand for Section 8 housing as they receive several applications on a weekly basis. Illustrated in the table below is the historical trend in the past five years of Section 8 Vouchers that have been distributed in the City of Atlanta Housing Authority.

**Annual Distribution of Section 8 Vouchers
City of Atlanta**

Year	No. of Vouchers	Percentage change
1998	7,376	-
1999	7,451	1.02%
2000	8,483	13.85%
2001	9,477	11.72%
2002	11,127	17.41%

As illustrated, the growth rate of vouchers being distributed by the housing authority suggests an increasing need for affordable housing for low to very low-income households. According to Yolanda Hill from the Atlanta Housing Authority, 12,000 vouchers are being utilized with approximately 25,000 households that are currently on the waiting list. The waiting list has been closed since October 2001. As result, the housing authority is in the process of locating affordable housing for the current households on the waiting list before accepting additional requests. Ms. Hill stated that “there was great demand for affordable housing. Unfortunately, there was not enough funding from the state for affordable housing projects.”

Description of Property Types Surveyed/Determination of Number of Tax Credit Units

We interviewed numerous properties to determine which ones were considered “true” competition for the Subject. As shown in the table above, there are a number of LIHTC projects existing in the area. City View at Rosa at Rosa Burney Park is located in close proximity to the Subject and has been included in our survey.

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. Property managers and realtors were interviewed for information on unit mix, size, absorption, unit features and project amenities, tenant profiles, and market trends in general. Our competitive survey included six “true” comparable properties containing 1,081 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 write-ups following. The property descriptions include information on vacancy, turnover, absorption, age, competition, and the general health of the rental market, when available.

Summary Matrix

Comp #	Project Name and Location	Type / Age	Market (Conv.) / Subsidy Type	# Units	Unit Type	Asking Rents				Unit Mix		Size (SF)	Units Vacant	Vacancy Rate
						PBRA	50% AMI	60% AMI	Market	#	%			
Subject	Columbia Senior Residences at MLK 380 Martin Street Atlanta, GA	Garden Proposed	LIHTC/Market/PBRA	122	1BR/1BA	BOI		\$ 621	\$ 634	122	100.00%	750	N/A	N/A
1	The Village at Casfebury 600 Greensferry Avenue, SW Atlanta, GA 404-523-1330	Garden 1999	LIHTC/Market	450	1BR/1BA 2BR/1BA 3BR/2BA			\$ 600 \$ 665 \$ 800	\$ 770 \$ 900 \$ 1,150	133 253 64 450	29.56% 56.22% 14.22% 100.00%	710 950 1,132	0 0 0 0	0.00% 0.00% 0.00% 0.00%
2	Glenview Courtyards 2035 Memorial Drive Atlanta, GA 404-371-0003	Garden 1970	LIHTC	176	1BR/1BA 2BR/1BA			\$ 513 \$ 617		117 59 176	N/A N/A 100.00%	700 900	19 5 24	N/A N/A 13.64%
3	City Views at Rosa Burney Park 259 Richardson Street Atlanta, GA 404-524-0286	Midrise/TH 1960	LIHTC/Market	180	1BR/1BA 2BR/1BA-TH 3BR/1.5BA-TH 4BR/1.5BA-TH 5BR/1.5BA-TH			\$ 627 \$ 802 \$ 908 \$ 969 N/A	\$ 627 \$ 802 \$ 908 \$ 969 N/A	111 10 36 19 4 180	61.67% 5.56% 20.00% 10.56% 2.22% 100.00%	593 775 966 1,096 1,226	N/A N/A N/A N/A N/A 41	N/A N/A N/A N/A N/A 22.78%
4	Northside Plaza Apartments 440 Marham Street SW Atlanta, GA 404-688-9019	Garden 1990	Market	127	1BR/1BA 2BR/2BA			\$ 615 \$ 755		N/A N/A 127	N/A N/A 100.00%	572 867	3 2 5	N/A N/A 3.94%
5	The Square at Peopletown 875 Hank Aaron Drive Atlanta, GA 404-224-1894	Garden 1979	LIHTC	94	1BR/1BA 2BR/1BA 2BR/2BA 3BR/2BA			\$ 491 \$ 593 \$ 635 \$ 727	\$ 579 \$ 640 \$ 693 \$ 793	23 24 24 23 94	24.47% 25.53% 25.53% 24.47% 100.00%	664 869 1,169 1,169	N/A N/A N/A N/A 8	N/A N/A N/A N/A 8.51%
Total Studio Total 1BR 0 0.00% Total 2BR 250 39.94% Total 3BR 312 49.84% Total 4BR 64 10.22% Total 5BR 0 0.00% Grand Total by Unit Type Excluding Subject 626 100.00%														
Total Including Properties Not Reporting Breakdown Average Year Built 1976 Oldest Property 1960 Youngest Property 1999														
Largest Property 450 Smallest Property 54 Average Size 180														

One-bedroom Matrix

Comp #	Subject	1	2	4	5	6
Project Name	Columbia Senior Residences at MLK	The Village at Canitebury	Glenview Courtyards	City Views at Rosa Burney Park	Northside Plaza Apartments	The Square at Peopletstown
Base Rent/Month 30% AMI						
Unit GLA (SF)						
Adjusted Utility Base Rent/Month						
Base Rent/Month 50% AMI						
Unit GLA (SF)						
Adjusted Utility Base Rent/Month						
Base Rent/Month 60% AMI	\$621	\$600	\$513	\$627		\$491
Unit GLA (SF)	750	710	700	593		869
Adjusted Utility Base Rent/Month		\$576	\$528	\$603		\$467
Base Rent/Month Market	\$634	\$770		\$615		\$579
Unit GLA (SF)	750	710		593		869
Adjusted Utility Base Rent/Month		\$746		\$603		\$555
Market (Conv./Subsidy) Type	LIHTC/Market/PBRA	LIHTC/Market	LIHTC	LIHTC/Market	Market	LIHTC
Total Units/Type	122	133	117	111	N/AV	24
Vacant/Type	N/AP	0	19	N/AV	2	N/AV
Occupancy	N/AP	100%	84%	N/AV	N/AV	N/AV
Property Type	Garden	Garden	Garden	Midrise/TH	Garden	Garden
Year Built	Proposed	1999	1970	1960	1990	1979
In-Unit Features						
Baths (No. of)	1	1	1	1	1	1
Blinds	Yes	Yes	Yes	Yes	Yes	Yes
Carpeting	Yes	Yes	Yes	Yes	Yes	Yes
Ceiling Fan	No	No	No	No	No	Yes
Fireplace	No	No	No	No	Yes	No
Exterior Storage	No	No	No	No	No	No
Patio/Balcony	No	Yes	Yes	Yes	Yes	Yes
Appliance Package						
Refrigerator	Yes	Yes	Yes	Yes	Yes	Yes
Stove	Yes	Yes	Yes	Yes	Yes	Yes
Dishwasher	Yes	Yes	Yes	Yes	Yes	Yes
Disposal	Yes	Yes	Yes	Yes	Yes	Yes
Microwave	No	No	No	No	No	No
Washer & Dryer (In-Unit)	No	Yes	No	No	No	No
Washer & Dryer (Hook-ups)	Yes	No	No	Yes	Yes	Yes
Central Air Conditioning	Yes	Yes	No	Yes	Yes	Yes
Utilities						
Cooking - Power	Electric	Electric	Gas	Electric	Electric	Gas
Heat - Power	Electric	Electric	Gas	Electric	Electric	Gas
Hot Water - Power	Electric	Electric	Gas	Electric	Electric	Gas
Utilities-Cooking	Tenant	Tenant	Tenant	Tenant	Tenant	Tenant
Utilities-Heat	Tenant	Tenant	Tenant	Tenant	Tenant	Tenant
Utilities-Hot Water	Tenant	Tenant	Tenant	Tenant	Tenant	Tenant
Utilities-Electric	Tenant	Tenant	Tenant	Tenant	Tenant	Tenant
Utilities-Water/Sewer	Tenant	Tenant	Tenant	Tenant	Tenant	Tenant
Utilities-Trash	Landlord	Landlord	Tenant	Landlord	Landlord	Landlord
Utility Adjustment to Net Rent	\$	\$(24,000)	\$15,000	\$(24,000)	\$(24,000)	\$(24,000)
Parking						
Surface	Yes	Yes	Yes	Yes	Yes	Yes
Carport	No	No	No	No	No	No
Garage	No	No	No	No	No	No
Common Area Amenities						
Security						
-Courtesy Patrol/Officer	No	Yes	Yes	Yes	Yes	Yes
-Perimeter Fencing	No	No	Yes	Yes	Yes	No
-Intercom	No	No	Yes	Yes	Yes	No
-Secured Parking	No	No	No	No	No	No
-Intrusion Alarm	Yes	No	No	No	Yes	No
-Security Lighting	No	No	No	No	No	No
Clubhouse/Community Room	Yes	Yes	Yes	Yes	Yes	Yes
Swimming Pool	No	No	No	No	No	No
Jacuzzi	No	No	No	No	No	No
Exercise Room	Yes	Yes	No	No	Yes	No
Picnic Area (Grills)	Yes	Yes	No	Yes	No	Yes
Tennis Courts	No	No	No	No	No	No
Basketball Courts	No	No	No	No	No	No
Playground	No	No	Yes	No	No	No
Central Laundry	Yes	Yes	Yes	Yes	No	Yes
Resident Programs	Computer Center					
Comments	Library					

