



**A MARKET VALUATION ANALYSIS OF
ROMANA-RILEY LOFTS**

Located At

**1108 East Anderson Street
Savannah, Chatham County, Georgia 31404**

Effective Date: May 3, 2016

Report Date: June 7, 2016

Prepared For

**Mr. Bill Gross
W.H. Gross Construction Company
1209 East King Avenue
Kingsland, GA 31548**

Prepared By

**Novogradac & Company LLP
2325 Lakeview Parkway
Suite 450
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678.867.2333**

June 7, 2016

Mr. Bill Gross
W.H. Gross Construction Company
1209 East King Avenue
Kingsland, GA 31548

Re: As Is and Land Appraisal - Romana-Riley Lofts; 1108 East Anderson Street Savannah, Chatham County, Georgia

Dear Mr. Gross:

We are pleased to present our findings with respect to the value of the above-referenced property, (“Subject”). As requested, we provided our opinion of the land value and “as is” value in fee simple estate.

Our valuation report is for use by the client to include in the application for Low Income Housing Tax Credit (LIHTC). Neither this report nor any portion thereof may be used for any other purpose or distributed to third parties without the express written consent of Novogradac and Company LLP (“Novogradac”).

This valuation engagement was conducted in accordance with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, which standards incorporate the Uniform Standards of Professional Appraisal Practice (USPAP).

This report is intended to comply with the reporting requirements set forth under Standard Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice for an Appraisal Report.

The authors of this report certify that we are not part of the development team, owner of the Subject site, general contractor, nor are we affiliated with any member of the development team engaged in the development of the Subject site or the development’s partners or intended partners.

We are currently completing a market study involving the Subject. In addition, we completed market studies in 2014 and 2015. Other than those market studies, we have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

W.H. Gross Construction Company is the client in this engagement. The Georgia Departments of Community Affairs is an authorized user and may rely on the representations made herein. We understand that they will use this document to assist in obtaining LIHTC and/or other financing. Intended users are those transaction participants who are interested parties and have knowledge of the Section 42 LIHTC program. These could include local housing authorities, state allocating

agencies, state lending authorities, LIHTC construction and permanent lenders, and LIHTC syndicators. As our client, W.H. Gross Construction Company owns this report and permission must be granted from them before another third party can use this document. We assume that by reading this report another third party has accepted the terms of the original engagement letter including scope of work and limitations of liability. We are prepared to modify this document to meet any specific needs of the potential users under a separate agreement.

As a result of our investigation and analysis, it is our opinion that, subject to the limiting conditions and assumptions contained herein, our opinion of the as is market value of the fee simple interest in the Subject site as-if vacant, as of May 3, 2016 is:

FOUR HUNDRED THOUSAND DOLLARS
(\$400,000)

As a result of our investigation and analysis, it is our opinion that, subject to the limiting conditions and assumptions contained herein, our opinion of the as is market value of the fee simple interest in the Subject as is, as of May 3, 2016 is:

SIX HUNDRED FIFTY THOUSAND DOLLARS
(\$650,000)

Exposure Time: Nine – 12 Months

Marketing Period: Nine – 12 Months

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 LLP



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Partner

TABLE OF CONTENTS

INTRODUCTION.....	2
Introduction.....	2
REGIONAL AND LOCAL AREA SUMMARY	4
Primary Market Area	11
Household Trends	13
PROPERTY DESCRIPTION.....	18
Property Description	19
HIGHEST AND BEST USE ANALYSIS	21
Highest and Best Use	Error! Bookmark not defined.
APPRAISAL METHODOLOGY.....	24
Valuation Analysis.....	25
SALES COMPARISON APPROACH	26
Conclusion of As Is Land Value.....	36
ADDENDUM A	ASSUMPTIONS & LIMITING CONDITIONS AND CERTIFICATION
ADDENDUM B.....	SUBJECT PHOTOGRAPHS
ADDENDUM C.....	QUALIFICATIONS OF CONSULTANTS

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

- Property Appraised:** The Subject property consists of the former Romana Riley elementary school, an annex building, and additional vacant land. The school has been out of service and vacant for many years. It is proposed for adaptive reuse as an apartment building and additional units will be constructed on the vacant parcel located to the north of the school. The property is located at the northeast and southwest corners of East Anderson Street and Waters Avenue, in Savannah, Chatham County, Georgia.
- Parcel ID Numbers:** The Subject includes tax parcels 2-0055-07-08, 2-0055-09-001, 2-0055-09-002, 2-0055-09-003, and 2-0055-09-014.
- Land Area:** According to the tax assessor’s website, the property totals 1.93 acres, inclusive of an alley that will reportedly be closed and incorporated into the development.
- Legal Interest Appraised:** The property interest appraised is fee simple estate, subject to any and all encumbrances, for each value estimate.
- Ownership History of the Subject:** The Subject property is owned by Romana Riley Lofts LP, which acquired the property on April 15, 2015, for \$615,000 in what is reported to be an arm’s length sale. The sellers in that transaction were various City and County entities.
- Highest and Best Use “As If Vacant”:** The Subject’s highest and best use “as if vacant” is to hold for future development when market rents rise to the level of cost feasibility. Alternatively, a multifamily rental property would be feasible with gap financing such as tax exempt bonds and tax credits.
- Highest and Best Use “As Improved”:** The Subject’s highest and best use “as improved” is to hold until market rents support adaptive reuse as a multifamily. Alternatively, adaptive reuse may be feasible at present with the tax credits or some other type of gap subsidy.

