
A MARKET CONDITIONS AND PROJECT EVALUATION SUMMARY

**TERRACE AT CORNERSTONE (2003-060)
LOCATED AT
895 RALPH DAVID ABERNATHY BOULEVARD
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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July 11, 2003

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

Re: Market Study for Terrace at Cornerstone 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 Terrace at Cornerstone, a proposed LIHTC housing development consisting of 161 units. The property will offer affordable rental units restricted to households earning 30, 50 and 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 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 five-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 will consist of 161 units. 45 units will be targeted to households earning no more than 50 percent of the area median income (AMI). 11 units will be targeted to households earning no more than 60 percent of the area median income (AMI). It should be noted that while the maximum allowable income for these units will be at the 60 percent threshold, rent will be based at the 54 percent AMI level. An additional 17 units will be targeted to households earning no more than 30 percent of the AMI level. 23 units will be Projected Based Rental Assisted (PBRA) units. The remaining 65 units will be market-rate units. Additionally, the project will consist of 9,300 square feet of retail space that will include Mail Box Etc., GNC, clothing store, and Subway. The commercial uses are not examined in this market study.

Date of Construction:

Proposed (2005 expected first year of operation).

Development Location:

The Subject site is located 895 Ralph David Abernathy Boulevard in Atlanta, Georgia.

Construction Type:

The Subject property is the proposed new construction of 161 one, two and three-bedroom units. The improvements will consist of three-story garden apartment buildings.

Occupancy Type:

Family.

Target Income Group:

Of the total units, 45 percent (73 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 tenants earning not more than 30 percent, 50 percent or 60 percent of area median income adjusted for family size. Household sizes will range from one to five persons. Minimum household income level is \$14,057 in 2003 dollars. Maximum household income level is \$46,140 in 2003 dollars. 23 units (14 percent) will be projected based rental assisted (PBRA) units. Minimum household income level¹ is \$0. Maximum household income level is \$46,140 in 2003 dollars. The remaining units (65) will be market rate.

Land Area:

5.2 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	8	BOI	\$68	\$668	\$795
2BR/2BA	5	BOI	\$87	\$787	\$927
2BR/2BA	5	BOI	\$87	\$787	\$927
3BR/2BA	5	BOI	\$109	\$919	\$1,236
Total	23				

* Based on Income

LIHTC UNITS AT 30 PERCENT OF AMI					
Unit Type	# of Units	Net Rents	Estimated Utility Cost	Gross Rent	Maximum Allowable Rent Per DCA
1BR/1BA	6	\$342	\$68	\$410	\$400
2BR/2BA	4	\$404	\$87	\$491	\$480
2BR/2BA	4	\$407	\$87	\$494	\$480
3BR/2BA	3	\$465	\$109	\$574	\$555
Total	17				

LIHTC UNITS AT 50 PERCENT OF AMI					
Unit Type	# of Units	Net Rents	Estimated Utility Cost	Gross Rent	Maximum Allowable Rent Per DCA
1BR/1BA	12	\$600	\$68	\$668	\$667
2BR/2BA	11	\$680	\$87	\$767	\$801
2BR/2BA	13	\$700	\$87	\$787	\$801
3BR/2BA	9	\$810	\$109	\$919	\$925
Total	45				

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	2	\$642	\$68	\$710	\$720
2BR/2BA	5	\$740	\$87	\$827	\$865
2BR/2BA	3	\$760	\$87	\$847	\$865
3BR/2BA	1	\$900	\$109	\$1,009	\$999
Total/Average	11				

MARKET-RATE UNITS					
Unit Type	# of Units	Net Rents	Estimated Utility Cost	Gross Rent	Fair Market Rents
1BR/1BA	17	\$800	\$68	\$868	\$795
2BR/2BA	27	\$925	\$87	\$1,012	\$927
2BR/2BA	11	\$975	\$87	\$1,062	\$927
3BR/2BA	10	\$1,025	\$109	\$1,134	\$1,236
Total	65				

It should be noted that units at the 30 percent AMI rent levels, the 50 percent one-bedroom rent level, and the 54 percent three-bedroom rent level proposed for the Subject are currently over the maximum allowable rent level. Therefore, the developers for the Subject will have to adjust the rents for these unit types for compliance if the allowable rents do not increase to exceed the proposed rents at eligible occupancy.

**Location and Surrounding
Land Uses:**

The Subject is located along Ralph David Abernathy Boulevard in the West End neighborhood of the city of Atlanta. The entrance to the site is near the intersection of Ralph David Abernathy Boulevard and Ashby Street. The immediate neighborhood is primarily a community with retail and commercial improvements located along the main arteries as well as some residential multifamily developments. Surrounding land uses include:

NORTH- Various retail stores located across Oak Street within a 75,000 square foot shopping plaza. Major tenants include a Rent-a-Center and a bakery. The entrance to Interstate 20 is located just north of this shopping plaza.

SOUTH- Immediately south of the Subject across Ralph David Abernathy Boulevard is a Goodwill Store, National Warehouse Mattress & Furniture and a South trust Bank. Further South is Oglethorpe Apartments. This project is a LIHTC/market rate property that is similar to the Subject as proposed. We have profiled Oglethorpe Apartments and the details have been included in the Survey of Comparable properties section of this report.

EAST- A barber shop, restaurant and banquet hall are located immediately east of the Subject along Ralph David Abernathy Boulevard. Further east is the West End Mall, a major shopping center for the neighborhood. The main tenants of the mall include a Save-A-Lot and Midway.

WEST- Immediately west of the Subject at the intersection of Ashby and Ralph David Abernathy Boulevard is a Wachovia Bank. Also located to the west of the Subject along Ashby Street is a shopping plaza with various retail businesses.

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.

While some markets in Atlanta are beginning to show stress from additions to supply, the Subject primary market appears to be a relatively balanced market in both market rate and affordable housing developments. Properties surveyed within the primary market area for the Subject reported a current occupancy level of 95 percent (excluding properties that are in the process of initial leasing or currently undergoing renovations) despite recent additions to supply. This suggests that the Subject is located within a relatively stable "pocket" inside a generally soft market for multifamily housing within the Atlanta MSA.

Inspection Date:

The property was inspected on June 17, 2003.

Conclusion:

The Subject is located in an area that appears to be in the stability stage of the neighborhood life cycle. The Subject would be latest installment of recent multifamily additions to supply in an area that has primarily older inventory. The proposed site for the development of the Subject is located within close proximity to local services and major arteries and will benefit from above average visibility from Ralph David Abernathy Boulevard. Nearby highway access is superior. Overall, the community presents an above average location for a multifamily development.

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.
- Development Location:** The Subject site is located 895 Ralph David Abernathy Boulevard in Atlanta, Georgia.
- Construction Type:** The Subject property is the proposed new construction of 161 one, two and three-bedroom units. The improvements will consist of three-story garden apartments.
- Occupancy Type:** Family.
- Target Income Group:** Of the total units, 45 percent (73 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 tenants earning not more than 30 percent, 50 percent or 60 percent of area median income adjusted for family size. Household sizes will range from one to five persons. Minimum household income level² is \$14,057 in 2003 dollars. Maximum household income level is \$46,140 in 2003 dollars. 23 units (14 percent) will be projected based rental assisted (PBRA) units. Minimum household income level is \$0. Maximum household income level is \$46,140 in 2003 dollars. The remaining units (65) will be market rate.
- Special Population Target:** Not Applicable

PBRA UNITS					
Unit Type	# of Units	Net Rents*	Estimated Utility Cost	Gross Rent	Fair Market Rents
1BR/1BA	8	BOI	\$68	\$668	\$795
2BR/2BA	5	BOI	\$87	\$787	\$927
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Unit Type	# of Units	Net Rents	Estimated Utility Cost	Gross Rent	Maximum Allowable Rent Per DCA
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Total	45				

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3BR/2BA	10	\$1,025	\$109	\$1,134	\$1,236
Total	65				

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 23 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 five-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 mini-blinds, carpeting, garbage disposal, refrigerator, stove, dishwasher, central air conditioning, fire sprinklers, visual and audio alarm system, and washer/dryer hook-ups.

- Community Amenities:** The Subject will offer a swimming pool, a picnic area, a playground, a leasing office/community room, central laundry facility, sheltered gathering area, equipped exercise center, and equipped computer center.
- Parking:** The Subject will offer 200 parking spaces or approximately 1.24 parking spaces per unit.
- Current Tenancy:** Not Applicable
- Renovation Plan:** Not Applicable
- Conclusion:** The Subject will be an average to above-average-quality apartment community generally superior to most of the inventory in the area. The proposed site is considered an average location for multifamily housing offering above-average access. It is a short distance from major arteries including Interstate 75, Interstate 20 and Interstate 285.

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 Ralph David Abernathy Boulevard.
- Topography:** Rolling/ generally sloping to the rear.
- Visibility/Views:** Ralph David Abernathy Boulevard is a main artery within the Subject neighborhood. Although adequate signage will be important along Ralph David Abernathy Boulevard, the Subject is expected to be highly visible from this artery once constructed. Many prospective tenants may be commuting past the Subject on a daily basis.
- Views from the Subject include various retail and commercial businesses surrounding the property including West End Mall located to the east, South trust Bank to the south and a Wachovia Bank to the west.
- Access and Traffic Flow:** The Subject site is located on Ralph David Abernathy Boulevard. The site will be developed with an access road leading into the property. Access and traffic flow is considered to be average.
- Layout and Curb Appeal:** The Subject will have an open layout and an above-average curb appeal.
- Zoning of Surrounding Area:** Reported as C3 by the City of Atlanta Planning and Zoning Office. This zoning designation allows for multifamily and commercial development. The Subject will consist of 161 units located on a 5.02 acre site. This equates to approximately 31 units per acre. Therefore, the Subject as proposed is a conforming use. Surrounding zoning along Ralph David Abernathy Boulevard, Ashby Street Oak Street is primarily zoned retail and commercial. 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 along Ralph David Abernathy Boulevard.
- Proximity to Local Services:** The Subject is located in reasonable proximity to local services including schools, transportation, churches and retail.

The Subject location in relation to the above services will contribute to quick absorption and an overall high occupancy. 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)
Elementary School	1	Ragsdale Elementary School (0.4 miles south)
Middle School	2	John Kennedy Middle School (1.5 miles north)
High School	3	Washington Evening High School (1.2 miles north)
Shopping District	4	West End Mall (0.25 miles east)
Employment District	5	Downtown Atlanta (2.0 miles north)
Library	6	Fulton County Library (0.5 miles north)
Local Transportation-bus stops	7	Adjacent to the Subject along Ralph David Abernathy Blvd
Local Parks and Recreation	8	Rose Circle Park (1.0 miles south)
Hospital/Medical Facilities	9	West End Medical Center (0.25 miles south)

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:

Residents of the Subject will be able to benefit from close proximity to local services given that all are located within a short driving distance. The Subject will have above-average visibility from Ralph David Abernathy Boulevard, a major artery for the neighborhood. Also, the Metropolitan Atlanta Rapid Transit Authority (MARTA) has a bus stop at the entrance to the Subject which should benefit residents that require public transportation. 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 Ralph David Abernathy Boulevard in Atlanta, Fulton County, Georgia. The primary market area defined as all the areas south of Simpson Road, east of Moreland Avenue, west of Delowe Avenue and north of Cleveland Avenue. The determination of this market area was influenced by conversations with surveyed property managers that reported that the majority of rental traffic typically originates from within a distance of three to five miles.