Comparable Property #1

Name: The Village at Castlebury
Address: 600 Greensferry Avenue, SW
 Atlanta, GA
Phone: 404-523-1330

Year Built: 1999
Type: Garden
Program: LIHTC/Market
Occupancy: 100%
No. of Units: 450



Appliances

- Refrigerator
- Oven
- Dishwasher
- Disposal
- Microwave

In - Unit Amenities

- Washer/Dryer In Unit
- Washer/Dryer Hook-ups
- Fireplace
- Carpet/Hardwood
- Window Coverings
- Exterior Storage
- Central Air
- Ceiling Fan
- Balcony/Patio/Porch

Utilities

	<u>Type:</u>	<u>Paid By:</u>
Cooking:	Electric	Tenant
Heat:	Electric	Tenant
Water Heat:	Electric	Tenant
Electric:	N/A	Tenant
Water/Sewer:	N/A	Landlord
Trash:	N/A	Landlord

Security Features

- Security Patrol
- Perimeter Fencing
- Intercom
- Secured Parking
- Intrusion Alarm
- Security Lighting

Parking

- Surface
- Garage
- Carport

Common Area Amenities

- Clubhouse/Com. Room
- Exercise Room
- Basketball Courts
- Swimming Pool
- Picnic Area (Grills)
- Playground
- Jacuzzi
- Tennis Courts
- Central Laundry

Comparable Property #1 Cont.

The Village at Castlebury

Unit Type	No. Of Units	No. Vacant	Size	Market Rent	60% AMI	50% AMI	35% AMI	45% AMI
1BR/1BA	133	0	710	\$770	\$600			
2BR/1BA	253	0	950	\$900	\$665			
3BR/2BA	64	0	1132	\$1,150	\$800			
Total	450	0						

The Village at Castlebury is a LIHTC and market-rate property that offers one, two, and three-bedroom units. Management stated that the annual turnover rate was approximately 75 percent. Currently, the waiting list is one year long, and management does not offer any concessions. The leasing pace is only two days. The rental rates have remained stable over the previous year, however, management stated that the rental rates will increase by \$20 a unit soon. This amount represents an increase of approximately two to three percent. The vacancy rate has remained very stable during the previous year. Management reported that many of the tenants come from the downtown area of the city and that approximately ten percent of the residents are seniors. According to management, the market-rate units are easier to lease since there is "less red tape" in renting a market-rate unit as opposed to renting a LIHTC unit. However, management stated that there is an abundance of demand for the LIHTC units.

Comparable Property #2

Name: Glenview Courtyards
Address: 2035 Memorial Drive
 Atlanta, GA
Phone: 404-371-0003

Year Built: 1970
Type: Garden
Program: LIHTC
Occupancy: 86%
No. of Units: 176

NO PHOTO AVAILABLE

Appliances

- Refrigerator
- Oven
- Dishwasher
- Disposal
- Microwave

In - Unit Amenities

- Washer/Dryer In Unit
- Washer/Dryer Hook-ups
- Fireplace
- Carpet/Hardwood
- Window Coverings
- Exterior Storage
- Central Air
- Ceiling Fan
- Balcony/Patio/Porch

Utilities

	<u>Type:</u>	<u>Paid By:</u>
Cooking:	Gas	Tenant
Heat:	Gas	Tenant
Water Heat:	Gas	Tenant
Electric:	N/A	Tenant
Water/Sewer:	N/A	Tenant
Trash:	N/A	Tenant

Security Features

- Security Patrol
- Perimeter Fencing
- Intercom
- Secured Parking
- Intrusion Alarm
- Security Lighting

Parking

- Surface
- Garage
- Carport

Common Area Amenities

- Clubhouse/Com. Room
- Exercise Room
- Basketball Courts
- Swimming Pool
- Picnic Area (Grills)
- Playground
- Jacuzzi
- Tennis Courts
- Central Laundry

Comparable Property #2 Cont.

Glenview Courtyards

Unit Type	No. Of Units	No. Vacant	Size	Market Rent	30% AMI	60% AMI
1BR/1BA	117	19	700			\$513
2BR/1BA	59	5	900			\$617
Total	176	24				

Glenview Courtyards is a LIHTC property that offers one and two-bedroom units. The turnover rate is three units a month, or approximately 20 percent per year. The property does not maintain a waiting list and does offer a concession of one month's free rent. The normal rental rates are \$560 for the one-bedroom and \$673 for the two-bedroom units. The conceded rental rates are used in our analysis for a conservative estimate for rent. The leasing pace is approximately five days. The vacancy rates have increased recently due to a significant number of households moving to other communities that are offering larger concessions. The most popular unit type is the two-bedroom style.

Comparable Property #3

Name: City Views at Rosa Burney Park
Address: 259 Richardson Street
 Atlanta, GA
Phone: 404-524-0286

Year Built: 1960
Type: Midrise/TH
Program: LIHTC/Market
Occupancy: 77%
No. of Units: 180



Appliances

- Refrigerator
- Oven
- Dishwasher
- Disposal
- Microwave

In - Unit Amenities

- Washer/Dryer In Unit
- Washer/Dryer Hook-ups
- Fireplace
- Carpet/Hardwood
- Window Coverings
- Exterior Storage
- Central Air
- Ceiling Fan
- Balcony/Patio/Porch

Utilities

	<u>Type:</u>	<u>Paid By:</u>
Cooking:	Electric	Tenant
Heat:	Electric	Tenant
Water Heat:	Electric	Tenant
Electric:	N/A	Tenant
Water/Sewer:	N/A	Landlord
Trash:	N/A	Landlord

Security Features

- Security Patrol
- Perimeter Fencing
- Intercom
- Secured Parking
- Intrusion Alarm
- Security Lighting

Parking

- Surface
- Garage
- Carport

Common Area Amenities

- Clubhouse/Com. Room
- Exercise Room
- Basketball Courts
- Swimming Pool
- Picnic Area (Grills)
- Playground
- Jacuzzi
- Tennis Courts
- Central Laundry

Comparable Property #3 Cont.

City Views at Rosa Burney Park

Unit Type	No. Of Units	No. Vacant	Size	Market		
				Rent	60% AMI	50% AMI
1BR/1BA	111	N/Av	593	\$627	\$627	
2BR/1BA-TH	10	N/Av	775	\$802	\$802	
3BR/1.5BA-TH	36	N/Av	966	\$908	\$908	
4BR/1.5BA-TH	19	N/Av	1,096	\$969	\$969	
5BR/1.5BA-TH	4	N/Av	1,226	N/Av	N/Av	
Total	180	41				

City Views at Rosa Burney is a LIHTC and market-rate property. Currently, the property just began renovating its units and converting the property from project-based Section 8 to a LIHTC property. Currently, the property has 139 units occupied by Section 8/Section 236 tenants. These tenants are qualified to remain at the property. All of the vacant units after renovations will be rented as tax credit units at the 60 percent level. The renovations began in December of 2002 and are expected to last at least another eight to nine months. No concessions are offered at this property. Management expects to maintain a waiting list once renovations are complete since the property has always maintained a long waiting list. Most of the tenants do not come from more than five miles away from the property. Management stated that the most popular units are the two and three-bedroom units. Additionally, management stated that there is a large amount of demand for the multiple-bedroom units in the affordable housing market. Since the property is still in the lease-up period during renovations, management was not able to comment on leasing pace, turnover, changes in vacancy, and changes in rental rates. The renovations total approximately five million dollars.