INTRODUCTION

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Property Identification

The Subject property consists of the former Romana Riley elementary school, an annex building, and additional vacant land. The school has been out of service and vacant for many years. It is proposed for adaptive reuse as an apartment building and additional units will be constructed on the vacant parcel located to the north of the school. The property is located at the northeast and southwest corners of East Anderson Street and Waters Avenue, in Savannah, Chatham County, Georgia. The Subject is further identified as being tax parcels 2-0055-07-08, 2-0055-09-001, 2-0055-09-002, 2-0055-09-003, and 2-0055-09-014.

Ownership History

The Subject property is owned by Romana-Riley Lofts LP, which acquired the property on April 15, 2015, for \$615,000 in what is reported to be an arm's length sale. The sellers in that transaction were various City and County entities.

Intended Use and User of the Appraisal

W.H. Gross Construction Company is the client in this engagement. The Georgia Department of Community Affairs (GA DCA) is an authorized user and may rely on the representations made herein. We understand that they will use this document to assist in obtaining LIHTC, HOME funds, and/or other financing. Intended users are those transaction participants who are interested parties and have knowledge of the Section 42 LIHTC program. These could include local housing authorities, state allocating agencies, state lending authorities, LIHTC construction and permanent lenders, and LIHTC syndicators. As our client, W.H. Gross Construction Company owns this report and permission must be granted from them before another third party can use this document. We assume that by reading this report another third party has accepted the terms of the original engagement letter including scope of work and limitations of liability. We are prepared to modify this document to meet any specific needs of the potential users under a separate agreement.

Scope of Appraisal

As part of this appraisal, we have completed the following steps to gather, confirm, and analyze the data:

- Physically inspected the Subject and the surrounding neighborhood. This site was last inspected on May 3, 2016.
- Collected factual information about the Subject and the surrounding market and confirmed that information with various sources.
- Collected and confirmed market information needed to consider all of the three traditional approaches to value yet only one, the sales comparison approach was considered relevant and developed for this report.
- Prepared an appraisal report setting forth the conclusion derived in this analysis as well as the information upon which the conclusions are based.

This report conforms to the requirements of the *Uniform Standards of Professional Appraisal Practice* (USPAP) and the Appraisal Institute.

Definition of Market Value

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition are the consummation of sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised and acting in what they consider their best interest;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and,
5. The price represents normal considerations for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.¹

Compliance and Competency Provision

The appraiser is aware of the compliance and competency provisions of USPAP, and within our understanding of those provisions, this report complies with all mandatory requirements, and the authors of this report possess the education, knowledge, technical skills, and practical experience to complete this assignment competently, in conformance with the stated regulations.

Unavailability of Information

In general, all information necessary to develop an estimate of value of the Subject site was available to the appraisers.