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. 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 Ralph David Abernathy Boulevard just east of its intersection with Ashby 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 south of Interstate 20, north of White Street, east of Langhorn Street, west of Lee Street. The area is generally know as the West End neighborhood and is comprised of several multifamily residential developments 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

The table below illustrates population in the PMA and Atlanta MSA from 1990 through 2006.

POPULATION TRENDS: 1990-2006		
Year	PMA	Atlanta MSA
1990	119,083	2,959,950
2001	120,913	4,285,271
2006	124,089	5,016,695
% Annual Change 1990-2001	0.14%	4.07%
Projected % Annual Change 2001-2006	0.53%	3.41%
Projected Average Annual Change 2001-2006	635	146,285
Projected Population 2005	123,454	4,870,410

Source: ESRI Business Information Solutions, 06/2003

As illustrated in the table above, the populations in the MSA and the PMA are expected to increase from 2001 to 2006. The rate of growth in the PMA is expected to lag behind the rate of growth in population in the MSA. The lag is a result of the more developed nature of the PMA. The population growth within the PMA, albeit moderate, is projected to outpace the annual growth rate reported in the past decade. This is a positive indicator for future demand for the Subject's units.

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 Subject property is a family property, where eligibility is restricted by income, not by age. Populations and households of any age are eligible to reside at the Subject property.

Households

The table below describes household trends in the market area from 1990 through 2006.

HOUSEHOLD TRENDS: 1990-2006		
Year	PMA	Atlanta MSA
1990	41,361	1,102,578
2001	42,118	1,569,630
2006	43,860	1,847,186
% Annual Change 1990-2001	0.17%	3.85%
Projected % Annual Change 2001-2006	0.83%	3.54%
Projected Average Annual Change 2001-2006	348	55,511
Projected Households 2005	43,512	1,791,675

Source: ESRI Business Information Solutions, 06/2003

Similar to population, the rate of growth in the number of households within the PMA is projected to be moderate. The rate of growth in households in the PMA is expected to be slightly more than the rate of growth in the population. This suggests a decrease in the average household size. As with population growth, we believe this projected growth is a positive indicator for the Subject.

Average Household Size

Average household size is depicted in the following table from 2001 through 2006 in both the PMA and Atlanta MSA.

HOUSEHOLD SIZE TRENDS: 2001-2006		
Year	PMA	MSA
2001	2.60	2.73
2006	2.60	2.72

Source: ESRI Business Information Solutions, 06/2003

The MSA has larger than typical households while the household size within the PMA is closer to the national average of 2.59. This trend is typical for areas located within or near city limits where families generally move into the suburbs and out of urban centers, while “empty-nesters” and singles move into the cities. In fact, an average household size of 2.60 is considered large for urban areas. In general, the average household size reported within the PMA is expected to be conducive to the larger unit sizes proposed by the Subject particularly in instances with single parent household with children of the opposite sex.

Households by Tenure

The table below depicts household growth by tenure from 1990 through 2006. 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.

HOUSING STOCK BY TENURE: 1990-2006			
PMA			
Year	Number of Occupied Units	% Ownership	% Renter
1990	41,361	38.96%	61.04%
2001	42,118	38.39%	61.61%
2006	43,859	38.28%	61.72%

Source: ESRI Business Information Solutions, 06/2003

The ratio of renter versus owner occupied households indicates that a high renter population exists within the PMA. The growth in the PMA of renter households is considered strong when considering the national average for renter households is 33.8 percent. The strong representation of renter households in the PMA is a positive indicator for the Subject’s units.

Income

The table below shows median household income in the PMA and Atlanta MSA.

MEDIAN HOUSEHOLD INCOME TRENDS: 2001-2006		
Year	PMA	Atlanta MSA
2001	\$18,913	\$51,544
2006	\$22,878	\$59,170
Projected % Annual Change 2001-2006	4.19%	2.96%
Projected Average Annual Change 2001-2006	\$793	\$1,525
Projected Median Household Income 2005	\$22,085	\$57,645

Source: ESRI Business Information Solutions, 06/2003

As the table above indicates, the rate of growth in the median household income in the PMA is expected to be more rapid than the rate of growth in the MSA's median household income. However, the annual increase within the PMA based on the dollar amount is significantly less than the MSA. The PMA is a relatively moderate-income area with median household income at \$18,913 as of 2001. Households with annual incomes between \$0 and \$46,140 in 2003 dollars are income eligible to reside at the Subject. The median income suggests that a significant portion of the population earns an income within allowable limits for the Subject. The next paragraph provides a more detailed breakdown of households within a specific income cohort.

Household Income

The following table depicts household income in 2000 in the PMA and the MSA.

HOUSEHOLD INCOME DISTRIBUTION: 2001				
Income Category	PMA		Atlanta MSA	
	Total Households	% Distribution	Total Households	% Distribution
Less than \$14,999	18,288	43.42%	189,145	12.1%
\$15,000 - \$24,999	7,673	18.22%	162,702	10.4%
\$25,000 - \$34,999	6,545	15.54%	199,103	12.7%
\$35,000 - \$49,999	3,992	9.48%	243,767	15.5%
\$50,000 - \$74,999	3,299	7.83%	341,188	21.7%
\$75,000 - \$99,999	1,121	2.66%	187,951	12.0%
\$100,000+	873	2.07%	245,774	15.7%
Total	327	0.78%	1,569,630	100.0%

As the table above depicts, the PMA has a significant portions of the household populations in the lower and moderate income levels. In fact, over 40 percent of the households within the PMA earn less than \$15,000 annually. This household income distribution is expected to create demand for the Subject's proposed units. The Area Median Income has increased in the Atlanta MSA at a rather robust pace, excluding 2003. The following table tracks growth in the AMI for the past five years.

AREA MEDIAN INCOME TRENDS

Year	Area Median Income	Annual Change
1999	\$59,900	-
2000	\$63,100	5.34%
2001	\$66,500	5.39%
2002	\$71,200	7.07%
2003	\$68,800	-3.37%

Source: Novogradac & Company, LLP; 6/2003

As illustrated in the table above, the AMI level in 2003 decreased significantly from 2002. The decrease in the 2003 AMI is a reflection in the differences between Census 2000 data released in 2003 and the previous estimates. Overall, income levels have increased at an average rate of approximately four percent annually. The significant rise in AMI levels indicates a healthy market where affordable households may be priced-out by more affluent households. This will increase the importance of affordable housing enclaves such as the Subject PMA.

Renter Households by Number of Persons in the Household

The following table illustrates household size for all households in 2001.

PMA HOUSEHOLD SIZE DISTRIBUTION 2001		
Size	Number	Percentage
1	13,924	33.06%
2	10,989	26.09%
3	6,709	15.93%
4	4,755	11.29%
5	2,818	6.69%
6	1,461	3.47%
7+	1,461	3.46%
Total Households	42,118	100.00%

Source: ESRI Business Information Solutions, 06/2003

The majority of the households in the PMA are either one or two-person households. However, there also is a significant number of three and four-person households in the PMA.

Major Employers

The Atlanta area is generally considered the regional hub of the southeastern United States. Atlanta is the headquarters for several major corporations, including Home Depot and BellSouth. Additionally, Hartsfield Airport in Atlanta is the regional hub of Delta Airlines, the largest employer in the Atlanta MSA. The table below lists the major employers in the Atlanta area.

ATLANTA MSA MAJOR EMPLOYERS		
Company	Industry	Employment
Delta Air Lines	Airline	29,150
BellSouth	Telecommunications	20,000
Emory University	Education	19,000
U.S. Postal Service	Government	16,099
Wal-Mart	Retail	14,700
Home Depot	Retail	14,300
Gwinnett County Schools	Government/Education	14,200
Cobb County Schools	Government/Education	13,024
United Parcel Service	Delivery	10,500
Fort McPherson (U.S. Army)	Defense	10,481
AT&T	Telecommunications	8,600
IBM Corporation	Technology	8,400

Source: Atlanta Journal Constitution; Novogradac & Company LLP, 9/02.

BellSouth and Delta Air Lines are the only two employers in the MSA that employ over 20,000 people. However, four of the top ten employers in the MSA are from the government and education sectors. Lower skilled employees in these industries are likely to have incomes inline with the Subject's income restrictions. In the private sector, Wal-Mart and Home Depot are the fifth and sixth largest employers respectively within the MSA. Additionally, Fort McPherson is among the top ten employers.

Employment

The following tables detail employment and unemployment in Fulton County over the recent decade.

EMPLOYMENT & UNEMPLOYMENT TRENDS

Fulton County

Year	Employment Trends		Unemployment Trends	
	Total Employment	% Change	Unemployment Rate	% Change
1992	314,004	-	7.4	-
1993	328,405	4.6	6.4	-1.1
1994	341,172	3.9	5.8	-0.6
1995	343,427	0.7	5.4	-0.3
1996	356,622	3.8	5.0	-0.5
1997	368,870	3.4	4.6	-0.3
1998	381,889	3.5	4.1	-0.6
1999	385,191	0.9	3.9	-0.2
2000	397,537	3.2	3.7	-0.2
2001	396,395	-0.3	4.3	0.6
2002	402,213	1.5	6.4	2.1
2003*	409,323	1.8	5.5	-0.8

Source: U.S. Bureau of Labor Statistics and Real Estate Center at Texas A&M University

*As of April 2003

The overall number of persons employed in Fulton County has increased steadily over the past decade. However, the county reported a period of contraction during 2001, which is coincident with the slow down of the national economy. However, this decrease was effectively erased by increases in 2002, which have continued into 2003. Unemployment rates in Fulton County had been decreasing from 1992 to 2000. It is interesting to note that the unemployment for the area decreased despite steady increases in the number of persons employed. Overall, the unemployment rates have been at or below the national average throughout most of the past decade.

Conclusion

Both the Atlanta MSA and the PMA has experienced healthy growth in population, households, and median household income. The population growth within the PMA, albeit moderate, is projected to outpace the annual growth rate reported in the past decade. Similar to population, the rate of growth in the number of households within the PMA is projected to be moderate. The rate of growth in households in the PMA is expected to be slightly more than the rate of growth in the population. This suggests a decrease in the average household size. The MSA has larger than typical households while the household size within the PMA is closer to the national average of 2.59.

This trend is typical for areas located within or near city limits where families generally move into the suburbs and out of urban centers, while “empty-nesters” and singles remain in or move into the cities. In general, the average household size reported within the PMA is expected to be conducive to the larger unit sizes proposed by the Subject particularly in instances with single parent household with children of the opposite sex.

The PMA has a significant portion of the household populations in the lower and moderate income levels. In fact, over 40 percent of the households within the PMA earn less than \$15,000 annually. This combined with the high renter population (61 percent) that exists within the PMA is a positive indicator for the Subject’s units.

The Atlanta market has demonstrated steady business and employment growth over the past ten years. In fact, the overall number of persons employed in Fulton County has increased steadily over the past decade. However, the county reported a period of contraction during 2001, which is coincident with the slow down of the national economy. However, this decrease was effectively erased by 2002. Unemployment rates in Fulton County had been decreasing from 1992 to 2000. It is interesting to note that the unemployment for the PMA decreased despite steady increases in the number of persons employed. Overall, the unemployment rates have been at or below the national average throughout most of the past decade.

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.

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 grown to 2005 by interpolation of the difference between 2001 estimates and 2006 projections. Annual 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 35 percent of their income in housing costs.

This data is based upon the 2000 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. This source is only appropriate when evaluating senior properties.

