

**GRADY MULTIFAMILY II, L.P.**

**INDEPENDENT AUDITORS' REPORT  
CERTIFICATION OF ACTUAL COST AND OPINION AS  
TO ELIGIBLE BASIS, OWNER'S CERTIFICATION OF FUNDING  
SOURCES AND PROJECT SUBSIDY  
AND  
BUILDING ALLOCATION OF QUALIFIED BASIS**

**MAY 1, 2014**



## INDEPENDENT AUDITORS' REPORT

Owner's Name: Grady Multifamily II, L.P.  
Project Name: Ashley Auburn Pointe II  
Project Number: TCAA # 2012-013

To the Partners  
Grady Multifamily II, L.P.

We have audited the costs included in the accompanying Tax Credit Allocation Agency ("TCAA") Final Cost Certification (the "Final Cost Certification") of Grady Multifamily II, L.P. (the "Owner") for Ashley Auburn Pointe II ("the Project") as of May 1, 2014.

### **Owner and Owner Management's Responsibility for the Schedule**

The Owner and the Owner's management are responsible for the preparation and fair presentation of the Final Cost Certification in accordance with contractual agreements with the TCAA; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Final Cost Certification that is free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the Final Cost Certification based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Final Cost Certification is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Final Cost Certification. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Final Cost Certification, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Final Cost Certification in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by the Owner and Owner's management, as well as evaluating the overall presentation of the Final Cost Certification.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion, the Final Cost Certification presents fairly, in all material respects, the actual costs of \$18,859,899, eligible basis of \$17,425,384, and adjusted eligible basis of \$22,652,999 of the Owner for the Project as of May 1, 2014, on the basis of accounting described below.

### **Basis of Accounting**

The Final Cost Certification is prepared in conformity with the accounting practices prescribed by the Internal Revenue Service under the accrual method of accounting, and in conformity with the format and qualified allocation plan rules set by TCAA, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the provisions of the contractual agreements with TCAA, referred to above. Our opinion is not modified with respect to that matter.

### **Restriction on Use**

This report is intended solely for the information and use of the Owner and the Owner's management and for filing with TCAA and should not be used for any other purpose.

We have no financial interest in the Project other than in the practice of our profession.



Atlanta, Georgia

May 14, 2014

PART FOUR - USES OF FUNDS - Ashley Auburn Pointe II - 2011-013

CERTIFICATION OF ACTUAL COST AND OPINION AS TO ELIGIBLE BASIS

I. DEVELOPMENT COST SCHEDULE

	TOTAL COST	New Construction Basis	Acquisition Basis	Rehabilitation Basis	Amortizable or Non Depreciable Basis												
<b>PRE-DEVELOPMENT COSTS</b>																	
Property Appraisal	10,000	10,000															
Market Study	4,250	4,250															
Environmental Report(s)	6,375	6,375															
Soil Borings	7,590	7,590															
Boundary and Topographical Survey	12,812	12,812															
Zoning/Site Plan Fees																	
Other: Master planning	53,820	53,820															
<b>Subtotal</b>	94,847	94,847	-	-	-												
<b>ACQUISITION</b>																	
Land																	
Demolition																	
Acquisition Legal Fees (if existing structures)																	
Existing Structures																	
<b>Subtotal</b>	-		-		-												
<b>SITE IMPROVEMENTS</b>																	
Site Preparation (On-site)	989,561	989,561															
Site Preparation (Off-site)																	
<b>Subtotal</b>	989,561	989,561	-	-	-												
<b>UNIT/BUILDING CONSTRUCTION</b>																	
Unit/Building Construction/New Construction	11,439,472	11,439,472															
Unit/Building Construction/Rehab																	
Project Amenities / Accessory Buildings																	
Other:																	
<b>Subtotal</b>	11,439,472	11,439,472	-	-	-												
<b>CONTRACTOR SERVICES</b>																	
Builder's Overhead: 2.00%	248,581	248,581															
Builder Profit: 6.00%	745,742	698,903															
General Requirements 6.00%	745,742	735,896															
Payment/performance bond or letter-of-credit fee or premium																	
<b>Subtotal</b>	1,683,380	1,683,380	-	-	-												
<table border="0" style="width: 100%;"> <tr> <td style="width: 30%;">Total Construction Costs</td> <td style="width: 10%; text-align: right;">94,082.75</td> <td style="width: 10%; text-align: right;">per unit</td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> </tr> <tr> <td style="text-align: right;">14,112,413</td> <td style="text-align: right;">94.02</td> <td style="text-align: right;">per sq ft</td> <td></td> <td></td> <td></td> </tr> </table>						Total Construction Costs	94,082.75	per unit				14,112,413	94.02	per sq ft			
Total Construction Costs	94,082.75	per unit															
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PART FOUR - USES OF FUNDS - Ashley Auburn Pointe II - 2011-013