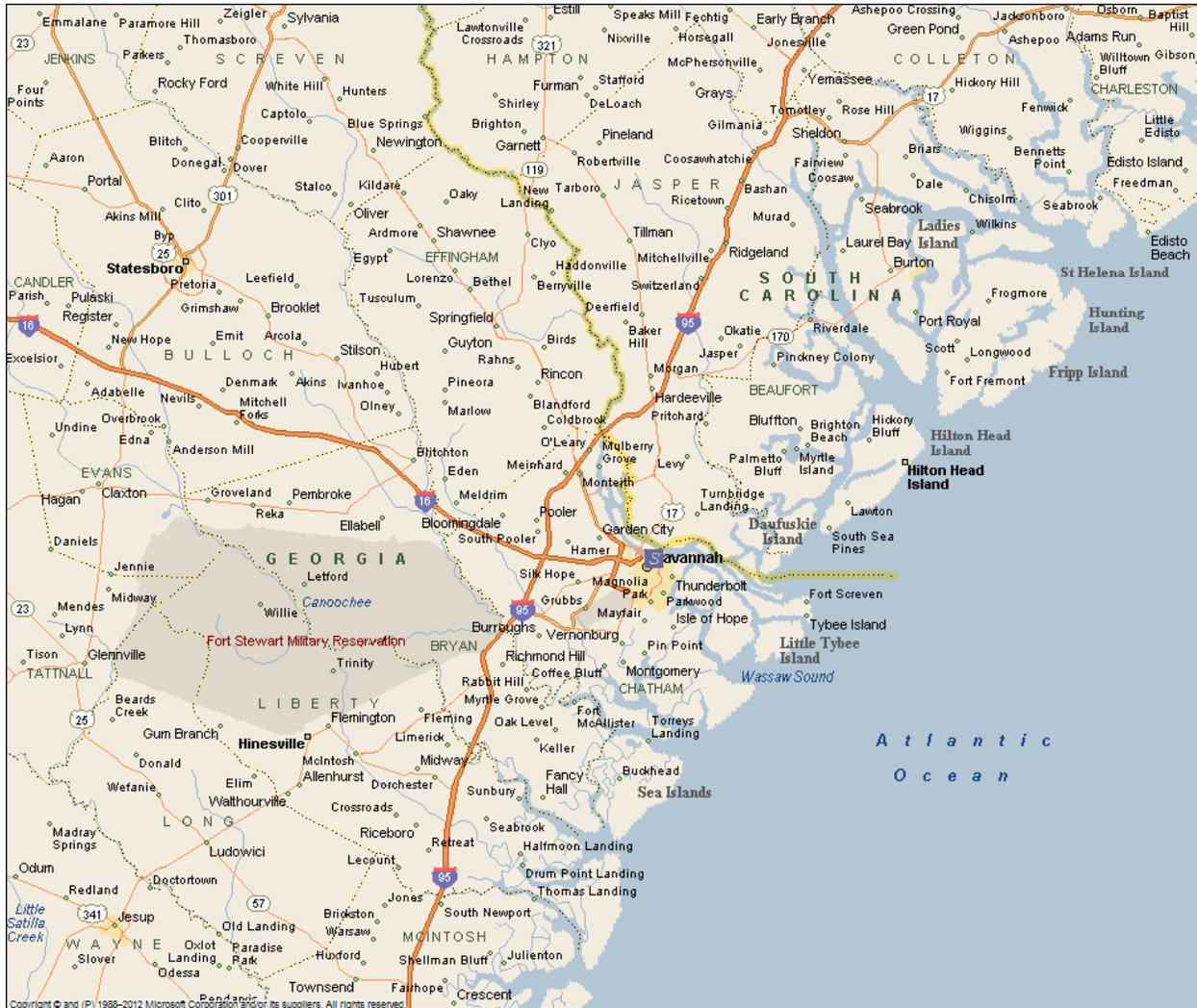
¹ 12 C.F.R. Part 34.42(g); Federal Register 34696, August 24, 1990, as amended at 57 Federal Register 12202, April 9, 1992; 59 Federal Register 29499, June 7, 1994

REGIONAL AND LOCAL AREA SUMMARY

REGIONAL AND LOCAL AREA ANALYSIS

The Subject is located in Savannah, Chatham County, GA, in the Savannah, GA MSA. The Savannah, GA MSA consists of Chatham, Effingham, and Bryan Counties. As of the 2010 US Census, the city of Savannah's population was 145,674 persons, and has a total area of 108.7 square miles, 103.1 of which are land.

Regional Map



The following sections will provide an analysis of the economic and demographic characteristics within the market area.

Employment by Industry

The following table illustrates the total jobs by employment sectors within Chatham County, as of the Second Quarter 2015.

Second Quarter 2015 Covered Employment Chatham County, Georgia

	Number	Percent
Total, all industries	129,518	-
Goods-producing	20,958	-
Natural resources and mining	95	0.07%
Construction	5,091	3.93%
Manufacturing	15,772	12.18%
Service-providing	108,560	-
Trade, transportation, and utilities	34,265	26.46%
Information	1,799	1.39%
Financial activities	5,400	4.17%
Professional and business services	16,363	12.63%
Education and health services	22,781	17.59%
Leisure and hospitality	23,231	17.94%
Other services	4,235	3.27%
Unclassified	486	0.38%

Source: Bureau of Labor Statistics, 2015

Employment by industry in Chatham County is heavily concentrated in trade, transportation, and utilities as well as leisure and hospitality. These industries are somewhat vulnerable in economic downturns and are historically volatile industries, with the exception of utilities. However, education and health services are the third largest industries in the county. Education and health services are typically considered stable employment sectors.

The following table illustrates the changes in employment by industry from 2000 to 2015, in the Subject's PMA.

Industry	2000		2015		2000-2015	
	Number Employed	Percent Employed	Number Employed	Percent Employed	Annualized Change in Employment	Annual Change in Percentage
Agric/Forestry/Fishing/Hunting	51	0.2%	140	0.4%	6	11.6%
Mining	0	0.0%	0	0.0%	0	0.0%
Construction	2,406	7.3%	1,653	5.0%	-50	-2.1%
Manufacturing	2,683	8.1%	2,405	7.3%	-19	-0.7%
Wholesale Trade	893	2.7%	575	1.8%	-21	-2.4%
Retail Trade	4,223	12.8%	3,827	11.7%	-26	-0.6%
Transportation/Warehousing	1,589	4.8%	2,237	6.8%	43	2.7%
Utilities	216	0.7%	160	0.5%	-4	-1.7%
Information	793	2.4%	430	1.3%	-24	-3.1%
Finance/Insurance	721	2.2%	646	2.0%	-5	-0.7%
Real Estate/Rental/Leasing	484	1.5%	558	1.7%	5	1.0%
Prof/Scientific/Tech Services	1,260	3.8%	1,253	3.8%	0	0.0%
Mgmt of Companies/Enterprises	0	0.0%	15	0.0%	1	0.0%
Admin/Support/Waste Mgmt Svcs	1,412	4.3%	1,659	5.1%	16	1.2%
Educational Services	3,129	9.5%	3,257	9.9%	9	0.3%
Healthcare/Social Assistance	4,326	13.1%	4,733	14.4%	27	0.6%
Arts/Entertainment/Recreation	694	2.1%	865	2.6%	11	1.6%
Accommodation/Food Services	4,701	14.2%	4,905	15.0%	14	0.3%
Other Services (excl Publ Adm)	1,949	5.9%	1,733	5.3%	-14	-0.7%
Public Administration	1,539	4.7%	1,751	5.3%	14	0.9%
Total Employment	33,069	100.0%	32,802	100.0%	-18	-0.1%

Source: Esri Demographics 2015, Novogradac & Company LLP, May 2016

* Change in percentage is calculated as a rate of change by industry.