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, 766 LIHTC and market rate units have been excluded in our demand analysis. We have illustrated demand analysis for the Subject in the following table.

Capture Rates

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

Demand Analysis
Including Units Constructed Between 2000 and 2004

Household Income Distribution 2001-2006 Terrace At Cornerstone			
	PMA		Percent Growth
	2001	2006	
	#	%	%
Less than \$14,999	18,288	43.42%	37.84%
\$15,000 - \$24,999	7,673	18.22%	-1.1%
\$25,000 - \$34,999	6,481	15.24%	17.33%
\$35,000 - \$44,999	3,269	7.83%	13.40%
\$45,000 - \$54,999	1,121	2.66%	9.79%
\$55,000 - \$64,999	873	2.07%	4.13%
\$65,000 - \$74,999	327	0.78%	3.51%
\$75,000 - \$84,999	442	1.07%	1.01%
\$85,000 - \$94,999	43,860	100.00%	26.09%
Total			4.0%

Household Income Distribution 2005 Terrace At Cornerstone			
	PMA		Change 2001 to 2005
	#	%	
Less than \$14,999	16,936	38.92%	-1,352
\$15,000 - \$24,999	7,607	17.48%	-66
\$25,000 - \$34,999	6,010	13.81%	-535
\$35,000 - \$44,999	5,395	12.40%	1,405
\$45,000 - \$54,999	4,651	10.6%	1,466
\$55,000 - \$64,999	1,662	3.73%	540
\$65,000 - \$74,999	419	0.96%	92
Total	43,512	100.00%	1,334

Terrace as of 2001	61.61%
Owner	38.39%
Total	100.00%

Size	Household Size for 2005	
	Number	Percentage
1	14,385	33.06%
2	11,352	26.09%
3	6,931	15.93%
4	4,912	11.29%
5	2,911	6.69%
6	1,500	3.47%
7+	1,806	4.06%
Total	43,512	100.00%

Size	Household Size for 2001	
	Number	Percentage
1	13,924	33.06%
2	10,989	26.09%
3	6,700	15.93%
4	4,755	11.29%
5	2,818	6.69%
6	1,461	3.47%
7+	1,879	4.06%
Total	42,118	100.00%

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

Percent of AMI Level Minimum Income Limit Maximum Income Limit	New Households - Total Change in Household PMA 2001 to 2005	PBRA		50%		54%		Market	
		Income Category	Income Brackets	Percent within Cohort	Households within Bracket	Income Brackets	Percent within Cohort	Income Brackets	Percent within Cohort
Less than \$14,999	-1,352	\$0	\$14,057	30%	\$22,903	\$24,343	\$29,760	52%	2,280
\$15,000 - \$24,999	-66	\$46,140.5 Person	\$23,650.5 Person	81%	9,999	9,999	14,999	100%	1,403
\$25,000 - \$34,999	-535			74%	11,140	11,140	18,800	100%	576
\$35,000 - \$44,999	1,403								
\$45,000 - \$54,999	166								
\$55,000 - \$64,999	44								
\$65,000 - \$74,999	533								
\$75,000 - \$84,999	92								
\$85,000 - \$94,999	1,394								
Total	1,394								
Percent of households within limits versus total number of households				-9.93%	-16.34%	36.07%	OK	OK	121.88%

**Demand Analysis
Including Units Constructed Between 2000 and 2004**

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

Income Category	Total Households		PBR		50%		54%		Market	
	Income Brackets	Percent within Cohort	Income Brackets	Percent within Cohort	Income Brackets	Percent within Cohort	Income Brackets	Percent within Cohort	Income Brackets	Percent within Cohort
Less than \$14,999	14,999	100%	14,999	100%	14,999	100%	14,999	100%	14,999	100%
\$15,000 - \$24,999	10,000	100%	10,000	100%	10,000	100%	10,000	100%	10,000	100%
\$25,000 - \$34,999	6,010	100%	6,010	100%	6,010	100%	6,010	100%	6,010	100%
\$35,000 - \$49,999	5,295	100%	5,295	100%	5,295	100%	5,295	100%	5,295	100%
\$50,000 - \$74,999	4,107	74%	4,107	74%	4,107	74%	4,107	74%	4,107	74%
\$75,000 - \$99,999	1,675	3.85%	1,675	3.85%	1,675	3.85%	1,675	3.85%	1,675	3.85%
\$100,000 - \$149,999	1,406	3.23%	1,406	3.23%	1,406	3.23%	1,406	3.23%	1,406	3.23%
\$150,000 +	419	0.96%	419	0.96%	419	0.96%	419	0.96%	419	0.96%
	43,512	100.00%	34,560	79.43%	34,560	79.43%	34,560	79.43%	34,560	79.43%

Percent of households within limits versus total number of households

No.	Family	Urban
18,213	35%	
\$2,878		
\$3,905,000		
21.0%		
4.2%		
1,000		
\$38,450		
\$33,050		
\$46,140		
\$5,000		
\$4,000		
\$0.00		

Does the Project Benefit from Rent Subsidy? (Y/N)
 Type of Housing (Family vs Senior)
 Location of Subject (Rural versus Urban)
 Percent of Income for Housing
 2000 Median Income
 2005 Median Income
 Change from 2000 to 2005
 Total Percent Change
 Average Annual Change
 Million Rate
 Minimum Possible Income
 Maximum Number of Occupants
 Rent Income Categories
 Initial Gross Rent for Smallest Unit
 Initial Gross Rent for Smallest Unit Inflation Adjusted

Persons in Household	0BR	1BR	2BR	3BR	4BR	Excluded	Total	Check
1	20%	10%	X	X	X	0%	100%	OK
2	0%	20%	80%	X	0%	0%	100%	OK
3	X	0%	60%	40%	X	0%	100%	OK
4	X	X	0%	80%	20%	0%	100%	OK
5	X	X	X	70%	30%	0%	100%	OK
6	X	X	X	X	100%	0%	100%	OK
7	X	X	X	X	100%	0%	100%	OK

STEP 1 Please refer to text for complete explanation.

Demand from New Households	PBR	50%	54%	Market
Target Population	1,394	1,394	1,394	1,394
New Income Qualified	-65,46%	-9,99%	-16,2%	121,9%
Income Qualified Households	-911	-138	503	1,699
Percent Renter	61,6%	61,6%	61,6%	61,6%
New Renter Income Qualified Households	-562	-85	310	1,046

STEP 2a Please refer to text for complete explanation.

Demand from Existing Households	PBR	50%	54%	Market
Target Population	43,512	43,512	43,512	43,512
Income Qualified	79,4%	16,5%	20,3%	26,7%
Income Qualified Renter Households	61,6%	61,6%	61,6%	61,6%
Percent Renter Overburdened Based on 2000 Census	2,1292	4428	5450	6948
Percent Renter Overburdened Based on 2000 Census	299	299	299	299
Rent Overburdened Households	6068	1262	1553	1980

STEP 2b Please refer to text for complete explanation.

Demand from Living in Substandard Housing	Income Qualified Renter Households	Percent Living in Substandard Housing
21292	4428	6948
1%	1%	1%
213	44	69
1%	1%	1%
71	71	71

Demand Analysis Including Units Constructed Between 2000 and 2004

STEP 2c. Please refer to text for complete explanation.
Senior Households Converting from Homeownership
Income Target Population
Total Senior Homeowners
Rural Versus Urban
Senior Demand Converting from Homeownership

	PBRA	30%	50%	54%	Market	
Total Demand	0	0	0	0	0	
Total Demand from Existing Households	6281	1306	1608	2050	2108	
Adjustment Factor	0%	0	0	0	0	
Adjusted Demand from Existing Households	6281	1306	1608	2050	2108	
Total New Demand	563	85	139	210	106	
Total Demand (New Plus Existing Households)	5720	1221	1468	2359	3155	
Demand from Seniors Who Convert from Homeownership	0	0	0	0	0	
Percent of Total Demand From Homeownership Conversion	0.0%	0.0%	0.0%	0.0%	0.0%	
Is this Demand Over 20 percent of Total Demand?	No	No	No	No	No	
By Bedroom Demand						
One Person	33.06%	1891	404	485	780	1043
Two Persons	26.09%	1492	319	383	615	823
Three Persons	15.93%	911	195	234	376	503
Four Persons	11.29%	646	138	166	266	356
Five Persons	6.69%	383	82	98	158	211
Six Persons	3.47%	198	42	51	82	109
Seven + Persons	3.46%	198	42	51	82	109
Total	100.00%	5,719	1,221	1,468	2,359	3,155

To Place Person Demand into Bedroom Type Units

	20%	30%	81	97	156	209
Of one person households in efficiency units	0%	0	0	0	0	0
Of two person households in efficiency units	70%	1,324	283	340	546	730
Of three person households in one-bedroom units	20%	298	64	77	123	165
Of three person households in two-bedroom units	0%	0	0	0	0	0
Of one person households in two-bedroom units	10%	189	40	49	78	104
Of two person households in two-bedroom units	80%	1,194	255	306	492	659
Of three person households in two-bedroom units	0%	0	0	0	0	0
Of four person households in two-bedroom units	40%	364	78	94	150	201
Of four person households in three-bedroom units	80%	517	110	133	213	285
Of five person households in three-bedroom units	70%	268	57	69	110	148
Of six person households in three-bedroom units	0%	0	0	0	0	0
Of four person households in four-bedroom units	20%	129	28	33	53	71
Of five person households in four-bedroom units	30%	115	25	29	47	63
Of six person households in four-bedroom units	100%	198	42	51	82	109
Of seven plus person households in four-bedroom units	100%	198	42	51	82	109
Total Demand		5,720	1,221	1,468	2,359	3,155
Check	OK	OK	OK	OK	OK	OK
Total Demand by Bedroom	PBRA	30%	50%	54%	Market	Market
Efficiency	0	0	0	0	0	0
One Bedroom	1622	346	416	669	895	
Two Bedroom	1741	372	447	718	960	
Three Bedroom	1149	245	295	474	634	
Total Demand	4,512	963	1,158	1,861	2,489	

Additions To Supply 2000 to 2004

	PBRA	30%	50%	54%	Market
Efficiency	0	0	0	0	0
One Bedroom	337	337	337	337	337
Two Bedroom	303	303	303	303	303
Three Bedroom	126	126	126	126	126
Total	766	766	766	766	766
Net Demand	PBRA	30%	50%	54%	Market
Efficiency	0	0	0	0	0
One Bedroom	1,285	0	7	32	558
Two Bedroom	1,358	69	144	415	657
Three Bedroom	1,023	119	169	248	508
Total	3,746	197	392	1,095	1,723

Developer's Unit Mix

	PBRA	30%	50%	54%	Market
Efficiency	0	0	0	0	0
One Bedroom	8	6	12	2	17
Two Bedroom	10	8	24	8	38
Three Bedroom	5	3	9	1	10
Total	23	17	45	11	65

CapRate Analysis

	PBRA	30%	50%	54%	Market
Efficiency	1%	1%	1%	1%	1%
One Bedroom	1%	12%	17%	2%	6%
Two Bedroom	0%	3%	5%	0%	2%
Three Bedroom	1%	9%	11%	1%	13%
Total	1%	9%	11%	1%	13%

Conclusions

We have conducted a demand 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 4.0 percent between 2001 and 2006.
- The Subject's target income group is from \$0 to \$46,140. This spreads across four income cohorts. The \$0 to \$14,999 cohort is expected to contract by 10.2 percent from 2001 to 2006. The \$15,000 to \$24,999 cohort is expected to contract by 1.1 percent from 2001 to 2006. The \$25,000 to \$34,999 cohort is expected to contract by 11.4 percent from 2001 to 2006. The \$35,000 to \$49,999 cohort is expected to increase by 30.5 percent from 2001 to 2006. Overall, the appropriate income cohorts in the PMA are projected to contract by 688 households (1.9 percent). Despite projected losses in the number of households within the income cohorts targeted by the Subject, more than adequate income eligible demand exists within the primary market area for the Subject's proposed units.
- 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 one to 11 percent for the non-market-rate units. 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 the area medium income for Fulton County, \$68,800, as our maximum income level. The capture rates demonstrated an overall capture rate of 13 percent for market rate units. These capture rates demonstrated by both LIHTC and market rate units are below the DCA limit of 30 percent. Overall, demand for the Subject's LIHTC and market rate units is considered favorable.