Comparable Property #4

Name: Northside Plaza Apartments
Address: 440 Marham Street SW
 Atlanta, GA
Phone: 404-688-9019

Year Built: 1990
Type: Garden
Program: Market
Occupancy: 96%
No. of Units: 127



Appliances

- Refrigerator
- Oven
- Dishwasher
- Disposal
- Microwave

In - Unit Amenities

- Washer/Dryer In Unit
- Washer/Dryer Hook-ups
- Fireplace
- Carpet/Hardwood
- Window Coverings
- Exterior Storage
- Central Air
- Ceiling Fan
- Balcony/Patio/Porch

Utilities

	<u>Type:</u>	<u>Paid By:</u>
Cooking:	Electric	Tenant
Heat:	Electric	Tenant
Water Heat:	Electric	Tenant
Electric:	N/A	Tenant
Water/Sewer:	N/A	Landlord
Trash:	N/A	Landlord

Security Features

- Security Patrol
- Secured Parking
- Perimeter Fencing
- Intrusion Alarm
- Intercom
- Security Lighting

Parking

- Surface
- Carport
- Garage

Common Area Amenities

- Clubhouse/Com. Room
- Swimming Pool
- Jacuzzi
- Exercise Room
- Picnic Area (Grills)
- Tennis Courts
- Basketball Courts
- Playground
- Central Laundry

Comparable Property #4 Cont.

Northside Plaza Apartments

Unit Type	No. Of Units	No. Vacant	Size	Market Rent	60% AMI	50% AMI
1BR/1BA	N/Av	3	572	\$615		
2BR/2BA	N/Av	2	867	\$755		
Total	127	5				

This property is a market-rate facility that offers one and two-bedroom units. Community services located near this property include the Friendship Baptist Church that is located opposite the northern property line and a small retail plaza that shares the frontage of Northside Plaza along Northside Drive. Businesses located at the plaza include a Laundromat and food market. Northside Plaza Apartments feature a brick and vinyl exterior that is in average condition.

According to the property manager, 95 percent of the residents are students. Currently, there are three vacancies reported within one-bedroom units and two vacancies reported within two-bedrooms. Turnover could not be estimated. However, given the high number of students, most vacancies occur during the summer. No waiting list is maintained. The rents have remained stable over the past year. Two-bedroom units are reportedly the most popular units. No concessions are currently offered.

Comparable Property #5

Name: The Square at Peoplestown
Address: 875 Hank Aaron Drive
Atlanta, GA
Phone: 404-224-1894

Year Built: 1979
Type: Garden
Program: LIHTC
Occupancy: 91%
No. of Units: 94

Insert Photo:

NO PHOTO AVAILABLE

Appliances

- Refrigerator
- Oven
- Dishwasher
- Disposal
- Microwave

In - Unit Amenities

- Washer/Dryer In Unit
- Washer/Dryer Hook-ups
- Fireplace
- Carpet/Hardwood
- Window Coverings
- Exterior Storage
- Central Air
- Ceiling Fan
- Balcony/Patio/Porch

Utilities

	<u>Type:</u>	<u>Paid By:</u>
Cooking:	Gas	Tenant
Heat:	Gas	Tenant
Water Heat:	Gas	Tenant
Electric:	N/A	Tenant
Water/Sewer:	N/A	Landlord
Trash:	N/A	Landlord

Security Features

- Security Patrol
- Secured Parking
- Perimeter Fencing
- Intrusion Alarm
- Intercom
- Security Lighting

Parking

- Surface
- Carport
- Garage

Common Area Amenities

- Clubhouse/Com. Room
- Swimming Pool
- Jacuzzi
- Exercise Room
- Picnic Area (Grills)
- Tennis Courts
- Basketball Courts
- Playground
- Central Laundry

Comparable Property #5 Cont.

The Square at Peoplestown

Unit Type	No. Of Units	No. Vacant	Size	Market Rent	60% AMI	50% AMI
1BR/1BA	23	N/Av	664		\$579	\$491
2BR/1BA	24	N/Av	869		\$640	\$593
2BR/2BA	24	N/Av	1,169		\$693	\$635
3BR/2BA	23	N/Av	1,169		\$793	\$727
Total	94	8				

The Square at Peoplestown is a LIHTC property that offers one, two, and three-bedroom units. The turnover rate is one unit a month or 13 percent per year. The property maintains a 12 household long waiting list and does not offer any concessions. The leasing pace is approximately one week. Management was not able to discuss changes in the rental rates or vacancy. However, management stated that the market appears to be gaining strength. The most popular unit is the two-bedroom, one-bathroom style.

H. PROPERTY INTERVIEWS

PROPERTY INTERVIEWS

Property managers and realtors were interviewed for information on unit mix, size, absorption, unit features and project amenities, tenant profiles, and market trends in general. The following text is a summary of the property descriptions, which describe vacancy, turnover, absorption, age, competition, and the general health of the rental market, when available. It should be noted that all of the properties included in our survey are family oriented. There were no senior oriented non-subsidized properties or LIHTC properties with bedroom types or AMI levels located near the Subject. Therefore, direct comparisons were made primarily to family oriented properties. However, several senior properties (Columbia High Point and Henderson Place) were interviewed to discuss the current condition of senior housing within the market. The results of those conversations will be discussed where applicable.

Age and Condition

We interviewed properties ranging in age from 43 years old (City View at Rosa Burney Park) to recent constructions (Villages at Castlebury). This is a function of the ongoing development activity in the area. There are generally three types of properties in the market. First, there are those of a similar vintage as the Subject that have been recent additions. Second are properties that are 20 to 30 years old that significantly inferior. Third are high-end warehouse and loft conversion. Condition varies with age. We focused our research on the most comparable properties. Newer and renovated properties are typically in better condition than older properties. As new construction, the Subject would be superior to the condition of older properties within the primary market area.

Unit Mix

The following table shows the unit mix of the properties in our survey. As illustrated in the matrices comparable rental properties offered one, two, three and four-bedroom units.

UNIT MIX				
Unit type	Market Unit Mix		Subject Unit Mix	
	Number	Percentage	Number	Percentage
1BR	250	39.94%	122	100.00%
2BR	312	49.84%	N/Av	N/Av
3BR	64	10.22%	N/Av	N/Av
Total	626	100.00%	160	100.00%

*This figure represents properties that reported unit breakdown

Based on our survey of the market, two-bedroom units possess the greatest market share with nearly 44 percent followed closely by one-bedroom units. Not all of the surveyed properties were able to provide exact unit mix. The following table illustrates the vacancy breakdown by unit type.

VACANCY BY UNIT TYPE			
Unit Type	Total Units Reporting	Vacant units	Vacancy by Unit Type
1BR	296	19	7.60%
2BR	320	5	1.60%
3BR	64	0	0.00%
Total	626	24	3.83%

*This figure represents properties that reported unit breakdown

Overall vacancy reported by 626 surveyed units indicates approximately four percent vacancy. It should be noted that the vacancy rate by unit type illustrated above is based only on surveyed properties that were able to provide vacancies within specific unit types. Therefore, while the combined vacancy rate by unit type is 3.83 percent, the overall vacancy is approximately eight percent.

We surveyed a recently constructed senior oriented facility, Columbia High Point, regarding operating conditions for seniors. Columbia High Point is a Section 8 property constructed in 2002 that reported 100 percent of its units occupied with a very long waiting list. Also, Henderson Place is a senior oriented LIHTC property that is currently 100 percent occupied with 25 households on the waiting list. It should be noted that Henderson Place was excluded given that this property targets households at the 50 percent AMI level and offers studio and two-bedroom unit types. In general, the high occupancy levels reported by both properties is considered to be a positive indicator for the strength of the senior affordable housing rental market given the recent additions to supply

Unit Size

The Subject will consist of one-bedroom units. We attempted to compare the Subject to similar unit types. The table below depicts the square footage of the Subject and comparable properties in the market. It should be noted that the average, minimum and maximum unit sizes are available only for those properties that would provide this information.