*Industry data current as of 2010. Other projections current as of 2015.

As illustrated, a majority of industries experienced a decrease or no change in employment from 2000 to 2015. The largest decreases are among the information, construction, and wholesale trade sectors. Nine industries experienced employment increases over the past 15 years, with transportation/warehousing seeing the largest increase in the number of employed.

Major Employers

The table below shows the largest employers in the area.

MAJOR EMPLOYERS

Chatham County, GA

#	Company	Industry	Number of Employees
1	Gulfstream Aerospace Corporation	Manufacturing	10,126
2	Memorial University Medical Center	Healthcare	5,000
3	Savannah-Chatham County Board of Education	Education	4,808
4	Ft. Stewart/Hunter Army Airfield	Civilian personnel	4,637
5	St. Joseph's/Candler Health System	Hospital	3,304
6	City of Savannah	Government	2,795
7	Chatham County	Government	1,600
8	Savannah College of Art & Design	Education	1,590
9	Georgia Ports Authority	Ship terminal operation	988
10	International Paper	Paper Manufacturing	661

Source: Savannah Economic Development Authority, April 2016

The largest employers in the county are dominated by government, manufacturing, and health care operations. As previously discussed, health care is the second largest industry in the PMA, comprising 15.5 percent of employment.

Expansions/Contractions

According to Molly Olson, a Business Development Coordinator at the Savannah Economic Development Authority, 2014 and 2015 were positive years in terms of job growth and expansions in the Savannah area. In 2014 and 2015, there were 15 new projects that created approximately 668 jobs and have brought over \$305 million in investment to the Savannah area. Following are some job expansions that have been announced since January 2016.

- OA Logistics, a distribution company based in Pooler, GA announced in February that it would be expanding its east coast operations by constructing a new \$1.1 million distribution center in Savannah. The expansion is projected to bring 200 to 300 jobs over the next 16 to 18 months.
- PolyCase Ammunition, an ammunition manufacturer announced it would be expanding its current operation by \$10 million, creating 100 to 200 new jobs in the Savannah area. No further details were available.
- BRAM Industries, an Israeli-based plastics manufacturing company, recently announced its plans to invest \$3 million in its first U.S. manufacturing plant at the Commerce Center in Savannah. Approximately 60 new jobs are expected to be created following construction of the new facility.
- Safavieh, a furniture and designer rug manufacturer, is opening a second warehouse. Approximately 100 new jobs are expected to be created.

According to the Worker Adjustment and Retraining Notification (WARN) list provided by the Savannah Economic Development Authority, several companies have issued WARN notices in Savannah from 2014 through 2016 YTD, detailed in the following table.

SAVANNAH, GEORGIA LAYOFFS/CLOSURES 2014 - YTD 2016

Effective	Company	City	Layoff/Closure	Number of Employees
12/15/2015	Gulfstream	Savannah	Closure	349
6/30/2015	First Student	Savannah	Closure	564
3/20/2015	L-3 Army Sustainment Division	Savannah	Layoff	82
9/1/2014	United Arab Shipping Company	Savannah	Layoff	82
4/5/2014	Veolia Transportation	Savannah	Closure	205
1/4/2014	Roalink Workforce Solutions	Savannah	Layoff	<u>42</u>
Total				1,324

Source: Savannah Economic Development Authority, 4/2016

Employment and Unemployment Trends

The following table details employment and unemployment trends for the Savannah, GA MSA and nation from 2001 to December 2015.

EMPLOYMENT & UNEMPLOYMENT TRENDS (NOT SEASONALLY ADJUSTED)