G. SUPPLY ANALYSIS

ATLANTA MULTIFAMILY RENTAL MARKET OVERVIEW

Introduction

We have conducted approximately 20 market studies in the past several years and 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 for affordable housing. Therefore we will examine the broader market in general then focus on the particular submarket 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 have occurred within these sections have been outlined in the following text.

Westside Redevelopment District:

This development area contains The Villages at Castlebury 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 condos 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.

2001-2002 LIHTC Allocations in Fulton County				
Property	Address	City	Units	Tenancy
Crogman 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 People
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 Views 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			4,645	

Section 8

According to Rene Stokes of the Fulton County Housing Authority there are currently 1,100 Section 8 vouchers that have been issued 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. Two of the projects, Croggman School and City Views, are located in close proximity and offer unit types that are similar to the Subject. As tax credit properties their rents and amenities also compare favorably with the Subject. We therefore consider the properties competitive and have included them in our analysis.

Survey of Comparable Projects

Comparable properties are examined on the basis of physical characteristics, i.e. building type, age/quality, level of common amenities, absorption, as well as similarity in rent. We attempted to compare the Subject to complexes from the competing market to provide a broader picture of the health and available supply in the market. 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 seven “true” comparable properties containing 1,324 units. We have excluded several properties from our competitive analysis given dissimilarity with Subject as proposed. The following table illustrates these developments.

Name	Address	Type	Reason
Rucker Terrace Apartments	186 First Street SW	Subsidized	Excluded - Section 8
Welcome House Residential	234 Memorial Drive SW	LIHTC	Excluded - SRO units
Atlanta Lofts	680 Murphy Avenue SW	Market	Excluded - Superior Loft Conversions
Storage Depot Lofts	644 Wells Street SW	Market	Excluded - Superior Loft Conversion
Century Lofts	505 Whitehall Street SW	Market	Excluded - Superior Loft Conversion

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.

One-bedroom Matrix

Comp #	Subject	1	2	3	4	5	6	7
	Terrace at Cornerstone	The Village at Castibery	The Croggman School Lofts	Rosa Burney Manor	City Views at Rosa Burney Park	Oglethorpe Place	Courtyard at Maple Apartments	Donnelly Gardens
	Base Rent/Month 30% AMI							
	Unit GLA (SF)							
	Adjusted Utility Base Rent/Month		\$590	\$400		\$560		
	Base Rent/Month 50% AMI		N/A	650		605		
	Unit GLA (SF)		\$590	\$400		\$560		
	Adjusted Utility Base Rent/Month		\$600		\$627			
	Base Rent/Month 60% AMI		710	593				
	Unit GLA (SF)		\$600	\$627		\$699	\$580	\$430
	Adjusted Utility Base Rent/Month		\$700	\$700		605	722	750
	Base Rent/Month Market		\$700		\$627	\$699	\$580	\$430
	Unit GLA (SF)		710	593				
	Adjusted Utility Base Rent/Month		\$770	\$627				
	Market (Conv./Subsidy Type)	LIHTC/Market	LIHTC/Market	LIHTC	LIHTC/Market	LIHTC/Market	LIHTC/Market	Market
	Total Units/Type	133	N/A	46	111	34	33	176
	Vacant/Type	0	N/A	6	N/A	4	0	1
	Occupancy	100%	N/A	87%	N/A	88%	100%	99%
	Property Type	Garden	Garden	Garden	Midrise/TH	Garden	Garden	Garden
	Year Built	1999	1999	1960	1960	1996	1993	1965
	In-Unit Features							
	Baths (No. of)	1	1	1	1	1	1	1
	Blinds	Yes	Yes	Yes	Yes	Yes	Yes	Yes
	Carpeting	Yes	Yes	Yes	Yes	Yes	Yes	Yes
	Ceiling Fan	No	No	No	No	No	No	No
	Fireplace	No	No	No	No	No	No	No
	Exterior Storage	No	No	No	No	No	No	No
	Patio/Balcony	No	Yes	Yes	Yes	Yes	Yes	Yes
	Appliance Package							
	Refrigerator	Yes	Yes	Yes	Yes	Yes	Yes	Yes
	Stove	Yes	Yes	Yes	Yes	Yes	Yes	Yes
	Dishwasher	Yes	No	No	No	Yes	Yes	Yes
	Disposal	Yes	No	No	Yes	Yes	Yes	No
	Microwave	No	No	No	No	No	No	No
	Washer & Dryer (In-Unit)	No	No	No	No	No	Yes	No
	Washer & Dryer (Hook-ups)	Yes	Yes	No	Yes	Yes	Yes	Yes
	Central Air Conditioning	Yes	Yes	No	Yes	Yes	Yes	Yes
	Utilities							
	Cooking - Power	Electric	Electric	Electric	Electric	Electric	Electric	Electric
	Heat - Power	Electric	Electric	Electric	Electric	Electric	Electric	Gas
	Hot Water - Power	Electric	Electric	Electric	Electric	Electric	Electric	Gas
	Utilities-Cooking	Tenant	Tenant	Tenant	Tenant	Tenant	Tenant	Tenant
	Utilities-Heat	Tenant	Tenant	Tenant	Tenant	Tenant	Tenant	Tenant
	Utilities-Hot Water	Tenant	Tenant	Tenant	Tenant	Tenant	Tenant	Tenant
	Utilities-Electric	Tenant	Tenant	Tenant	Tenant	Tenant	Tenant	Tenant
	Utilities-Water/Sewer	Landlord	Landlord	Landlord	Landlord	Landlord	Landlord	Landlord
	Utilities-Trash	Landlord	Landlord	Landlord	Landlord	Landlord	Landlord	Landlord
	Utility Adjustment to Net Rent	\$	\$	\$	\$	\$	\$	\$
	Parking	Yes	Yes	Yes	Yes	Yes	Yes	Yes
	Surface	No	No	No	No	No	No	No
	Carport	No	No	No	No	No	No	No
	Garage	No	No	No	No	No	No	No
	Common Area Amenities							
	Security	No	No	No	No	No	No	No
	-Courtesy Patrol/Officer	No	No	No	No	No	No	No
	-Perimeter Fencing	No	No	No	No	No	No	No
	-Intercom	No	No	No	No	No	No	No
	-Secured Parking	No	No	No	No	No	No	No
	-Intrusion Alarm	No	No	Yes	No	No	No	No
	-Security Lighting	No	No	No	No	No	No	No
	Clubhouse/Community Room	Yes	Yes	No	Yes	No	Yes	No
	Swimming Pool	No	No	No	No	No	No	No
	Jacuzzi	No	No	No	No	No	No	No
	Exercise Room	Yes	Yes	No	Yes	No	Yes	No
	Picnic Area (Grills)	No	Yes	No	Yes	No	No	No
	Tennis Courts	No	No	No	No	No	No	No
	Basketball Courts	No	No	No	No	No	No	No
	Playground	No	No	No	No	Yes	No	No
	Central Laundry	Yes	Yes	No	Yes	Yes	Yes	Yes
	Resident Programs	Yes	Yes	No	Yes	Yes	Yes	Yes
	Comments							
	Computer Center							

Two-bedroom Matrix

Comp #	Subject	1	2	3	4	5	6	7
	Terrace at Cornerstone	The Village at Castlebury	The Crogman School Lofts	Rosa Burney Manor	City Views at Rosa Burney Park	Oglethorpe Place	Courtyard at Maple Apartments	Donnelly Gardens
	\$404							
	976							
	\$404							
	Adjusted Utility Base Rent/Month							
	Unit GLA (SF)							
	\$680		\$595	\$450		\$682	\$545	
	Base Rent/Month 50% AMI		N/A	725		907	848	
	Unit GLA (SF)		\$595	\$450		\$682	\$545	
	Adjusted Utility Base Rent/Month							
	Base Rent/Month 60% AMI		\$700					
	Unit GLA (SF)		N/A					
	Adjusted Utility Base Rent/Month							
	Base Rent/Month Market		\$700					
	Unit GLA (SF)		\$850					
	Adjusted Utility Base Rent/Month							
	Market (Conv./Subsidy Type)		LIHTC/Market	LIHTC	LIHTC/Market	LIHTC/Market	LIHTC/Market	Market
	Total Units/Type	253	32	8	10	70	13	14
	Vacant/Type	0	N/A	0	N/A	8	0	1
	Occupancy	100%	N/A	100%	N/A	89%	100%	93%
	Property Type	Garden	Garden	Garden	Midrise/TH	Garden	Garden	Garden
	Year Built	1999	1999	1960	1960	1996	1993	1965
	In-Unit Features							
	Baths (No. of)	1	1	1	2	2	1	1.5
	Blinds	Yes	Yes	Yes	Yes	Yes	Yes	Yes
	Carpeting	Yes	Yes	Yes	Yes	Yes	Yes	Yes
	Ceiling Fan	No	No	No	No	No	No	No
	Fireplace	No	No	No	No	No	No	No
	Exterior Storage	No	No	No	No	No	No	No
	Patio/Balcony	Yes	Yes	Yes	Yes	Yes	Yes	Yes
	Appliance Package							
	Refrigerator	Yes	Yes	Yes	Yes	Yes	Yes	Yes
	Stove	Yes	Yes	Yes	Yes	Yes	Yes	Yes
	Dishwasher	Yes	No	No	Yes	Yes	Yes	No
	Disposal	Yes	No	No	Yes	Yes	Yes	No
	Microwave	No	No	No	No	No	No	No
	Washer & Dryer (In-Unit)	Yes	No	No	No	No	No	No
	Washer & Dryer (Hook-ups)	Yes	Yes	No	Yes	Yes	Yes	No
	Central Air Conditioning	Yes	Yes	No	Yes	Yes	Yes	Yes
	Utilities							
	Cooking - Power	Electric	Electric	Electric	Electric	Electric	Electric	Electric
	Heat - Power	Electric	Electric	Electric	Electric	Electric	Electric	Gas
	Hot Water - Power	Electric	Electric	Electric	Electric	Electric	Electric	Gas
	Utilities-Cooking	Tenant	Tenant	Tenant	Tenant	Tenant	Tenant	Tenant
	Utilities-Heat	Tenant	Tenant	Tenant	Tenant	Tenant	Tenant	Tenant
	Utilities-Hot Water	Tenant	Tenant	Tenant	Tenant	Tenant	Tenant	Tenant
	Utilities-Electric	Tenant	Tenant	Tenant	Tenant	Tenant	Tenant	Tenant
	Utilities-Water/Sewer	Landlord	Landlord	Landlord	Landlord	Landlord	Landlord	Landlord
	Utilities-Trash	Landlord	Landlord	Landlord	Landlord	Landlord	Landlord	Landlord
	Utility Adjustment to Net Rent	\$	\$	\$	\$	\$	\$	\$
	Parking							
	Surface	Yes	Yes	Yes	Yes	Yes	Yes	Yes
	Carport	No	No	No	No	No	No	No
	Garage	No	No	No	No	No	No	No
	Common Area Amenities							
	Security							
	-Courtesy Patrol/Officer	No	No	No	No	No	Yes	No
	-Perimeter Fencing	No	No	No	No	No	Yes	No
	-Intercom	No	No	No	No	No	No	No
	-Secured Parking	No	No	No	No	No	Yes	No
	-Intrusion Alarm	No	No	No	No	No	Yes	No
	-Security Lighting	Yes	Yes	No	Yes	No	Yes	No
	Clubhouse/Community Room	Yes	No	No	No	Yes	Yes	No
	Swimming Pool	Yes	No	No	No	No	No	No
	Jacuzzi	Yes	Yes	No	No	No	Yes	No
	Exercise Room	Yes	Yes	No	No	No	Yes	No
	Picnic Area (Grills)	No	Yes	No	Yes	No	No	No
	Tennis Courts	No	No	No	No	No	No	No
	Basketball Courts	No	No	No	No	No	No	No
	Playground	Yes	Yes	No	Yes	Yes	Yes	No
	Central Laundry	Yes	Yes	No	Yes	Yes	Yes	Yes
	Resident Programs							
	Computer Center							
	Comments							