COMPARISON OF SUBJECT UNIT SIZE TO MARKET UNIT SIZE (IN SQUARE FEET)				
Unit type	Subject	Competing Properties		
		Average	Minimum	Maximum
1BR/1BA	750	689	572	869

As the table illustrates the Subject’s unit sizes are above the average unit sizes reported for one-bedroom units currently found in the market. Generally, senior apartments are somewhat smaller than conventional apartments. Given that unit sizes offered by the Subject are at the top end of the range for all the competing properties, the Subject is expected to have a competitive advantage within the market with respect to size.

Total Number of Baths per Unit

All of the surveyed one-bedroom units in the marketplace offer one bathroom. Thus, the Subject will reflect the market with regards to the number of baths per unit.

Unit Amenities

In order to provide quality housing at an affordable cost, many LIHTC properties cannot offer an extensive amenity package. However, Subject amenities must be similar to or better than those in the market, to allow the Subject to compete. The Subject will offer garbage disposal, refrigerator, stove, dishwasher, central air conditioning and visual and audio alarm system. Additionally, all of the units at the Subject will feature patios or balconies. We compared these amenities to those offered by Columbia High Point. Aside from in-unit washer/dryer hook-ups, both properties offer similar amenities. In general, the in-unit amenities for the Subject are considered to be competitive with existing projects in the market.

Common Area Amenities

When the senior market segment is considered, the Subject is generally superior with the surveyed LIHTC and market rate properties. Common area amenities will include leasing and management areas, community room, business center, fitness room, laundry room, swimming pool and deck area, barbecue/picnic area, covered gazebo with seating and garden areas with walking. Additionally, the Subject will offer elevators which typically appeal to senior residents.

We compared the common area amenities offered by the Subject with those offered by Columbia High Point Senior Apartments, the only senior restricted LIHTC property surveyed. Overall, the common area amenities offered by the Subject are similar. As stated, Columbia High Point is currently one hundred percent occupied with a lengthy waiting list. In general, the common area amenities offered by the Subject are considered to be competitive.

Security Features

Security will often vary based on the needs of the particular area and size of the particular project. Most of the more recently constructed properties surveyed offered some form of security features or perimeter fencing. The Subject will have in-unit alarm systems. In general, the Subject will offer comparable security features.

Utility Structure

The Subject will include trash expenses in rental rates. To make a fair comparison of the Subject rent levels to comparable properties, rents at comparable properties are typically adjusted to be consistent with the Subject. The comparable properties' asking rents are illustrated in the matrices as well as rents adjusted to the Subject's utility convention. Adjustments are made using Section 8 Utility Allowances from the Georgia Department of Community Affairs website.

Tenant Makeup

Local property managers report a generally mixed tenancy including single mothers, students, couples and seniors. Most of the tenants originate from throughout the Atlanta area. Tenancy at the Subject will consist of low and moderate-income tenants. Household sizes will range between one and two persons. The Subject will cater to senior households with incomes from \$0 (based on affordability for a single person household) to \$34,200 (two-person household at 60 percent of AMI). Most of the tenants will be local, coming from within the primary market area. To some extent, some tenants will be "moving up" from less desirable housing or more expensive market rate alternatives. Tenants will be attracted by better, newer, and more affordable product.

Concessions

Occasional concessions such as rental discounts are consistent with ongoing marketing strategies during periods of increased tenant turnover.

CONCESSIONS		
Property	Property Type	Concession offered
The Village at Castlebury	LIHTC/Market	None
Glenview Courtyards	LIHTC	One month free rent/12-month Lease
City View at Rosa Burney Park	LIHTC/Market	None
Northside Plaza Apartments	Market	None
The Square at Peoplestown	LIHTC	None

Only one property reported offering concessions. The property manager at Glenview Courtyard reported that concessions were the result marketing strategies to remain competitive with competing properties. In general, the Subject is not expected to offer concessions after stabilization. However, the developer may want to consider offering concessions after construction to help stimulate initial leasing pace.

Waiting Lists

In markets with high housing costs and a limited supply of affordable housing, waiting lists are common at LIHTC properties. The table below illustrates waiting lists in the market.

WAITING LIST		
Property	Property Type	Length
The Village at Castlebury	LIHTC/Market	One year
Glenview Courtyards	LIHTC	None
City View at Rosa Burney Park	LIHTC/Market	None
Northside Plaza Apartments	Market	None
The Square at Peoplestown	LIHTC	12 households

Two of the five properties surveyed reported waiting lists. In general, the presence of waiting lists in the affordable housing product is considered to a positive indicator for the Subject given recent additions to supply. Also two senior oriented facilities, Columbia High Point and Henderson Place, both reported the presence of waiting lists. We expect the property manager at the Subject to maintain a waiting list. This will assist the property in continually leasing available units quickly and efficiently.

Historical Rent Increases

One way to determine if the apartment market is healthy is to look to the historical rent increases, or lack of them. If rents are stable or increasing in the area, the market may be in a state of expansion. Conversely, if the market begins to offer concessions, the market may be declining. As mentioned, there are no concessions currently being offered in the market. The table below illustrates reported changes in rents in the market.

RENT INCREASE		
Property	Property Type	Increase in Last Year
The Village at Castlebury	LIHTC/Market	None
Glenview Courtyards	LIHTC	None
City View at Rosa Burney Park	LIHTC/Market	Undergoing renovation
Northside Plaza Apartments	Market	None
The Square at Peoplestown	LIHTC	None

None of the surveyed properties reported rental increases over the past year. This may be the result of the relatively high vacancies within the market.

Affect of Subject on Other Affordable Units in Market

Capture rates for the Subject are considered reasonable and reflect adequate demand within the primary market area. It is important to note that while approximately 450 units have been added to the housing inventory over the past two years, surveyed properties reported generally stabilized occupancy. Therefore, supplementing the market with the Subject is not expected to have a negative impact on the affordable housing market.

It should also be noted that in our demand analysis, we estimate capture based on existing demand, presumably those living at comparable or local market properties. However, we only consider those who are paying over 35 percent of the gross income in housing costs. Nevertheless, the properties included in our survey suggest a soft multifamily market within the immediate neighborhood of the Subject. However, the properties included in our survey are all family oriented developments. The Subject is not expected to compete for overall low-income households within the PMA but rather appeal to the senior population that has a preference for residing in an adult community. Therefore, the Subject is not expected to have a negative impact on the existing LIHTC community.

Vacancy

The overall vacancy of units surveyed is five percent. The majority of properties surveyed indicated stable vacancy and quick leasing of vacant units. The table below summarizes the occupancy by property in our survey:

COMPARABLE PROPERTY OCCUPANCY				
Comp Name	Property Type	Number of Units	Vacant Units	Occupancy Rate
The Village at Castlebury	LIHTC/Market	176	0	100%
Glenview Courtyards	LIHTC	121	21	83%
City View at Rosa Burney Park	LIHTC/Market	288	41	86%
Northside Plaza Apartments	Market	209	5	98%
The Square at Peopletown	LIHTC	94	8	92%
Totals/Average Occupancy		1,027	75	92%

Vacancy rates reported in the market ranged from 83 to 100 percent occupancy. Glenview Courtyard Apartments reported high vacancies as a result of increased turnover to properties offering concessions. City View at Rosa Burney Park reported high vacancies as a result of temporarily suspending leasing until the completion of renovations. As stated, all of the properties included in our survey are family oriented properties. As stated, Columbia High Point is a Section 8 property constructed in 2002 that reported 100 percent of its units occupied with a very long waiting list. Also, Henderson Place is a senior oriented LIHTC property that is currently 100 percent occupied with 25 households on the waiting list. This is considered to be a positive indicator for development of the Subject. It should be noted that the Subject will target senior very low-income households. Therefore, the Subject is next expected compete for the same tenancy as family oriented properties within area.

Reasonability of Rents

Rents provided by property managers at some properties may include all utilities while others may require tenants to pay all utilities. The Subject will include trash expenses in rental rates. Only two surveyed property reported a similar utility structure. To make a fair comparison of the Subject rent levels to comparable properties, rents at comparable properties are typically adjusted to be consistent with the Subject. Adjustments are made using Section 8 Utility Allowances for Fulton County. The rent analysis is based on net rents at the Subject as well as surveyed properties. The table below illustrates the net and gross rents at the Subject, as well as the maximum allowable rents.