Year	Savannah, GA MSA				USA			
	Total Employment	% Change	Unemployment Rate	Change	Total Employment	% Change	Unemployment Rate	Change
2001	138,215	-	3.5%	-	136,933,000	-	4.7%	-
2002	142,209	2.9%	4.2%	0.7%	136,485,000	-0.3%	5.8%	1.1%
2003	145,054	2.0%	4.2%	0.0%	137,736,000	0.9%	6.0%	0.2%
2004	152,921	5.4%	4.1%	-0.1%	139,252,000	1.1%	5.5%	-0.5%
2005	158,112	3.4%	4.4%	0.3%	141,730,000	1.8%	5.1%	-0.4%
2006	164,431	4.0%	3.9%	-0.5%	144,427,000	1.9%	4.6%	-0.5%
2007	172,008	4.6%	3.8%	-0.1%	146,047,000	1.1%	4.6%	0.0%
2008	170,941	-0.6%	5.5%	1.7%	145,362,000	-0.5%	5.8%	1.2%
2009	161,731	-5.4%	8.5%	3.0%	139,877,000	-3.8%	9.3%	3.5%
2010	151,157	-6.5%	9.8%	1.3%	139,064,000	-0.6%	9.6%	0.3%
2011	153,212	1.4%	9.8%	0.1%	139,869,000	0.6%	8.9%	-0.7%
2012	157,358	2.7%	8.9%	-0.9%	142,469,000	1.9%	8.1%	-0.8%
2013	159,129	1.1%	7.9%	-1.0%	143,929,000	1.0%	7.4%	-0.7%
2014	161,262	1.3%	7.0%	-0.9%	146,305,000	1.7%	6.2%	-1.2%
2015 YTD Average*	163,848	1.6%	5.7%	-1.4%	148,833,417	1.7%	5.3%	-0.9%
Dec-2014	161,896	-	6.1%	-	147,190,000	-	5.4%	-
Dec-2015	166,578	2.9%	5.0%	-1.1%	149,703,000	1.7%	4.8%	-0.6%

Source: U.S. Bureau of Labor Statistics April 2016

*2015 data is through Mar

Total employment in the MSA has fluctuated over the last 10 years, with increases from 2005 through 2007 and 2011 through 2015. The MSA experienced a 5.4 percent decrease in total employment in 2009 and a 6.5 percent decrease in 2010, while the nation experienced a decrease of 3.8 and 0.6 percent in 2009 and 2010, respectively. From December 2014 to December 2015, total employment increased 2.9 percent in the MSA, but has yet to reach pre-recessionary total employment levels which peaked in 2007.

The unemployment rate in the MSA has also fluctuated over the past 10 years. Between 2008 and 2011, the unemployment rate within the MSA increased from 3.8 percent to 9.8 percent. Since 2012, the unemployment rate in the MSA has steadily declined. Between December 2014 and December 2015, the unemployment rate in the MSA decreased from 6.1 percent to 5.0 percent, while the national unemployment rate decreased from 5.4 percent to 4.8 percent during the same period.

Housing and Economy

The overall vacancy rate among the LIHTC properties is zero, and all of these properties currently maintain waiting lists. There are several affordable or market rate multifamily rental properties proposed or under construction in the Subject's PMA; however, only two are restricted to seniors similar to the Subject. Based on the performance of the existing affordable properties as well as the lack of significant new supply, it appears that the Subject will fill a housing void in the local area.

According to www.RealtyTrac.com, one in every 1,155 homes in Savannah, GA was in foreclosure, as of March 2016. Nationally, one in every 1,212 homes was in foreclosure and one in every 1,109 homes in Georgia was in foreclosure. As indicated, Savannah has a lower foreclosure rate than

Georgia but a slightly higher rate than the nation as a whole. Overall, it appears that the local market is faring better than the state in terms of foreclosure rates. We witnessed few abandoned homes in the Subject's immediate neighborhood.

Commuting Patterns

The following table details travel time to work for residents within the PMA as of 2000. The average travel time is 22 minutes. Approximately 54 percent of households have commute times of 19 minutes or fewer.

COMMUTING PATTERNS

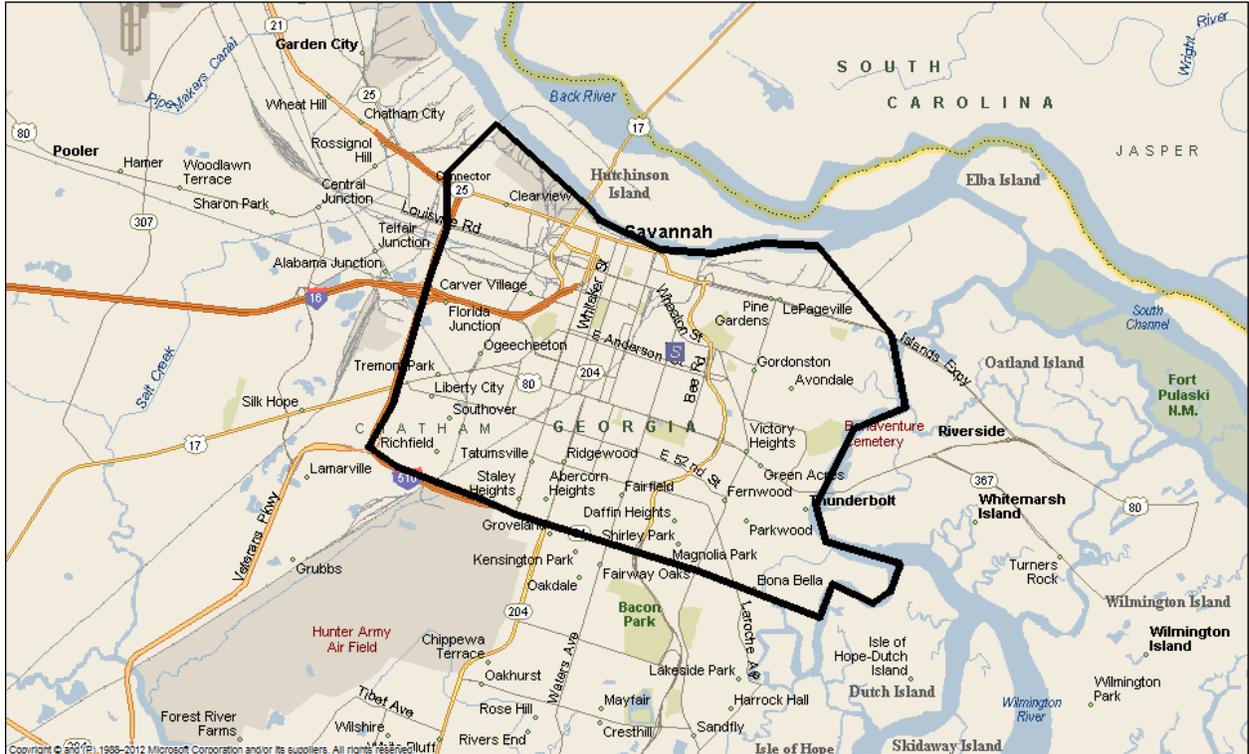
2000 Commuting Time to Work	Number of Commuters	Percentage
Travel Time < 5 min	979	3.06%
Travel Time 5-9 min	3,554	11.13%
Travel Time 10-14 min	5,862	18.35%
Travel Time 15-19 min	6,847	21.43%
Travel Time 20-24 min	5,320	16.65%
Travel Time 25-29 min	1,560	4.88%
Travel Time 30-34 min	4,111	12.87%
Travel Time 35-39 min	427	1.34%
Travel Time 40-44 min	294	0.92%
Travel Time 45-59 min	1,198	3.75%
Travel Time 60-89 min	1,079	3.38%
Travel Time 90+ min	714	2.24%
Average Travel Time	22	-