Three-bedroom Matrix

Comp #	Subject	1	2	4	6
	Terrace at Cornerstone	The Village at Castlebury	The Crogman School Lofts	City Views at Rosa Burney Park	Courtyard at Maple Apartments
Project Name	Terrace at Cornerstone	The Village at Castlebury	The Crogman School Lofts	City Views at Rosa Burney Park	Courtyard at Maple Apartments
Base Rent/Month 30% AMI	\$465				
Unit GLA (SF)	1,075				
Adjusted Utility Base Rent/Month	\$465				
Base Rent/Month 50% AMI	\$810	\$850	\$850		
Unit GLA (SF)	1,075	N/A	N/A		
Adjusted Utility Base Rent/Month	\$810	\$850	\$850		
Base Rent/Month 60% AMI	\$900	\$800	\$850	\$908	
Unit GLA (SF)	1,075	1,132	N/A	966	
Adjusted Utility Base Rent/Month	\$900	\$800	\$850	\$908	
Base Rent/Month Market	\$1,025	\$1,150	\$1,000	\$908	\$715
Unit GLA (SF)	1,075	1,132	N/A	966	1,150
Adjusted Utility Base Rent/Month	\$1,025	\$1,150	\$1,000	\$908	\$715
Market (Conv./Subsidy Type)	LIHTC/Market/PBRA	LIHTC/Market	LIHTC/Market	LIHTC/Market	LIHTC/Market
Total Units/Type	28	64	26	36	15
Vacant/Type	N/A	0	N/A	N/A	0
Occupancy	N/A	100%	N/A	N/A	100%
Property Type	Garden	Garden	Garden	Midrise/TH	Garden
Year Built	1999	1999	2003	1960	1993
In-Unit Features					
Baths (No. of)	2	2	2	1.5	2
Blinds	Yes	Yes	Yes	Yes	Yes
Carpeting	Yes	Yes	Yes	Yes	Yes
Ceiling Fan	No	No	No	No	No
Fireplace	No	No	No	No	No
Exterior Storage	No	No	No	No	No
Patio/Balcony	No	Yes	Yes	Yes	Yes
Appliance Package					
Refrigerator	Yes	Yes	Yes	Yes	Yes
Stove	Yes	Yes	Yes	Yes	Yes
Dishwasher	Yes	Yes	Yes	Yes	Yes
Disposal	Yes	Yes	No	Yes	Yes
Microwave	No	No	No	No	No
Washer & Dryer (In-Unit)	Yes	Yes	No	No	Yes
Washer & Dryer (Hook-ups)	Yes	No	Yes	Yes	Yes
Central Air Conditioning	Yes	Yes	Yes	Yes	Yes
Utilities					
Cooking - Power	Electric	Electric	Electric	Electric	Electric
Heat - Power	Electric	Electric	Electric	Electric	Electric
Hot Water - Power	Electric	Electric	Electric	Electric	Electric
Utilities-Cooking	Tenant	Tenant	Tenant	Tenant	Tenant
Utilities-Heat	Tenant	Tenant	Tenant	Tenant	Tenant
Utilities-Hot Water	Tenant	Tenant	Tenant	Tenant	Tenant
Utilities-Electric	Tenant	Tenant	Tenant	Tenant	Tenant
Utilities-Water/Sewer	Landlord	Landlord	Landlord	Landlord	Landlord
Utilities-Trash	Landlord	Landlord	Landlord	Landlord	Landlord
Utility Adjustment to Net Rent	\$	\$	\$	\$	\$
Parking					
Surface	Yes	Yes	Yes	Yes	Yes
Carport	No	No	No	No	No
Garage	No	No	No	No	No
Common Area Amenities					
Security					
-Courtesy Patrol/Officer	No	Yes	No	No	Yes
-Perimeter Fencing	No	No	No	No	Yes
-Intercom	No	No	No	No	No
-Secured Parking	No	No	No	No	Yes
-Intrusion Alarm	No	No	No	No	Yes
-Security Lighting	No	No	No	No	Yes
Clubhouse/Community Room	Yes	Yes	Yes	Yes	Yes
Swimming Pool	No	Yes	No	No	Yes
Jacuzzi	Yes	No	No	No	No
Exercise Room	Yes	Yes	Yes	Yes	Yes
Picnic Area (Grills)	No	Yes	Yes	No	Yes
Tennis Courts	No	No	No	No	No
Basketball Courts	No	No	No	No	No
Playground	Yes	Yes	No	Yes	Yes
Central Laundry	Yes	No	Yes	Yes	Yes
Resident Programs	Yes	Yes	Yes	Yes	Yes
Comments	Computer Center				

Comparable Property #1

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

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

Parking

- Surface
- Garage
- Carport

Common Area Amenities

- Clubhouse/Com. Room
- Swimming Pool
- Jacuzzi
- Exercise Room
- Picnic Area (Grills)
- Tennis Courts
- Basketball Courts
- Playground
- 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: The Croggman School Lofts
Address: 1093 West Avenue SW
 Atlanta, GA
Phone: 404-614-0808
Miles to Subject:

Year Built: 2003
Type: Garden
Program: LIHTC/Market
Occupancy: 26%
No. of Units: 105

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:	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 #2 Cont.

The Croggman School Lofts

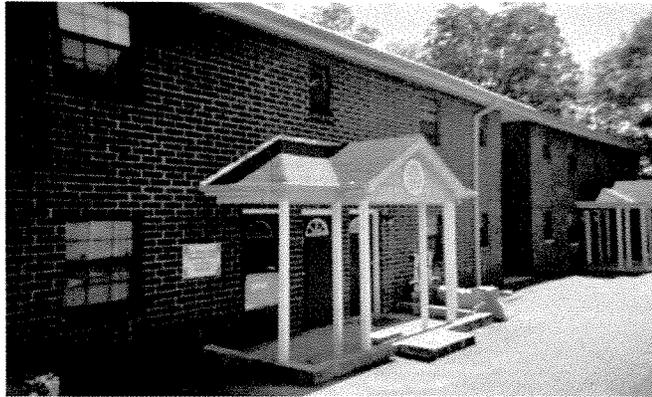
Unit Type	No. Of Units	No. Vacant	Size	Market Rent	60% AMI	50% AMI
1BR/1BA	47	N/Av		\$700	\$595	\$590
2BR/1BA	32	N/Av		\$850	\$700	\$595
3BR/2BA	26	N/Av		\$1,000	\$850	\$850
Total	105	78				

The Croggman School Lofts is a new LIHTC and market-rate property that offers one, two, and three-bedroom units. The property began leasing units approximately one month ago and has leased 27 unit so far. The property has leased five LIHTC units and 22 market-rate units. Management noted that they have had more tenants qualify at the 50 percent AMI level than the 60 percent level. Additionally, management stated that they have had no difficulties in leasing the market-rate units since the rental rates for the 60 percent level and the market-rate units are similar. Management stated that they have applied for a HAP contract for 25 of the units, which has not yet been approved. The unit breakdown above is estimated based on the market. Management was not able to provide a detailed breakdown of the units that they have been able to lease in the past month. Many of the tenants have come from the immediate neighborhood. Since this is a newly constructed property, management was not able to discuss turnover, leasing pace, changes in vacancy, and changes in rental rates. Management did state that there can not be an oversupply of affordable housing in the neighborhood.

Comparable Property #3

Name: Rosa Burney Manor
Address: 582 Cooper Street
 Atlanta, GA
Phone: 404-614-0034
Miles to Subject:

Year Built: 1960
Type: Garden
Program: LIHTC
Occupancy: 89%
No. of Units: 54



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.

Rosa Burney Manor

Unit Type	No. Of Units	No. Vacant	Size	Market Rent	60% AMI	50% AMI
1BR/1BA	46	6	650			\$400
2BR/1BA	8	0	725			\$450
Total	54	6				

Rosa Burney Manor is a LIHTC project that offer one and two-bedroom units. This property was originally constructed in 1960 as a scholl and renovated and reopened as a LIHTC property in January of 1999. All of its units were leased by November of 1999. The absorption pace was approximately five units a month. The annual turnover rate is approximately 20 percent. The property does not maintain a waiting list and does not offer any concessions. Management stated that the leasing pace is approximately two months due to the slowdown in the economy. The property normally maintained a 97 to 100 percent occupancy level until the past year. Management stated that much of the demand for affordable housing is for two and three-bedroom units. Many of the tenants are from the downtown area. Additionally, approximately 20 percent of the tenants are senior, with an additional 50 percent being 18 to 28 years of age. The property is managed by IMS.

Comparable Property #4

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

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 #4 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 #5

Name: Oglethorpe Place
Address: 835 Oglethorpe Avenue SW
 Atlanta, GA
Phone: 404-755-3100
Miles to Subject:
Insert Photo:

Year Built: 1996
Type: Garden
Program: LIHTC/Market
Occupancy: 89%
No. of Units: 141



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 #5 Cont.

Oglethorpe Place

Unit Type	No. Of Units	No. Vacant	Size	Market Rent	60% AMI	50% AMI
1BR/1BA	34	4	605	\$699		\$560
2BR/1BA	37	4	907	\$750		\$677
2BR/2BA	70	8	1083	\$829		\$682
Total	141	16				

Oglethorpe Place is a LIHTC and market-rate property that offers one and two-bedroom units. Twenty percent of the units at the property are LIHTC units. Management stated that the properties tax credit units appear under the name of West End Apartments on the allocation list. Most of the vacancies are in the market-rate units. The annual turnover rate was reported to be 43 percent per year. The property does not maintain a waiting list or offer any concessions. The leasing pace is three to four weeks long. The management stated that the vacancy rate is higher now than it was during the previous year when they remained approximately 95 percent occupied. The reason for the high vacancy rate was reported to be the fact that many of the residents moved into single-family homes. The rental rate have remained stable during the previous year. The tenancy is reported to be approximately 20 percent seniors with the majority of the tenants being families. Most of the tenants come from a wide variety of areas around the Atlanta region. The most requested unit types are the one-bedroom and three-bedroom unit types. Management stated that there is a need for more three-bedroom units in the market.