PBRA UNITS					
Unit Type	# of Units	Net Rents*	Estimated Utility Cost	Gross Rent	Fair Market Rents
1BR/1BA	37	BOI	\$92	\$720	\$795
Total	37				

*Based on Income

LIHTC UNITS AT 54 PERCENT OF AMI					
Unit Type	# of Units	Net Rents	Estimated Utility Cost	Gross Rent	Maximum Allowable Rent Per DCA
1BR/1BA	59	\$621	\$92	\$713	\$720
Total/Average	59				

MARKET-RATE UNITS					
Unit Type	# of Units	Net Rents	Estimated Utility Cost	Gross Rent	Fair Market Rents
1BR/1BA	25	\$634	\$92	\$726	\$795
Total	25				

The LIHTC properties included in our survey are compared to the Subject in the following table. It should be noted that rental rates illustrated for comparable properties include concessions where applicable.

NET RENT COMPARISON: LIHTC RENTS AT 60%					
Unit Type	Subject LIHTC 54%	The Village at Castlebury LIHTC 60%*	Glenview Courtyards LIHTC 60%	City View at Rosa Burney Park LIHTC 60%	The Square at Peoplestown LIHTC 60%
1BR/1BA	\$621	\$576	\$528*	\$603	\$467

*Concessions included

The proposed rent at the Subject is above what is currently being reported in the market. Given the fact that the Subject will be new construction, rental rates higher than older vintage property are typically considered reasonable. However, City View at Rosa Burney Park, a recently renovated LIHTC, is at the top end of the market. Given that those rents have yet to be market tested, the Subject may want to consider adjusting rents to within the range reported. Also, the higher rents proposed limits number of senior residents that can afford to reside at the Subject.

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

NET RENT COMPARISON: MARKET RENTS				
Unit Type	Subject LIHTC 54%	Comparable Properties Average	Comparable Properties Minimum	Comparable Properties Maximum
1BR/1BA	\$621	\$624	\$555	\$746

When compared to the overall market, rents proposed at the Subject are at the top end of the range reported by surveyed market rate properties. Therefore, the Sponsors for the Subject may want to consider adjusting rents to be more comparable to other LIHTC properties in the market.

Absorption

We were unable to obtain a recent indication of market absorption. However, the presence of waiting lists reported by Columbia High Point and Henderson Place suggests that latent demand exists within the market for senior oriented low income housing. Furthermore, the long waiting list lists reported by the Fulton County Housing Authority and the City of Atlanta Housing Authority are expected to supplement demand at the Subject. In general, senior residents on fixed monthly incomes have limited housing options. Therefore, an estimate of 10 units per month or 12 to 13 month initial leasing pace is considered reasonable

Conclusions

There are generally three types of properties in the market. First, there are those of a similar vintage as the Subject that have been recent additions. Second, are properties that are 20 to 30 years old that significantly inferior. Third, are high-end warehouse and loft conversion. Condition varies with age. As new construction, the Subject would be superior to the condition of most of the current market rate and affordable housing inventory within the primary market area. The Subject's unit sizes are above the average unit sizes reported for one-bedroom units currently found in the market. Generally, senior apartments are somewhat smaller than conventional apartments. Given that unit sizes offered by the Subject are at the top end of the range, the Subject is expected to have a competitive advantage within the market with respect to size.

Vacancy rates reported in the market ranged from 83 to 100 percent occupancy. Glenview Courtyard Apartments reported high vacancies as a result of increased turnover to properties offering concessions. City View at Rosa Burney Park reported high vacancies as a result of temporarily suspending leasing until the completion of renovations. As stated, all of the properties included in our survey are family oriented properties. As stated, Columbia High Point is a Section 8 property constructed in 2002 that reported 100 percent of its units occupied with a very long waiting list. Also, Henderson Place is a senior oriented LIHTC property that is currently 100 percent occupied with 25 households on the waiting list. This is considered to be a positive indicator for development of the Subject. It should be noted that the Subject will target senior very low-income households. Therefore, the Subject is next expected compete for the same tenancy as family oriented properties within area.

The proposed rent at the Subject is above what is currently being reported in the market. Given the fact that the Subject will be new construction, rental rates higher than older vintage property are typically considered reasonable. However, City View at Rosa Burney Park, a recently renovated LIHTC, is at the top end of the market. Given that those rents have yet to be market tested, the Subject may want to consider adjusting rents to within the range reported. Also, the higher rents proposed limits number of senior residents that can afford to reside at the Subject. When compared to the overall market, rents proposed at the Subject are at the top end of the range reported by surveyed market rate properties. Therefore, the Sponsors for the Subject may want to consider adjusting rents to be more comparable to other LIHTC properties in the market.

I. CONCLUSIONS AND RECOMMENDATIONS

Conclusions

- The overall Atlanta economy is moderately strong, benefiting from population, business and employment growth that has occurred in the area over the past ten years. As a result, the residential housing inventory has increased to support the economic escalations experienced within the market. However, given the elevated number of recent multifamily additions to supply, the Atlanta MSA is experiencing higher than normal vacancy levels. According to the REIS “Metro Trend Report” for the first quarter of 2003, overall vacancy for the Atlanta MSA is 11.3 percent. Established older vintage properties have reported the reliance of concessions to remain competitive to newer affordable housing and market rate product. In some cases, the presence of these concessions will remain in place throughout the foreseeable future.
- The Subject is located in an area that is demonstrating soft occupancy levels. It should be noted that most of the properties included in our survey are family oriented properties of an older vintage. The Subject will be a senior oriented affordable housing community that will be generally superior to the existing multifamily inventory in the immediate neighborhood. In general, the Subject is expected to benefit from limited housing options for low to very low-income households. Evidence of this is provided by a recently constructed senior oriented subsidized property, Columbia High Point, which reports 100 percent occupancy as well as the presence of a long waiting list.
- By the time of market entry, there will be approximately 15,447 persons aged 65 and older in the PMA. The Subject is expected to target households with annual incomes ranging from \$0 to \$34,200. Therefore, a large number of households (6,142) are income eligible to reside at the Subject. However, the senior population within the PMA is expected to increase by 2.14 percent from 2001 to 2006 within the PMA. Further, projections indicate households are expected to increase at an annual rate of 1.85 percent during the same time period. Both annual growth rates are below those demonstrated throughout the MSA as a whole. In general, senior growth within the PMA is considered to be marginal, which may affect future demand for the Subject.
- Our demand analysis demonstrates that the Subject’s capture rates vary from 18 to 856 percent. It should be noted that this demand analysis excludes 133 units of demand as a result of additions to supply from family oriented properties. By removing these units for households ages 65 and older, we believe that this significantly understates the available demand for the Subject given that the Subject will be an age restricted community. Without excluding additions to supply, capture rate range from 42 percent (54 percent AMI) to 11 percent (PBRA), which suggests moderate demand. The elevated capture rates for units at the 54 percent AMI level may be the result of proposed rents that limits the number of households that can afford to occupy the Subject. Therefore, the Sponsor of the Subject may want to consider adjusting rents to increase demand.

- Vacancy rates reported in the market ranged from 83 to 100 percent occupancy. Glenview Courtyard Apartments reported high vacancies as a result of increased turnover to properties offering concessions. City View at Rosa Burney Park reported high vacancies as a result of temporarily suspending leasing until the completion of renovations. As stated, all of the properties included in our survey are family oriented properties. As stated, Columbia High Point is a Section 8 property constructed in 2002 that reported 100 percent of its units occupied with a very long waiting list. Also, Henderson Place is a senior oriented LIHTC property that is currently 100 percent occupied with 25 households on the waiting list. This is considered to be a positive indicator for development of the Subject. It should be noted that the Subject will target senior very low-income households. Therefore, the Subject is next expected compete for the same tenancy as family oriented properties within area.

Recommendations

- The proposed rent at the Subject is above what is currently being reported in the market. Given the fact that the Subject will be new construction, rental rates higher than older vintage property are typically considered reasonable. However, City View at Rosa Burney Park, a recently renovated LIHTC, is at the top end of the market. Given that those rents have yet to be market tested, the Subject may want to consider adjusting rents to within the range reported. Also, the higher rents proposed limits number of senior residents that can afford to reside at the Subject. When compared to the overall market, rents proposed at the Subject are at the top end of the range reported by surveyed market rate properties. Therefore, the Sponsors for the Subject may want to consider adjusting rents to be more comparable to other LIHTC properties in the market.
- Discussions have concluded that advanced knowledge of new affordable housing development within Atlanta would greatly assist initial leasing. Therefore, we recommend that the developers aggressively market the Subject prior to completion.