Source: US Census 2000, Novogradac & Company, LLP, May 2016

Conclusions

The largest employers in Savannah are in the manufacturing, education, health care/social assistance, and government sectors. Employment in the PMA is greatest in the accommodation/food services, health care/social assistance, retail trade, and educational services sectors, which together account for almost 55 percent of the total employment in the PMA. This is significantly higher than the nation as a whole. The MSA experienced a 5.4 percent decrease in total employment in 2009 and a 6.5 percent decrease in 2010. The decrease in employment suggests that the national recession negatively impacted the local area. The nation as a whole experienced a smaller decline in total employment during the same time period. From December 2014 to December 2015, total employment increased 2.9 percent in the MSA, but has yet to reach pre-recessionary total employment levels which peaked in 2007. Since 2012, the unemployment rate in the MSA has steadily declined. Between December 2014 and December 2015, the unemployment rate in the MSA decreased from 6.1 percent to 5.0 percent.

PRIMARY MARKET AREA



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 Chatham County are areas of growth or contraction.

- North -Savannah River
- South - Derenne Avenue/Highway 21
- East - Wilmington River
- West - Interstate 516/Highway 17

This area includes the majority of the city of Savannah. The area was defined based on interviews with local market participants as well as property managers at comparable properties. Based upon site inspection, the Subject site is located in the historic area of Savannah that consists of predominantly older residential and commercial uses. This area differs in character to the southern Savannah area, which is suburban in nature. Several property managers indicated that a significant portion of their tenants come from the immediate Savannah area. Due to access provided by thoroughfares such as Interstate 16, Highway 21, Southwest Bypass, and Harry Truman Parkway, several property managers indicated that residents come from throughout Chatham County. Per GA DCA's 2016 market study guidelines, GA DCA does not take into account leakage from the PMA. The farthest PMA boundary is approximately 4.1 miles from the Subject.

Below is a summary of information on population, households and income for the PMA and SMA.

Population Trends

The following tables illustrate (a) Total Population, (b) Population by Age Group, and (c) Number of Elderly and Non-Elderly within population in the MSA, the PMA and nationally from 2000 through 2020.

TOTAL POPULATION

Year	PMA		Savannah, GA MSA		USA	
	Number	Annual Change	Number	Annual Change	Number	Annual Change
2000	84,288	-	292,995	-	281,421,906	-
2010	82,662	-0.2%	347,611	1.9%	308,745,538	1.0%
2015	84,674	0.5%	370,063	1.2%	318,536,439	0.6%
Projected Mkt Entry June 2018	86,519	0.7%	385,020	1.4%	325,586,685	0.8%
2020	87,836	0.7%	395,704	1.4%	330,622,575	0.8%

Source: ESRI Demographics 2015, Novogradac & Company LLP, April 2016

TOTAL SENIOR POPULATION (55+)

Year	PMA		Savannah, GA MSA		USA	
	Number	Annual Change	Number	Annual Change	Number	Annual Change
2000	18,470	-	59,353	-	59,266,437	-
2010	18,855	0.2%	79,161	3.3%	76,750,713	3.0%
2015	21,230	2.4%	93,514	3.5%	87,809,032	2.7%
Projected Mkt Entry June 2018	22,591	2.2%	100,860	2.7%	93,796,460	2.3%
2020	23,563	2.2%	106,107	2.7%	98,073,194	2.3%