Comparable Property #6

Name: Courtyard at Maple Apartments
Address: 55 Maple Street NW
 Atlanta, GA
Phone: 404-577-8850
Miles to Subject:

Year Built: 1993
Type: Garden
Program: LIHTC/Market
Occupancy: 100%
No. of Units: 144



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 #6 Cont.

Courtyard at Maple Apartments

Unit Type	No. Of Units	No. Vacant	Size	Market Rent	60% AMI	50% AMI
1BR/1BA	33	0	575	\$520		
1BR/1BA	33	0	722	\$580		
2BR/1BA	15	0	848	\$640		\$545
2BR/2BA	15	0	950	\$665		\$585
2BR/2BA	15	0	968	\$695		\$585
3BR/2BA	33	0	1,150	\$715		
Total	144	0				

The Courtyard at Maple has a combination of market rate, public housing and affordable housing units. This property benefits from above average location. Vine City Transit Station is located adjacent to the property. Employment and local services are located within close proximity of the property. The World Congress Center and Georgia Dome are located on the east side of Northside Drive opposite The Courtyard at Maple. The property manager was interviewed at this property. She declined to provide detailed information about the property. Therefore leasing pace, turnover rate and waiting list could not be obtained. However, two-bedroom units are reportedly the most popular units. The Courtyard at Maple is not currently offering concessions. The unit breakdown above is estimated based on the market.

Comparable Property #7

Name: Donnelly Gardens
Address: 1295 Donnelly Avenue SW
 Atlanta, GA
Phone: 404-755-6142
Miles to Subject:

Year Built: 1965
Type: Garden
Program: Market
Occupancy: 99%
No. of Units: 250



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:	Gas	Tenant
Water Heat:	Gas	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 #7 Cont.

Donnelly Gardens

Unit Type	No. Of Units	No. Vacant	Size	Market Rent	60% AMI	50% AMI
Studio	8	0	550	\$380		
1BR/1BA	176	1	750	\$430		
2BR/2BA	14	1	850	\$480		
2BR/1.5BA	52	0	950	\$550		
Total	250	2				

Donnelly Gardens is a market-rate property that offers studio, one, and two-bedroom units. Management reported that the annual turnover rate was approximately 24 percent. Management maintains a small waiting list for all of the unit types and does not offer any concessions. The leasing pace is approximately three days. The rental rates increased by \$20 to \$30, or approximately five to eight percent, for each unit in July of 2002. The vacancy rate has remained stable for the past ten years. Management stated that they have never had more than four vacancies for the past decade. Most of the tenants come from south of Interstate 20 and the surrounding local area. Management stated that there is a large amount of demand for affordable housing in the immediate area.

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.

Age and Condition

The Subject's market area has been developed over a long period. We interviewed properties ranging in age from 40 years old (City Views at Rosa Burney Park) to recent conversions (The Crogg School Lofts). 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 PMA.

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 and three-bedroom units.

UNIT MIX				
Unit type	Market Unit Mix		Subject Unit Mix	
	Number	Percentage	Number	Percentage
Studio	8	0.60%	N/Av	N/Av
1BR	613	46.33%	45	27.95%
2BR	468	35.37%	88	54.66%
3BR	211	15.96%	28	17.39%
4BR	19	1.44%	N/Av	N/Av
5BR	4	0.30%	N/Av	N/Av
Total	1,324	100.00%	161	100.00%

*This figure represents properties that reported unit breakdown

Based on our survey of the market, one-bedroom units possess the greatest market share with nearly 46 percent followed by two-bedroom units. Comparisons with other surveyed LIHTC properties that offer a unit mix similar to the Subject demonstrates a higher percentage of one bedroom unit type. The Subject is comprised of 88 (57 percent) two-bedroom units. Therefore, the Subject will be slightly different from what is commonly found in the market. In general, the Subject is expected to supplement the housing stock with units that typically appeal to singles and couples with children. 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
Studio	8	0	0.00%
1BR	455	11	2.42%
2BR	427	13	3.05%
3BR	149	0	0.00%
4BR	0	0	0.00%
5BR	0	0	0.00%
Total	1,039	24	2.31%

*This figure represents properties that reported unit breakdown

The table above illustrates a vacancy rate of approximately two 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, overall vacancy is considered to be 11 percent. However, one of the surveyed properties (The Croggman School Apartments) is in the process of initial leasing while another property (City Views at Rosa Barney Park) is undergoing renovations. As a result, leasing has temporarily been suspended to allow units to be upgraded. Excluding these properties results in an overall vacancy rate of two percent. This is considered to be a positive indicator for the strength of the rental market given the recent additions to supply in the local and broader market. This vacancy is also significantly below the Atlanta metro vacancy discussed previously.

Unit Size

The Subject will consist of a combination of one, two and three-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	857	672	593	750
2BR/1BA*	993	843	725	950
3BR/2BA	1,075	1,083	966	1,150

*Average per unit type

As the table illustrates the Subject's unit sizes are well above the average unit sizes reported for one, two and three-bedroom units currently found in the market. In fact, aside from three-bedroom units, the unit sizes proposed for the Subject are above the maximum unit sizes offered within the market. The Subject's one-bedroom unit has 857 net square feet of area, 185 square feet (28 percent) more than the average found at competing properties. The Subject's two-bedroom units average 993 net square feet of area, 150 square feet (18 percent) more than the average found at competing properties. Although the Subject's three-bedroom unit at 1,075 net square feet area is slightly less than the average, it offers only 75 square feet less than the largest surveyed properties. In general, the unit sizes proposed for 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. Two and three-bedroom units in the marketplace offer between one and two bathrooms. The Subject will offer two bathrooms within two and three-bedroom unit types. Thus, the Subject will be slightly superior to that commonly found within 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 mini-blinds, carpeting, garbage disposal, refrigerator, stove, dishwasher, central air conditioning, fire sprinklers, visual and audio alarm system, and washer dryer hook-ups. In general, we believe that the in-unit amenities proposed are considered to be competitive.

Common Area Amenities

We attempted to compare the Subject property to other competing LIHTC properties. The Subject will offer a swimming pool, a picnic area, a playground, a leasing office/community room, central laundry facility, sheltered gathering area, equipped exercise center, and equipped computer center. In general, we believe that the common area amenities proposed 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 properties surveyed offered some form of security features or perimeter fencing. The Subject will have visual and audio alarm system. Therefore, the Subject will offer security features comparable to those offered by competing properties within the market.

Utility Structure

The Subject will include water, sewer and trash expenses in rental rates. All of the surveyed properties reported a similar utility structure. Therefore, the Subject will be similar to the market standard.

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 five persons. The Subject will cater to households with incomes from \$0 (based on income for a single person household within PBRA units) to \$46,140 (five-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
The Croggman School Lofts*	LIHTC/Market	None
Rosa Burney Manor	LIHTC	None
City Views at Rosa Burney Park	LIHTC/Market	None
Oglethorpe Place	Market	None
Courtyard at Maple Apartments	LIHTC	None
Donnelly Gardens	Market	None

*Still in the process of initial leasing

None of the surveyed properties are offering concessions. It is interesting to note that Croggman School Lofts, a LIHTC and market rate property, is not offering concessions despite being in the process of initial leasing. However, the property manager has reported that approximately 27 units have been leased within the past month. In general, the developers of the Subject may want to consider offering concessions to help stimulate initial leasing.

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
The Croggman School Lofts	LIHTC/Market	Large number. Unable to quantify
Rosa Burney Manor	LIHTC	None
City Views at Rosa Burney Park	LIHTC/Market	None
Oglethorpe Place	Market	None
Courtyard at Maple Apartments	LIHTC	Declined to disclose
Donnelly Gardens	Market	Small number. Unable to quantify

Three of the seven properties surveyed reported waiting lists. Although Croggman School reported a large waiting list for available units, the property management is still in the process of qualifying applicants. In general, the presence of waiting lists in the affordable housing and market rate product is considered to a positive indicator for the Subject given recent additions to supply. 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	\$20 increased in the next few months, 2% to 3% for market rate units
The Croggman School Lofts	LIHTC/Market	None
Rosa Burney Manor	LIHTC	None
City Views at Rosa Burney Park	LIHTC/Market	None
Oglethorpe Place	Market	None
Courtyard at Maple Apartments	LIHTC	None
Donnelly Gardens	Market	None

Only two of the surveyed properties reported rental increases over the past year. This may be the result of the recent additions to supply that has occurred 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 766 units have been added to the housing inventory over the past year, 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. Therefore, while we do project that those tenants would move from competing properties to reside in the Subject, these tenants are the most rent overburdened.

Vacancy

The overall vacancy of units surveyed is less than nine 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	450	0	100%
The Croggman School Lofts*	LIHTC/Market	105	82	22%
Rosa Burney Manor	LIHTC	54	6	89%
City Views at Rosa Burney Park**	LIHTC/Market	180	80	77%
Oglethorpe Place	Market	141	16	89%
Courtyard at Maple Apartments	LIHTC	144	0	100%
Donnelly Gardens	Market	250	2	99%
Totals/Average Occupancy		1,324	186	95**%

*Still in the process of initial leasing

**In the process of rehabilitation

***Excluding properties that are still in the process of initial leasing

Vacancy rates reported in the market are generally consistent. Excluding properties that are still in the process of initial leasing or rehabilitation, surveyed properties ranged from 89 to 100 percent occupancy. It should be noted that the vacancy rate for Rosa Burney Manor appears high given the lower number of units available. Vacancies reported by the property manager at Oglethorpe Place are reportedly the result of recent turnover. The property manager indicated that typical occupancy ranges from 95 to 100 percent. Despite higher than normal vacancy and additions to supply, vacancy rates are considered to be indicative of a stable market. This vacancy is also significantly below the Atlanta metro vacancy discussed previously.

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 water, sewer and trash expenses in rental rates. Only one 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. DCA guidelines require that LIHTC properties that the proposed rental rates are at or below DCA's Maximum Allowable Rent per the Rent and Income Guidelines.

PBRA UNITS					
Unit Type	# of Units	Net Rents*	Estimated Utility Cost	Gross Rent	Fair Market Rents
1BR/1BA	8	BOI	\$68	\$668	\$795
2BR/2BA	5	BOI	\$87	\$787	\$927
2BR/2BA	5	BOI	\$87	\$787	\$927
3BR/2BA	5	BOI	\$109	\$919	\$1,236
Total	23				

*Based on Income

LIHTC UNITS AT 30 PERCENT OF AMI					
Unit Type	# of Units	Net Rents	Estimated Utility Cost	Gross Rent	Maximum Allowable Rent Per DCA
1BR/1BA	6	\$342	\$68	\$410	\$400
2BR/2BA	4	\$404	\$87	\$491	\$480
2BR/2BA	4	\$407	\$87	\$494	\$480
3BR/2BA	3	\$465	\$109	\$574	\$555
Total	17				

LIHTC UNITS AT 50 PERCENT OF AMI					
Unit Type	# of Units	Net Rents	Estimated Utility Cost	Gross Rent	Maximum Allowable Rent Per DCA
1BR/1BA	12	\$600	\$68	\$668	\$667
2BR/2BA	11	\$680	\$87	\$767	\$801
2BR/2BA	13	\$700	\$87	\$787	\$801
3BR/2BA	9	\$810	\$109	\$919	\$925
Total	45				

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	2	\$642	\$68	\$710	\$720
2BR/2BA	5	\$740	\$87	\$827	\$865
2BR/2BA	3	\$760	\$87	\$847	\$865
3BR/2BA	1	\$900	\$109	\$1,009	\$999
Total/Average	11				

MARKET-RATE UNITS					
Unit Type	# of Units	Net Rents	Estimated Utility Cost	Gross Rent	Fair Market Rents
1BR/1BA	17	\$800	\$68	\$868	\$795
2BR/2BA	27	\$925	\$87	\$1,012	\$927
2BR/2BA	11	\$975	\$87	\$1,062	\$927
3BR/2BA	10	\$1,025	\$109	\$1,134	\$1,236
Total	65				

The most competitive LIHTC properties are compared to the Subject in the following table. The Subject's proposed rent levels are below the DCA guidelines. We believe that the Subject offers competitive location, quality, amenities and unit size compared to surveyed LIHTC properties. The location is within a neighborhood that is close to local services and major arteries. It should be noted that the Subject offers units at the 30, 50 and 54 percent 2003 AMI levels. It also should be noted that units at the 30 percent AMI rent levels, the 50 percent one-bedroom rent level, and the 54 percent three-bedroom rent level proposed for the Subject are currently over the maximum allowable rent level. Therefore, the developers for the Subject will have to adjust the rents for these unit types for compliance if the allowable rents do not increase to exceed the proposed rents at eligible occupancy. LIHTC units offered by comparable properties ranged from 50 to 60 percent AMI. Therefore, rental comparisons were made to unit types that offered similar rent levels.