J. SIGNED STATEMENT REQUIREMENTS

I affirm that I, or an individual employed by my company, have made a physical inspection of the market area and that information has been used in the full study of the need and demand for new rental units. To the best of my knowledge, the market can support the demand shown in the study. I understand that any misrepresentation of this statement may result in the denial of further participation in the Georgia Department of Community Affairs'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
Principal
Novogradac & Company LLP

7/14/03

Date

K. ANALYST QUALIFICATIONS

STATEMENT OF PROFESSIONAL QUALIFICATIONS

H. BLAIR KINCER

I. Education

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

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

II. Licensing and Professional Affiliation

Member of the Appraisal Institute (MAI)
Candidate member of the Commercial Investment Real Estate Institute pursuing
the Certified Investment Member (CCIM) designation.
Certified General Real Estate Appraiser - State of Maryland
Certified General Real Estate Appraiser - Commonwealth of Virginia
Certified General Real Estate Appraiser - Commonwealth of Pennsylvania
Certified General Real Estate Appraiser - State of New York
Certified General Real Estate Appraiser - State of Washington
Member Frostburg Housing Authority

III. Professional Experience

Principal, 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 Maryland
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.
CCIREI - Course CI 101 Financial Analysis for Commercial Real Estate
Appraisal Institute - Real Estate Appraisal Principles
Appraisal Institute - Basic Valuation Procedures
Appraisal Institute - Capitalization Theory and Techniques Part A and B
Appraisal Institute - Case Studies in Real Estate Valuation
Appraisal Institute - Standards and Professional Practice
BAI Seminars - Loan Review, Advanced Loan Review, Commercial Loan Work - Out National
Institute of Trial Lawyers Appraisal Institute - Expert Witness Testimony
Ernst & Young, LLP - Capital Markets and Financing

H. Blair Kincer
Qualifications
Page 2

V. Real Estate Assignments

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

- 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 with a concentration on the east coast.
- 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.
- In accordance with HUD Notice H 00-12, 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.
- Member of the due diligence team hired by Insignia/ESG to assist in the determination of underlying asset value and marketability of a large retail portfolio of regional malls. Assignment included review of leases, lease abstracting, and cash flow modeling. Prepared due diligence package that included lease abstracts, market analysis and projected operations with explanatory comments.
- Assisted a developer on three projects located in Maryland through all stages of the development process. This assistance included market analysis, contract negotiation, third party report supervision and preparation of financing packages. Market analysis included; preliminary property screening, market analysis, comparable rent surveys, and development programming. Support for contract negotiations involved cash flow projections and valuation analyses. Third party report supervision entailed the marshaling and review of the appropriate third party reports including market studies, environmental and engineering reports and appraisals. Preparation of financing packages included the compilation of development budgets and cash flow projections. Completed financing submissions including; Tax Exempt Bond Applications, Credit Enhancement Applications, Construction Loan Applications, and alternative financing applications.
- Completed a market study for an affordable housing developer on Clifton Terrace Apartments in Washington, DC. Clifton Terrace is a former HUD financed property currently owned by the Federal Government. The market study was used in a response to a request for redevelopment proposals. Our research included neighborhood analysis, competitive supply evaluation and demand projections. Demand by family size was further analyzed using PUMS detailed census analysis. This analysis formed the basis for the proposed unit mix in the response.

STATEMENT OF PROFESSIONAL QUALIFICATIONS GIL WASHINGTON

I. Education

George Washington University
Bachelor of Arts in Business Administration

II. Licensing and Professional Affiliation

Associate Member - Appraisal Institute

III. Professional Experience

Real Estate Analyst, Novogradac & Company, LLP
Foundation Financial Mortgage Services
Consumer Finance Manager, Intercontinental Trade Associates

IV. Professional Training

Attended several internal Novogradac & Company seminars in affordable housing development as well as the following seminars

Prince George's Community College
Real Estate Financing and Mortgage Banking

V. Professional Accomplishments

Chair of management team responsible for recruiting and training nationwide Field Representatives.

Managed Customer Service/Processing Department staffed by 10 representatives and 2 supervisors.

Understanding and familiarity with Army policy and procedures particularly as it relates to housing issues.

VI. Real Estate Assignments

A representative sample of Consulting and Market Research Engagements includes:

- Conducted rent comparability studies in Virginia, Maryland, North Carolina, South Carolina, Kentucky, Georgia and the District of Columbia for expiring Section 8 contracts per the Multifamily Assisted Housing Reform and Affordability Act of 1997, Title V of the HUD Fiscal Year 1998 Appropriations Act. The engagements were conducted in accordance with HUD Notice H 98-34 and included site visits, interviewing and inspecting potentially comparable properties, and the analysis of collected data including adjustments to comparable data to determine appropriate adjusted market rent using HUD form 92273.

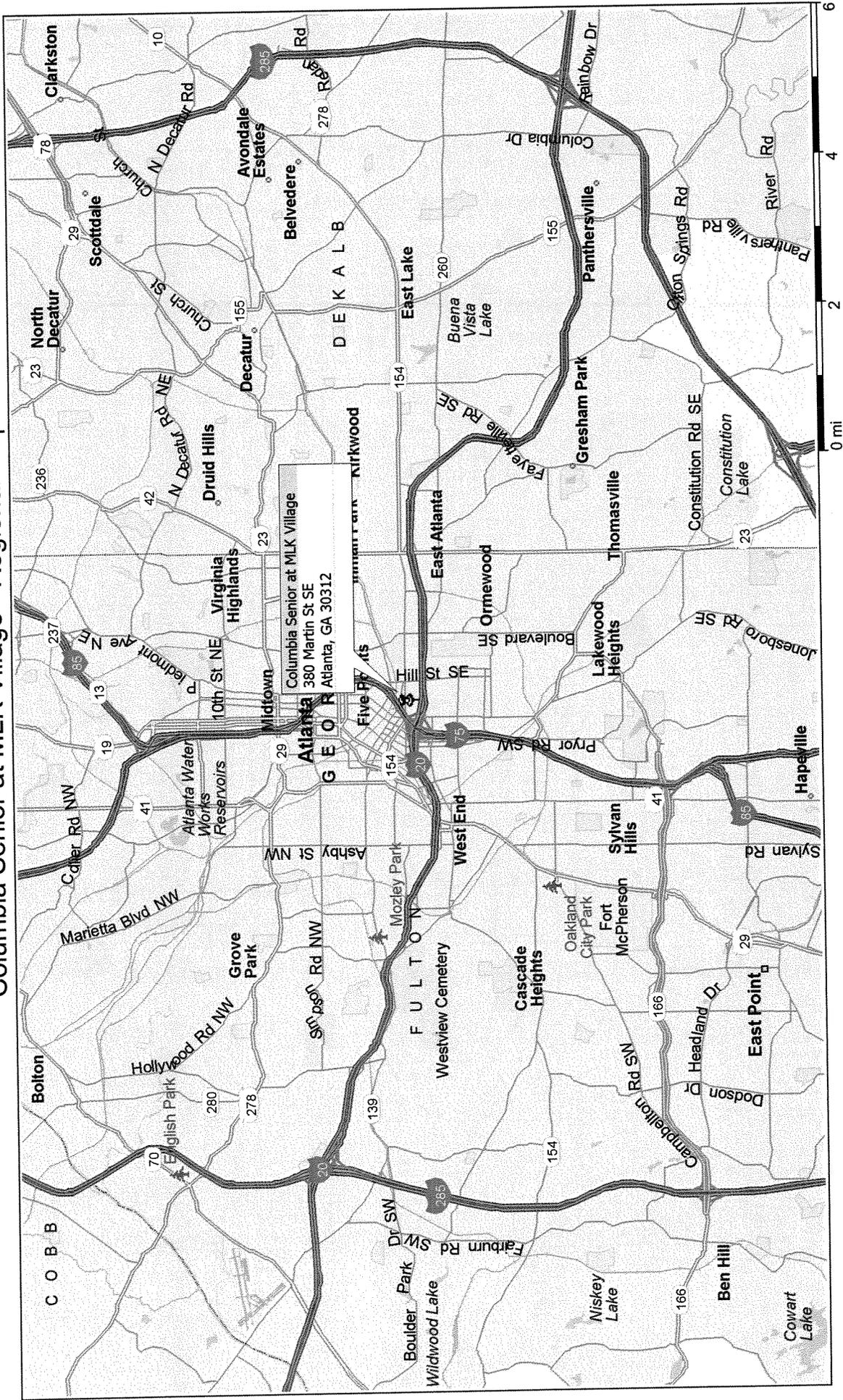
- Conducted market studies of proposed Low Income Housing Tax Credit properties for the National Development Council and Opportunity Builders. The subjects included new construction located in rural regions of Colorado. Market analysis included; preliminary property screenings, market analysis, comparable rent surveys, and demand analysis. Studies were required to adhere to the requirements of the Colorado Housing Finance Agency “CHFA” for submission of LIHTC applications to CHFA.
- Prepared market studies of proposed new construction Low Income Housing Tax Credit properties for Columbia Housing/PNC Real Estate Finance. The subjects were new construction family properties in the Orlando MSA. Market analysis included; preliminary property screenings, market analysis, comparable rent surveys, and demand analysis. Studies were required to adhere to the requirements of the Florida Housing Finance Corporation “FHFC” for submission of LIHTC applications to FHFC.
- Performed a market study of a Low Income Housing Tax Credit property for Regency Development. The subject was an acquisition and rehabilitation project in the Alexandria, VA. Market analysis included; preliminary property screenings, market analysis, comparable rent surveys, and demand analysis. Studies were required to adhere to the requirements of the Virginia Housing Development Authority “VHDA” for submission of LIHTC applications to VHDA.
- Provided a market study for an affordable housing in a response to request for redevelopment proposals in Suitland, Maryland for Structures Unlimited. Research included neighborhood analysis, competitive supply evaluation and demand projections. Demand by family size was further analyzed using detailed census analysis.