CERTIFICATION OF ACTUAL COST AND OPINION AS TO ELIGIBLE BASIS

I. DEVELOPMENT COST SCHEDULE

	TOTAL COST	New Construction Basis	Acquisition Basis	Rehabilitation Basis	Amortizable or Non Depreciable Basis
<b>CONSTRUCTION PERIOD FINANCING</b>		<b>CONSTRUCTION PERIOD FINANCING</b>			
Construction Loan Fee	556,253	163,382			392,871
Construction Loan Interest	67,373	43,856			23,517
Construction Legal Fees					
Construction Period Real Estate Tax					
Construction Insurance	91,724	67,821			23,903
Bridge Loan Fee and Bridge Loan Interest	11,564	11,564			
Other: Inspections	14,000	14,000			
<b>Subtotal</b>	<b>740,914</b>	<b>300,623</b>	<b>-</b>	<b>-</b>	<b>440,291</b>
<b>PROFESSIONAL SERVICES</b>		<b>PROFESSIONAL SERVICES</b>			
Architectural Fee - Design	389,602	389,602			
Architectural Fee - Supervision	129,126	129,126			
Engineering	800	800			
Real Estate Attorney	151,460	40,894			110,566
Accounting	33,750	33,750			
Other: Green building fees	49,945	49,945			
<b>Subtotal</b>	<b>754,683</b>	<b>644,117</b>	<b>-</b>	<b>-</b>	<b>110,566</b>
<b>LOCAL GOVERNMENT FEES</b>		<b>LOCAL GOVERNMENT FEES</b>			
Building Permits	122,391	122,391			
Impact Fees	126,360	126,360			
Water Tap Fees <i>waived?</i>					
Sewer Tap Fees <i>waived?</i>					
Real Estate Taxes					
<b>Subtotal</b>	<b>248,751</b>	<b>248,751</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>PERMANENT FINANCING FEES</b>		<b>PERMANENT FINANCING FEES</b>			
Permanent Loan Fees					
Permanent Loan Legal Fees					
Title and Recording Fees	50,651	50,651			
As-Built Survey					
Bond Issuance Premium					
Cost of Issuance / Underwriter's Discount					
Other:					
<b>Subtotal</b>	<b>50,651</b>	<b>50,651</b>	<b>-</b>	<b>-</b>	<b>-</b>