NET RENT COMPARISON: LIHTC RENTS AT 50%					
Unit Type	Subject LIHTC 50%	The Croggman School Loft LIHTC 50%	Rosa Barney Manor LIHTC 50%	Oglethorpe Place LIHTC 50%/Market	Courtyard at Maple LIHTC 50%
1BR/1BA	\$600	\$590	\$400	\$560	N/Av
2BR/2BA	\$680	\$595	\$450	\$682	\$545
2BR/2BA	\$700	\$595	\$450	\$682	\$545
3BR/2BA	\$810	\$850	N/Av	N/Av	N/Av

NET RENT COMPARISON: LIHTC RENTS AT 60%				
Unit Type	Subject LIHTC 54%	The Villages at Castleberry LIHTC 60%	The Croggman School Loft LIHTC 60%	City View at Rosa Burney Park LIHTC 60%
1BR/1BA	\$642	\$600	\$595	\$627
2BR/2BA	\$740	\$665	\$700	\$802
2BR/2BA	\$760	\$665	\$700	\$802
3BR/2BA	\$900	\$800	\$1,000	\$908

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 rents for 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.

MARKET RENT COMPARISON TO PROPOSED LIHTC RENTS						
Unit Type	Subject LIHTC 50%	Subject LIHTC 54%	Subject Market	Comparable Properties Average	Comparable Properties Minimum	Comparable Properties Maximum
1BR/1BA	\$600	\$642	\$800	\$634	\$430	\$770
2BR/2BA	\$680	\$740	\$925	\$750	\$480	\$900
2BR/2BA	\$700	\$760	\$975	\$750	\$480	\$900
3BR/2BA	\$810	\$900	\$1,025	\$943	\$715	\$1,150

When compared to the overall market, rents proposed at the Subject are within the range reported by surveyed market rate properties. It should be noted that the properties included in our survey ranged from older properties in slightly inferior condition and location when compared to the Subject as proposed to recently constructed properties of similar vintage. A closer analysis of the two most similar LIHTC/market rate properties, Villages at Castleberry and Oglethorpe Place, demonstrated that the unit proposed by the Subject at 54 percent AMI will have a 14.3 percent, 16.8 percent and 14.33 percent rent advantage over the average rent reported by these properties for one, two and three-bedroom units respectively.

Given that the Subject will be new construction, the proposed rents at the Subject are considered reasonable. Also, the location of the Subject will increase the appeal to potential renters in the market.

Absorption

We have reviewed the absorption pace reported by the most recently constructed market rate properties located near the Subject. The Croggman School Lofts is a new LIHTC and market-rate property that offers one, two, and three-bedroom units. The property began leasing units approximately one month ago and has leased 27 units thus far. A closer analysis of these units illustrates that the property has leased five LIHTC units and 22 market-rate units. Management noted that they have had more tenants qualify at the 50 percent AMI level than the 60 percent level. Additionally, management stated that they have had no difficulties in leasing the market-rate units since the rental rates for the 60 percent level and the market-rate units are similar. The fact that the Subject offers only seven percent of its proposed units at 60 percent AMI suggests limited exposure.

In general, an estimate of 25 units per month or six to seven months initial leasing pace is considered reasonable for an absorption period for the Subject. Discussions have concluded that advanced knowledge of a new affordable housing development within Atlanta would greatly assist initial leasing. Therefore, we recommend that the developers aggressively market the Subject prior to completion to assist initial leasing pace. Also, the developers may want to consider offering concessions to help stimulate initial leasing.

Conclusions

There are generally two types of properties in this market, properties that are older vintage and those that are recent additions. 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 well above the average unit sizes reported for one, two and three-bedroom units currently found in the market. In fact, aside from three-bedroom units, the unit sizes proposed for the Subject are above the maximum unit sizes offered within the market. Therefore, the unit sizes proposed for the Subject is expected to have a competitive advantage within the market with respect to size.

Vacancy rates reported in the market are generally consistent. Excluding properties that are still in the process of initial leasing or rehabilitation, surveyed properties ranged from 89 to 100 percent occupancy. It should be noted that the vacancy rate for Rosa Burney Manor appears high given the lower number of units available. Vacancies reported by the property manager at Oglethorpe Place are reportedly the result of recent turnover. The property manager indicated that typical occupancy ranges from 95 to 100 percent. Despite higher than normal vacancy and additions to supply, vacancy rates are considered to be indicative of a stable market.

None of the surveyed properties are offering concessions. It is interesting to note that Croggman School Lofts, a recently constructed LIHTC/market rate property, is not offering concessions despite being in the process of initial leasing. However, the property manager has reported that approximately 27 units have been leased within the past month. In general, the developers of the Subject may want to consider offering concessions to help stimulate initial leasing.

When compared to the two most similar LIHTC/market rate properties, Villages at Castleberry and Oglethorpe Place, the Subject demonstrated a 14.3 percent, 16.8 percent and 14.33 percent rent advantage over the average rent reported by these properties for one, two and three-bedroom units respectively. Given that the Subject will be new construction, the proposed rents at the Subject are considered reasonable. Also, the location of the Subject will increase the appeal to potential renters in the market.

We have reviewed the absorption pace reported by the most recently constructed market rate properties located near the Subject. The Croggman School Lofts began leasing units approximately one month ago and has leased 27 units thus far. In general, an estimate of 25 units per month or six to seven months initial leasing pace is considered reasonable for an absorption period for the Subject.

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.

While some markets in Atlanta are beginning to show stress from additions to supply, the Subject primary market appears to be a relatively balanced market in both market rate and affordable housing developments. Properties surveyed within the primary market area for the Subject reported a current occupancy level of 95 percent (excluding properties that are in the process of initial leasing or currently undergoing renovations) despite recent additions to supply. This suggests that the Subject is located within a relatively stable “pocket” inside a generally soft market for multifamily housing within the Atlanta MSA.

- Residents of the Subject will be able to benefit from close proximity to local services given that all are located within a short driving distance. The Subject will have above-average visibility from Ralph David Abernathy Boulevard, a major artery for the neighborhood. Also, the Metropolitan Atlanta Rapid Transit Authority (MARTA) has a bus stop at the entrance to the Subject which should benefit residents that require public transportation. 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.
- Both the Atlanta MSA and the PMA has experienced healthy growth in population, households, and median household income. The population growth within the PMA, albeit moderate, is projected to outpace the annual growth rate reported in the past decade. Similar to population, the rate of growth in the number of households within the PMA is projected to be moderate. The rate of growth in households in the PMA is expected to be slightly more than the rate of growth in the population. This suggests a decrease in the average household size. The MSA has larger than typical households while the household size within the PMA is closer to the national average of 2.59. This trend is typical for areas located within or near city limits where families generally move into the suburbs and out of urban centers, while “empty-nesters” and singles move into the cities. In general, the average household size reported within the PMA is expected to be conducive to the larger unit sizes proposed by the Subject particularly in instances with single parent household with children of the opposite sex.

- Our demand analysis demonstrates that the Subject's capture rates vary from one to 11 percent. 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 the area medium income for Fulton County, \$68,800, as our maximum income level. The capture rates demonstrated an overall capture rate of 13 percent for market rate units. Overall, demand for the Subject's LIHTC and market rate units is considered favorable.
- Vacancy rates reported in the market are generally consistent. Excluding properties that are still in the process of initial leasing or rehabilitation, surveyed properties ranged from 89 to 100 percent occupancy. It should be noted that the vacancy rate for Rosa Burney Manor appears high given the lower number of units available. Vacancies reported by the property manager at Oglethorpe Place are reportedly the result of recent turnover. The property manager indicated that typical occupancy ranges from 95 to 100 percent. Despite higher than normal vacancy and additions to supply, vacancy rates are considered to be indicative of a stable market.
- None of the surveyed properties are offering concessions. It is interesting to note that Croggman School Lofts, a recently constructed LIHTC/market rate property, is not offering concessions despite being in the process of initial leasing. However, the property manager has reported that approximately 27 units have been leased within the past month. In general, the developers of the Subject may want to consider offering concessions to help stimulate initial leasing.
- When compared to the two most similar LIHTC/market rate properties, Villages at Castleberry and Oglethorpe Place, the Subject demonstrated a 14.3 percent, 16.8 percent and 14.33 percent rent advantage over the average rent reported by these properties for one, two and three-bedroom units respectively. Given that the Subject will be new construction, the proposed rents at the Subject are considered reasonable. Also, the location of the Subject will increase the appeal to potential renters in the market.
- We have reviewed the absorption pace reported by the most recently constructed market rate properties located near the Subject. The Croggman School Lofts began leasing units approximately one month ago and has leased 27 units thus far. In general, an estimate of 25 units per month or six to seven months initial leasing pace is considered reasonable for an absorption period for the Subject.

Recommendations

- 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.
- Units at the 30 percent AMI rent levels, the one-bedroom at the 50 percent level, and the three-bedroom at the 54 percent rent level proposed for the Subject are currently over the maximum allowable rent level. Therefore, the developers for the Subject will have to adjust the rents for the unit types for compliance.

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' 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

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
Appraisal Institute - Valuation Analysis and Report Writing
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.