A representative sample of the Due Diligence and Valuation Engagements includes the following:

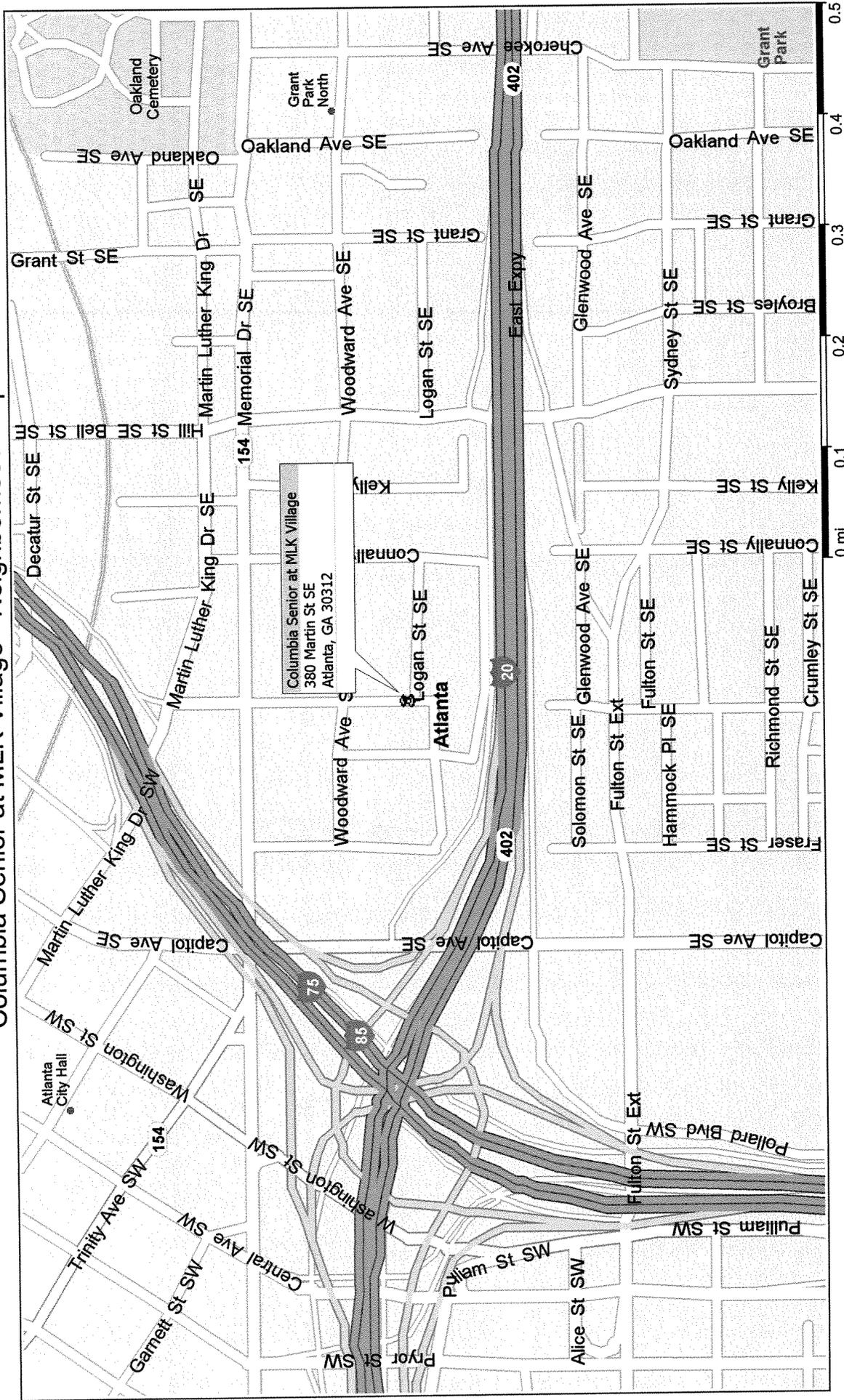
- Assisted in the appraisal of a portfolio of loans of residential, retail, office, land and multifamily properties with both performing and non-performing loans for METEC Asset Management, LC. The METEC Asset Management LC and their advisors utilized our analysis for evaluation of potential financing and disposition options.
- Assisted in the appraisal of vacant multifamily land for First Centrum. The subject was an acquisition for new construction of senior housing in Annapolis, MD.
- Assisted in the appraisal of an industrial warehouse for National Child Day Care Association. The subject was an acquisition in Washington, DC.
- Assisted in the appraisal of a multifamily hi-rise building for HMJ Management. The subject was an acquisition for redevelopment for Section 8 housing in Baltimore, MD.