**PART FOUR - USES OF FUNDS - Ashley Auburn Pointe II - 2011-013**

**CERTIFICATION OF ACTUAL COST AND OPINION AS TO ELIGIBLE BASIS**

**I. DEVELOPMENT COST SCHEDULE**

	<b>TOTAL COST</b>	<b>New Construction Basis</b>	<b>Acquisition Basis</b>	<b>Rehabilitation Basis</b>	<b>Amortizable or Non Depreciable Basis</b>
<b>DCA-RELATED COSTS</b>					
DCA Loan Application Fee					
Tax Credit Application Fee	4,000				4,000
DCA Waiver Fees					
LIHTC Allocation Processing Fee	64,400				64,400
LIHTC Compliance Monitoring Fee	105,000				105,000
DCA Front End Analysis Fee (when ID of Interest)	2,700				2,700
DCA Final Inspection Fee	3,000				3,000
Other:					
<b>Subtotal</b>	<b>179,100</b>				<b>179,100</b>
<b>EQUITY COSTS</b>					
Partnership Organization Fees	20,000				20,000
Tax Credit Legal Opinion	60,000				60,000
Other:					
<b>Subtotal</b>	<b>80,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>80,000</b>
<b>DEVELOPER'S FEE</b>					
Developer's Overhead					
Consultant's Fee					
Developer's Fee	1,800,000	1,800,000			
<b>Subtotal</b>	<b>1,800,000</b>	<b>1,800,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>START-UP AND RESERVES</b>					
Marketing	28,142				28,142
Rent -Up Reserves	45,000				45,000
Operating Deficit Reserve:	431,416				431,416
Replacement Reserve					
Furniture, Fixtures and Equipment	46,600	46,600			
Other: Working Capital Reserve	120,000				120,000
<b>Subtotal</b>	<b>671,158</b>	<b>46,600</b>	<b>-</b>	<b>-</b>	<b>624,558</b>
<b>OTHER COSTS</b>					
Relocation					
Other: Materials testing, accessibility review, noise study, n	43,301	43,301			
Other: Bond premium paid outside of the contract	84,081	84,081			
<b>Subtotal</b>	<b>127,382</b>	<b>127,382</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL DEVELOPMENT COST</b>	<b>18,859,899</b>	<b>17,425,384</b>	<b>-</b>	<b>-</b>	<b>1,434,515</b>
<b>Per Unit</b>	<b>125,732.66</b>				
<b>Per Square Foot</b>	<b>125.65</b>				

**PART FOUR - USES OF FUNDS - Ashley Auburn Pointe II - 2011-013**

**CERTIFICATION OF ACTUAL COST AND OPINION AS TO ELIGIBLE BASIS**

**II. TAX CREDIT CALCULATION - BASIS METHOD**

	New Construction Basis	4% Acquisition Basis	Rehabilitation Basis
<b>Subtractions From Eligible Basis</b>			
Amount of federal grant(s) used to finance qualifying development costs			
Amount of federal below market rate loan			
Amount of nonqualified nonrecourse financing			
Costs of Nonqualifying units of higher quality			
Nonqualifying excess portion of higher quality units			
Historic Tax Credit (Residential Portion Only)			
Other			
<b>Total Subtractions From Basis:</b>	<b>0</b>		<b>0</b>
<b>Eligible Basis Calculation</b>			
Total Basis	17,425,384	0	0
Less Total Subtractions From Basis (see above)	0		0
Total Eligible Basis	17,425,384	0	0
Eligible Basis Adjustment for DDA/QCT Location	130.00%		
Adjusted Eligible Basis	22,652,999	0	0
Multiply Adjusted Eligible Basis by Applicable Fraction	59.11%	59.11%	59.11%
Qualified Basis	13,389,650	0	0
Multiply Qualified Basis by Applicable Credit Percentage	9.00%		
Maximum Tax Credit Amount	1,205,069	0	0
Total Basis Method Tax Credit Calculation	<b>1,205,069</b>		

**III. TAX CREDIT CALCULATION - GAP METHOD**

<b>Equity Gap Calculation</b>			
Total Development Cost	18,859,899		
Subtract Non-LIHTC (excluding deferred fee) Source of Funds	8,500,200		
Equity Gap	10,359,699		
Divide Equity Gap by 10	/ 10		
Annual Equity Required	1,035,970		
Enter Final Federal and State Equity Factors (not including GP contribution)	1.1175	=	Federal
Total Gap Method Tax Credit Calculation	<b>927,042</b>		0.8225
		+	State
			0.2950

**IV. TAX CREDIT CARRYOVER ALLOCATION**

Allocation Year

**V. FINAL TAX CREDIT ALLOCATION REQUEST**

I certify that all information provided above is true, correct, complete and reflects the full extent of all project costs and eligible basis which apply (or are expected to apply) to the above-mentioned development.