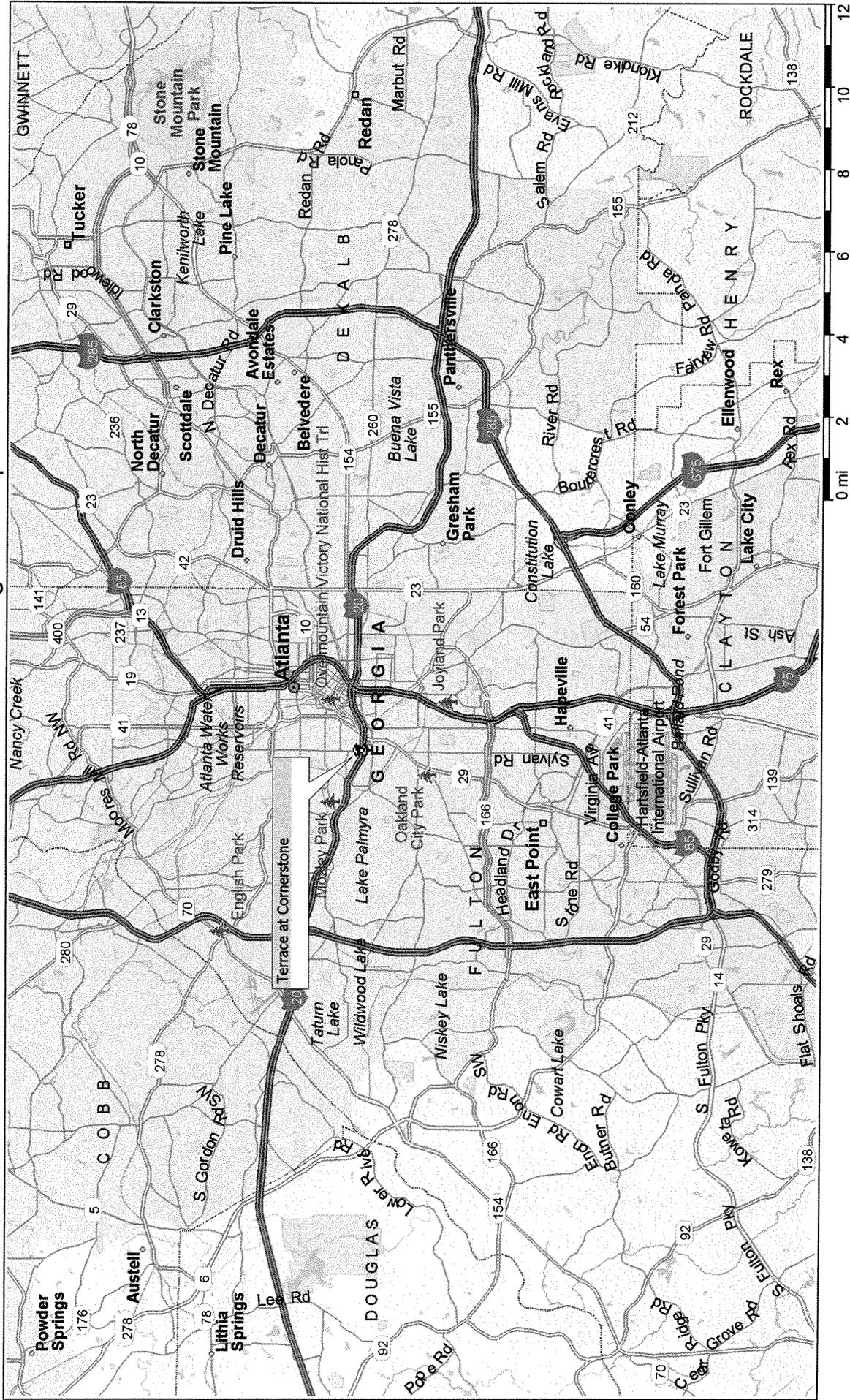
- Conducted market studies of proposed Low Income Housing Tax Credit properties for the National Development Council and Opportunity Builders. The subjects included new construction located in rural regions of Colorado. Market analysis included; preliminary property screenings, market analysis, comparable 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:

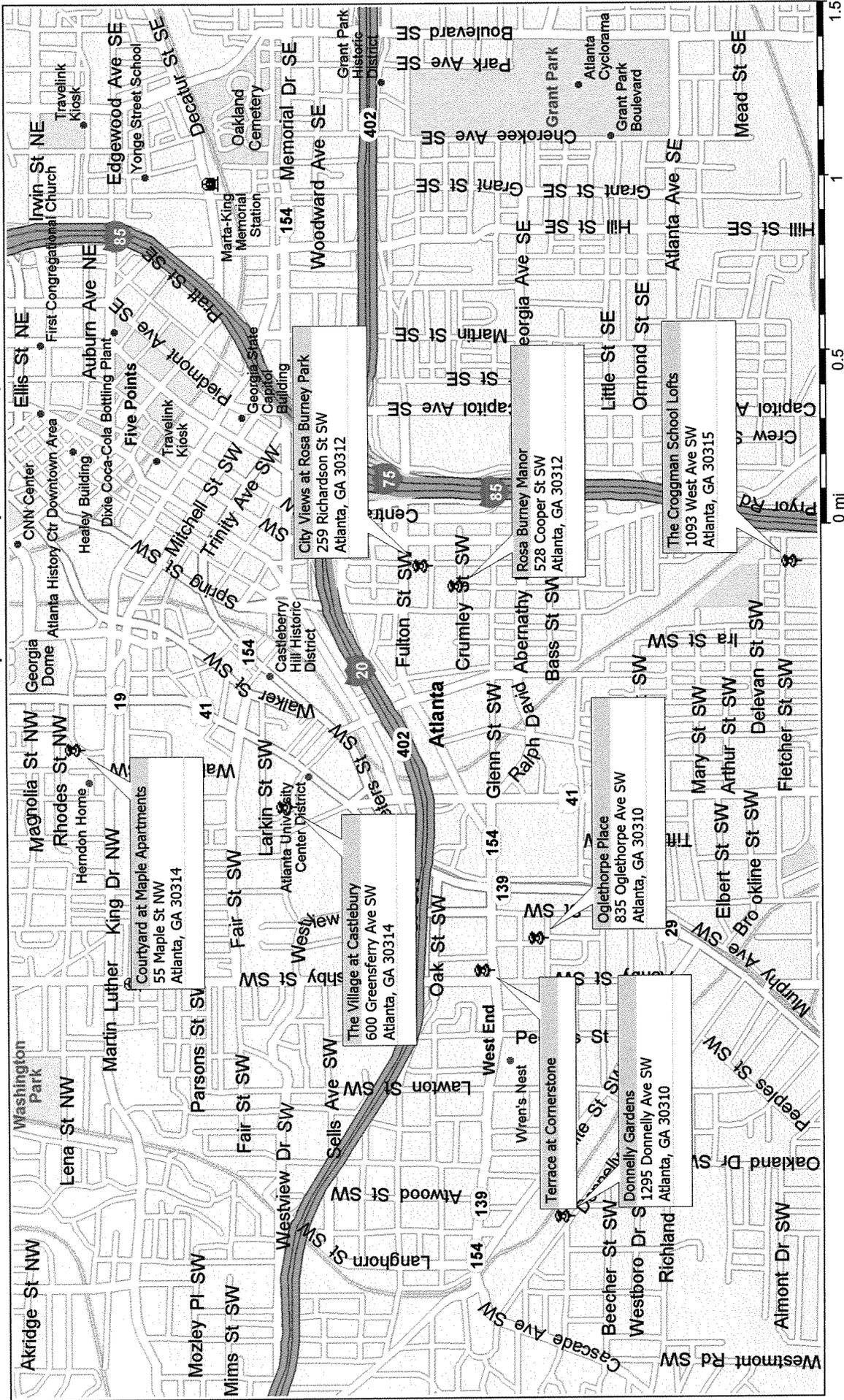
- Assisted in the appraisal of a portfolio of loans of residential, retail, office, land and multifamily properties with both performing and non-performing loans for METEC Asset Management, LC. The METEC Asset Management LC and their advisors utilized our analysis for evaluation of potential financing 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

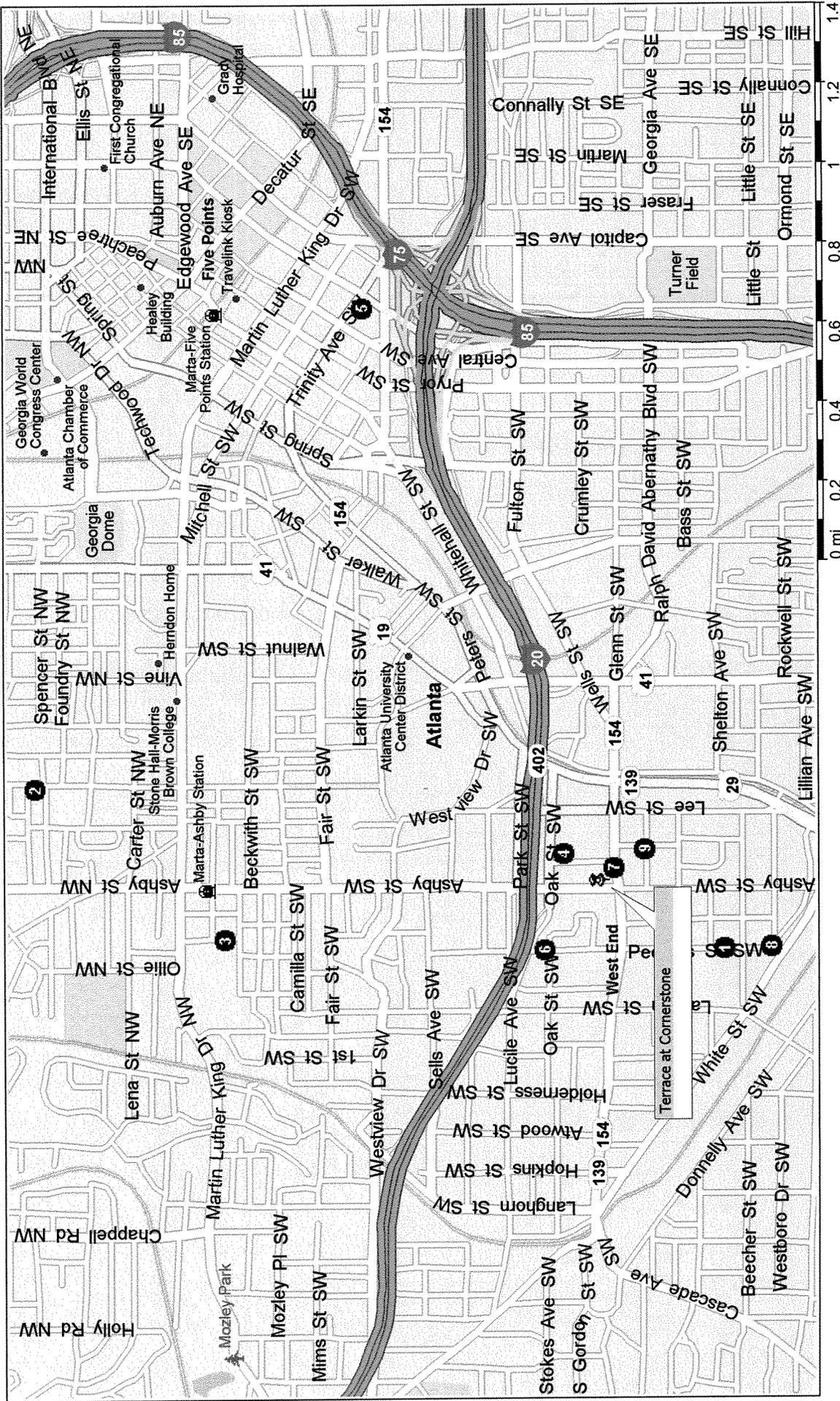
Terrace at Cornerstone - Regional Map



Terrace at Cornerstone - Comparable Properties Map



Terrace at Cornerstone - Local Amenities Map



Subject Photos



North Bound View of Subject



South Bound View of Subject Along Oak Street

Subject Photos



East Bound View of Subject Along Oak Street (West End Mall on the Left)



West Bound View of Subject from West End Mall

Subject Photos



East Bound Road Access to Subject Along Ralph David Abernathy Boulevard



West Bound Road Access Along Ralph David Abernathy Boulevard
(Subject on the Right)

Subject Photos



Street Scenes (West End Mall)



Street Scenes – View of Surrounding Use Along Eastern Boundary

Subject Photos



Street Scenes (West End Medical Center)