Source: ESRI Demographics 2015, Novogradac & Company LLP, April 2016

POPULATION BY AGE GROUP

Age Cohort	PMA				
	2000	2010	2015	Projected Mkt Entry June 2018	2020
0-4	5,871	5,717	5,562	5,637	5,691
5-9	6,397	4,984	5,194	5,151	5,121
10-14	6,344	4,493	4,680	4,871	5,007
15-19	6,776	7,605	6,831	6,996	7,114
20-24	7,551	10,447	10,299	9,890	9,598
25-29	6,101	6,619	7,028	7,060	7,083
30-34	5,362	5,208	5,747	5,962	6,116
35-39	5,620	4,292	4,550	4,891	5,134
40-44	5,647	4,354	4,215	4,409	4,547
45-49	5,280	4,917	4,380	4,358	4,343
50-54	4,872	5,171	4,958	4,703	4,520
55-59	3,691	4,725	5,175	5,125	5,089
60-64	3,183	4,264	4,665	4,984	5,212
65-69	2,892	3,024	3,904	4,119	4,273
70-74	2,855	2,217	2,761	3,257	3,612
75-79	2,557	1,785	1,830	2,118	2,324
80-84	1,808	1,413	1,366	1,428	1,472
85+	1,484	1,427	1,529	1,559	1,581
Total	84,291	82,662	84,674	86,519	87,837

Source: ESRI Demographics 2015, Novogradac & Company LLP, April 2016

NUMBER OF ELDERLY AND NON-ELDERLY

Year	PMA			Savannah, GA MSA		
	Total Population	Non-Elderly	Elderly (55+)	Total Population	Non-Elderly	Elderly (55+)
2000	84,291	65,821	18,470	293,000	233,647	59,353
2010	82,662	63,807	18,855	347,611	268,450	79,161
2015	84,674	63,444	21,230	370,063	276,549	93,514
Projected Mkt Entry June 2018	86,519	63,928	22,591	385,020	284,160	100,860
2020	87,837	64,274	23,563	395,704	289,597	106,107

Source: ESRI Demographics 2015, Novogradac & Company LLP, April 2016

Total population in the PMA is projected to increase at a 0.7 percent annual rate from 2015 to 2020, a growth rate below that of the MSA and nation as a whole during the same time period. The slow projected growth in the general population is typical of densely populated urban areas such as the PMA. However, senior population growth in the PMA is expected to increase at an annual rate of 2.2 percent from 2015 through 2020, which is slightly lower than the national rate. The senior population in the PMA will increase at a slower rate than that of the MSA through 2020. In 2015, approximately 47 percent of the PMA's population was 29 years old or younger. The PMA demonstrates a larger 20 to 29 age population when compared to other age cohorts. The presence of a younger population in the PMA is likely due to the draw of Savannah College of Art & Design (SCAD), Savannah Technical College, and Savannah State University.

Household Trends

Total Number of Households, Average Household Size, and Group Quarters.

TOTAL NUMBER OF HOUSEHOLDS

Year	PMA		Savannah, GA MSA		USA	
	Number	Annual Change	Number	Annual Change	Number	Annual Change
2000	33,092	-	111,104	-	105,480,101	-
2010	31,610	-0.4%	131,868	1.9%	116,716,292	1.1%
2015	32,546	0.6%	141,103	1.3%	120,746,349	0.7%
Projected Mkt Entry June 2018	33,362	0.9%	147,082	1.5%	123,506,223	0.8%
2020	33,945	0.9%	151,353	1.5%	125,477,562	0.8%

Source: ESRI Demographics 2015, Novogradac & Company LLP, April 2016

TOTAL NUMBER OF HOUSEHOLDS 55+

Year	PMA		Savannah, GA MSA		USA	
	Number	Annual Change	Number	Annual Change	Number	Annual Change
2000	12,714	-	37,881	-	36,459,725	-
2010	12,218	-0.4%	47,307	2.5%	45,892,687	2.6%
2015	13,118	1.4%	54,298	2.8%	50,825,452	2.0%
Projected Mkt Entry June 2018	13,780	1.7%	59,153	3.1%	54,466,104	2.5%
2020	14,253	1.7%	62,622	3.1%	57,066,571	2.5%

Source: ESRI Demographics 2015, Novogradac & Company LLP, April 2016

AVERAGE HOUSEHOLD SIZE

<i>Year</i>	PMA		Savannah, GA MSA		USA	
	<i>Number</i>	<i>Annual Change</i>	<i>Number</i>	<i>Annual Change</i>	<i>Number</i>	<i>Annual Change</i>
2000	2.47	-	2.56	-	2.59	-
2010	2.42	-0.2%	2.53	-0.1%	2.58	-0.1%
2015	2.41	-0.1%	2.52	-0.1%	2.57	0.0%
Projected Mkt Entry June 2018	2.40	0.0%	2.52	0.0%	2.57	0.0%
2020	2.40	0.0%	2.52	0.0%	2.57	0.0%

Source: ESRI Demographics 2015, Novogradac & Company LLP, April 2016

Similar to population trends, total household growth in the PMA is projected to increase at a rate below that of the MSA. However, projected senior household growth of 1.7 percent annually between 2015 and 2020 in the PMA is higher than the projected general household growth during the same time period. Senior household growth in the PMA and MSA will increase at a rate greater than households of all ages over the next several years. The average household size in the PMA is projected to decline slightly in the PMA with a nominal annual change of 0.1 percent. The average household sizes in the MSA and nation are projected to remain stable through 2020.