\_\_\_\_\_  
Owner Signature

\_\_\_\_\_  
Name - Please Type

\_\_\_\_\_  
Date

**PART THREE - SOURCES OF FUNDS - Ashley Auburn Pointe II - 2011-013**

**I. PERMANENT FINANCING**

Financing Type	Name of Financing Entity	Principal Amount	Interest Rate	Term (Years)	Amort. (Years)	Annual Debt Svc Per Terms Given	Loan Type	Balloon?
First Mortgage	Oppenheimer HUD Insured Loan	3,000,000	2.900%	40	40	126,808	Amortizing	
Second Mortgage	Atlanta Housing Authority	5,500,000	2.000%	54			Cash Flow	
Third Mortgage								
Other Source (specify)								
Other Source (specify)								
Deferred Developer Fees	Grady Redevelopment, LLC	80,212						
Federal Grant								
State, Local, or Private Grant								
Federal Housing Credit Equity	HCP-ILP, LLC	7,489,817						
State Housing Credit Equity	HCP-ILP, LLC	2,789,670						
Historic Credit Equity								
Investment Earnings from Tax-Exempt Bonds								
Investment Earnings from Taxable Bonds								
Income from Operations								
Other Source (specify) General Partner	Grady Multifamily GP II, LLC	100						
Other Source (specify) Class A Limited Partner	Atlanta Affordable Housing for the Futu	100						
Other Source (specify)								
Total Permanent Financing:		<b>18,859,899</b>						
Total Development Costs from Development Cost Schedule:		<b>18,859,899</b>						
Surplus/(Shortage) of Permanent Funds to Development Costs:		<b>0</b>						

DCA HOME loan interest rate per Operating Year for Projects located in Rural Areas:

Year:	1 -7	8	9	10	11	12	13	14	15
Rate:									

**VII. OWNER COMMENTS AND CLARIFICATIONS**

The State Housing Credit Equity amount above includes \$75,670 for their 1% share of the federal credits.



**PART EIGHT - BUILDING BY BUILDING CREDIT ALLOCATION - Ashley Auburn Pointe II - 2011-013**

**Cost Certification Date:**   **Carryover Allocation Date:**   **Project Address:** 100 Bell Street, Atlanta GA 30312-1704  
**Type of Activity:** **New Construction**

**Please do NOT include common space employee units!**

Building Address	Building Identification Number	Total Nbr of Residential Units	Total Residential Square Footage	Nbr of Low Income Units	Low Income Square Footage	Building's Eligible Basis	OCT/DDA Boost	Building's Adjusted Basis	Building's Applicable Fraction	Building's Qualified Basis	Date Placed In Service	Applic. Credit %	Tax Credit Amount	FINAL Tax Credit Allocation Request	
														Building's Qualified Basis	Tax Credit Amount
130 Bell St. SE, Atlanta, GA 30312, Bldg 5	GA-12-21301	28	28,546	18	16,770	3,314,090	1.3	4,308,317	58.75%	2,531,019	11/5/2013	9.00%	227,792	1,943,667	174,930
326 Auburn Pointe Dr. SE, Atlanta, GA 30312, Bldg 4	GA-12-21302	20	18,430	13	12,145	2,139,658	1.3	2,781,555	65.00%	1,808,011	11/8/2013	9.00%	162,721	1,388,444	124,960
100 Bell St. SE, Atlanta, GA 30312, Bldg 7	GA-12-21303	24	27,420	13	14,630	3,183,365	1.3	4,138,375	53.36%	2,208,039	2/28/2014	9.00%	198,723	1,695,644	152,608
325 Auburn Pointe Dr. SE, Atlanta, GA 30312, Bldg 5	GA-12-21304	24	22,356	15	14,133	2,595,453	1.3	3,374,089	62.50%	2,108,806	2/28/2014	9.00%	189,793	1,619,433	145,749
101 Veranda Circle SE, Atlanta, GA 30312, Bldg 9	GA-12-21305	30	26,954	16	14,569	3,129,264	1.3	4,068,043	53.33%	2,169,623	2/28/2014	9.00%	195,266	1,666,133	149,952
95 Veranda Circle SE, Atlanta, GA 30312, Bldg 10	GA-12-21306	24	26,388	15	16,470	3,063,554	1.3	3,982,620	62.41%	2,485,742	3/21/2014	9.00%	223,717	1,908,900	171,801
		150	150,094	90	88,717	17,425,384		22,652,999		13,311,239			1,198,012	10,222,221	920,000