ADDENDA

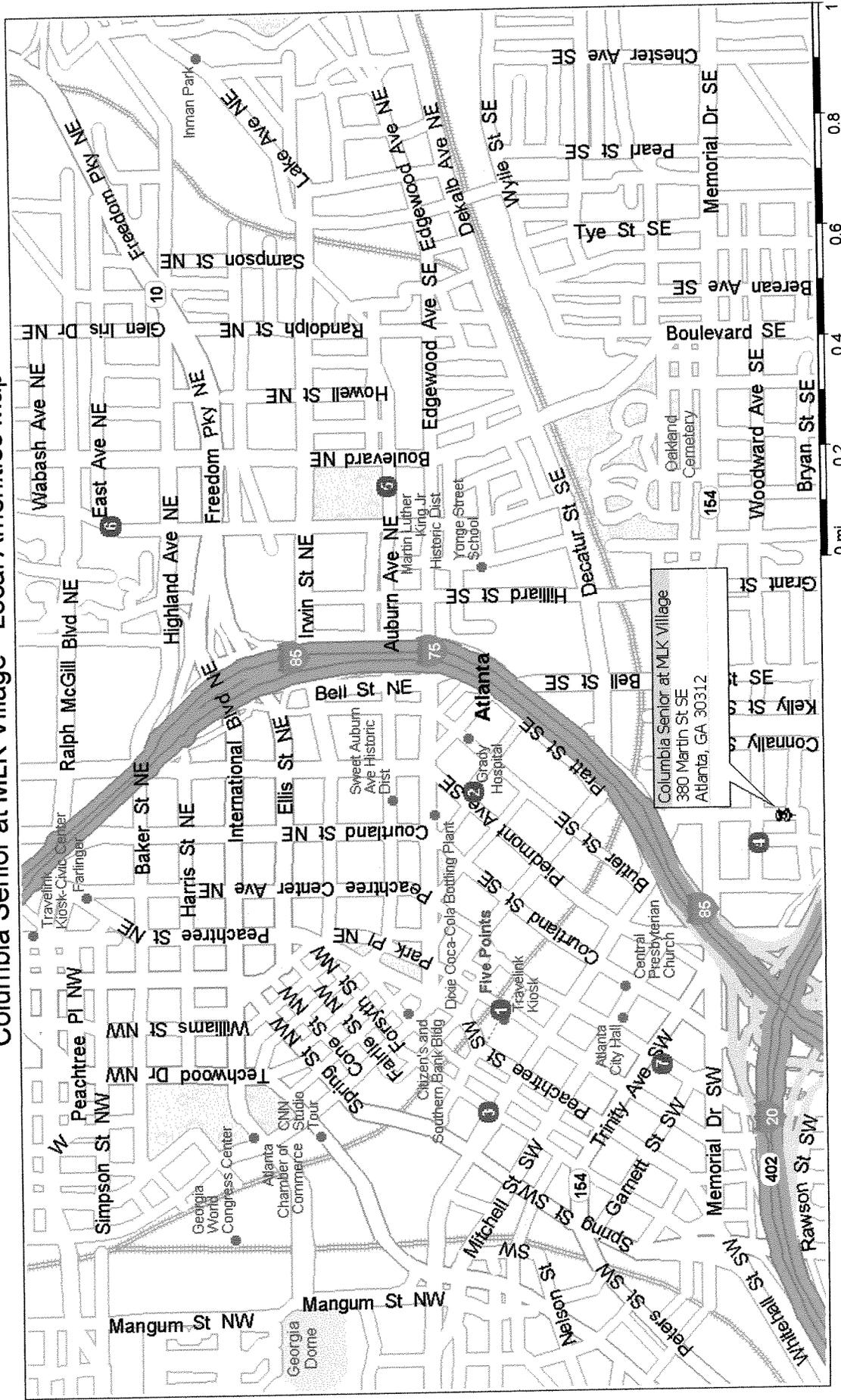
Columbia Senior at MLK Village - Regional Map



Columbia Senior at MLK Village - Neighborhood Map



Columbia Senior at MLK Village - Local Amenities Map



Subject Photos



Exterior View of Subject Entrance



Exterior View of Subject

Subject Photos

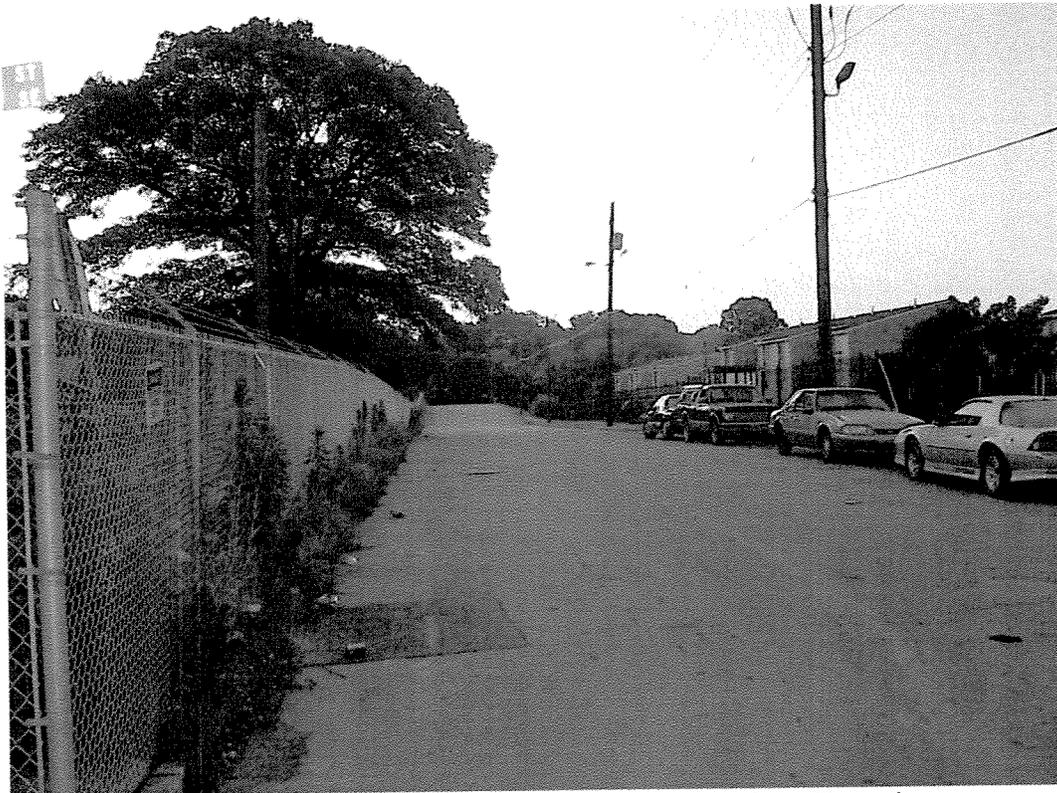


Exterior View of Subject



Exterior View of Subject

Subject Photos



East Bound Road Access to Subject Along Northern Boundary



View of Recently Demolished Development Located North of the Subject

Subject Photos

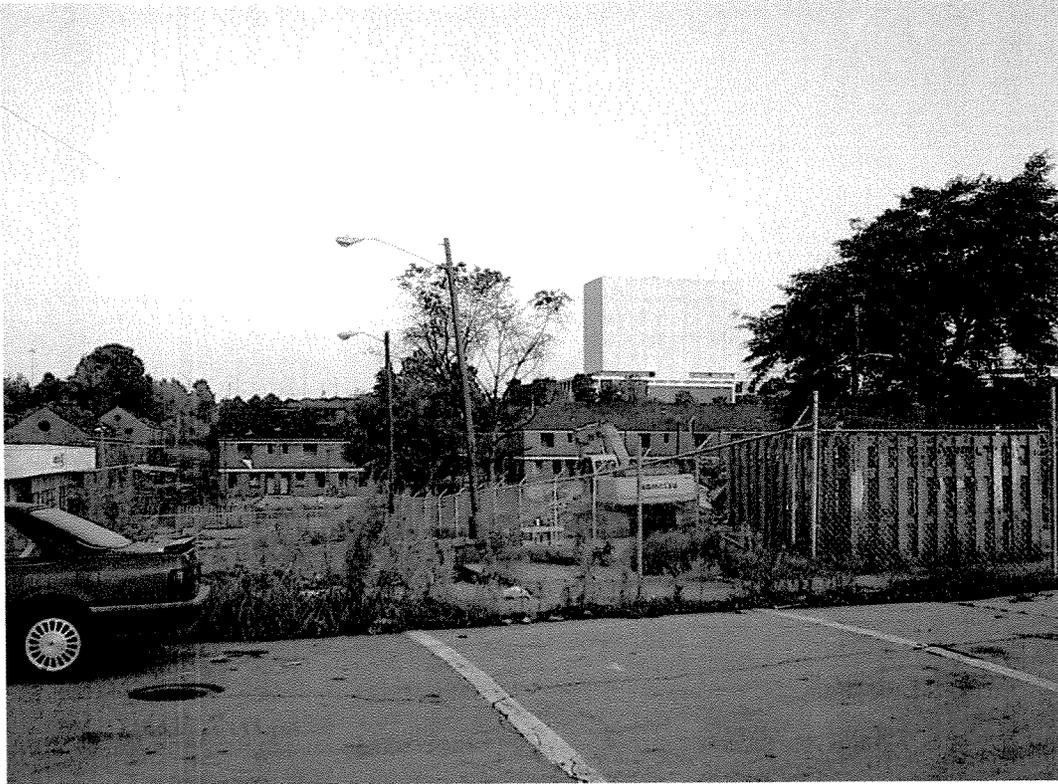


View of Road Access to Subject Along Martin Street



West Bound Road Access to Subject Along Northern Boundary

Subject Photos



View of Recently Demolished Development Located West of the Subject



Exterior View of Subject Along Southern Boundary (I-20 on the Left)