Households by Tenure

The following table illustrates senior household growth by tenure from 2000 through 2020.

PMA TENURE PATTERNS OF SENIORS 55+

Year	Owner-Occupied Units	Percentage Owner-Occupied	Renter-Occupied Units	Percentage Renter-Occupied
2000	8,692	68.4%	4,022	31.6%
2010	7,692	63.0%	4,526	37.0%
2015	7,989	60.9%	5,129	39.1%
Projected Mkt Entry June 2018	8,298	60.2%	5,482	39.8%
2020	8,518	59.8%	5,734	40.2%

Source: ESRI Demographics 2015, Novogradac & Company LLP, April 2016

Owner-occupied housing units dominate the housing market in the PMA. However, senior renter-occupied units accounted for 39.1 percent of the total housing stock in the PMA in 2015. This rate is significantly higher than the national average of 13.0 percent for senior households.

Household Income

The following table depicts senior household income distribution in 2010, 2015, market entry, and 2020 for the PMA.

HOUSEHOLD INCOME DISTRIBUTION 55+ - PMA

Income Cohort	2010		2015		Projected Mkt Entry June 2018		2020	
	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage
\$0-9,999	2,052	16.8%	2,473	18.9%	2,669	19.4%	2,809	19.7%
\$10,000-19,999	2,742	22.4%	2,967	22.6%	3,126	22.7%	3,240	22.7%
\$20,000-29,999	1,921	15.7%	2,138	16.3%	2,235	16.2%	2,304	16.2%
\$30,000-39,999	1,198	9.8%	1,356	10.3%	1,424	10.3%	1,473	10.3%
\$40,000-49,999	953	7.8%	1,004	7.7%	1,050	7.6%	1,083	7.6%
\$50,000-59,999	802	6.6%	832	6.3%	871	6.3%	898	6.3%
\$60,000-74,999	804	6.6%	806	6.1%	833	6.0%	853	6.0%
\$75,000-99,999	776	6.4%	639	4.9%	649	4.7%	657	4.6%
\$100,000-124,999	323	2.6%	337	2.6%	342	2.5%	346	2.4%
\$125,000-149,999	218	1.8%	201	1.5%	203	1.5%	205	1.4%
\$150,000-199,999	186	1.5%	162	1.2%	169	1.2%	174	1.2%
\$200,000+	243	2.0%	204	1.6%	209	1.5%	213	1.5%
Total	12,218	100.0%	13,118	100.0%	13,780	100.0%	14,253	100.0%

Source: Ribbon Demographics 2014, Novogradac & Company LLP, April 2016

Conclusion

The PMA is expected to experience moderate senior population and household growth from 2015 through 2020. Senior population growth in the PMA is expected to increase at an annual rate of 2.2 percent from 2015 through 2020, which is slightly lower than the national rate. The senior population in the PMA will increase at a slower rate than that of the MSA through 2020. Owner-occupied housing units dominate the housing market in the PMA. However, senior renter-occupied units accounted for 39.1 percent of the total housing stock in the PMA in 2015. This rate is significantly higher than the national average of 13.0 percent for senior households. As the senior population and number of households increase, there is expected to be a greater number of lower-income senior renters seeking affordable housing.

Neighborhood Description and Analysis

Introduction

The neighborhood surrounding an apartment property often impacts the property's status, image, class, and style of operation, and sometimes its ability to attract and properly serve a particular market segment. This section investigates the property's neighborhood and evaluates any pertinent location factors that could affect its rent, its occupancy, and overall profitability.

Location and Boundaries

The Subject is located within Savannah in Chatham County, Georgia. A map of the Subject's neighborhood follows.



Accessibility

The Subject is accessible from Waters Avenue, East Henry Street, and East Anderson Street. Overall, access and traffic flow are considered good.

Predominant Land Usage

The Subject site is located in a residential neighborhood consisting mostly of single family residential and community uses. Immediately west of the larger Subject site is a small multifamily property in good condition. Further west are single-family homes and places of worship. Single-family homes are located immediately north, east, and south of the larger Subject site. Retail such as a grocery store, pharmacy, and restaurants are located approximately 1.1 miles west of the Subject sites. Retail in the area is in generally good condition and appeared to be 90 percent occupied.

Adequacy of Public Transportation

The City of Savannah offers free downtown public transportation through a program called Connect on the Dot. The program includes an express shuttle, streetcar, and ferry service. The express shuttle runs every 20 minutes or less, serving 12 stops around the Historic District. The 54-passenger River Street Streetcar makes six stops along River Street, between Montgomery Street and the Waving Girl Landing. The Savannah Belles Ferry is a passenger-only ferry that operates seven days a week and makes three landings: Trade Center Landing on Hutchinson Island, City Hall Landing, and Waving Girl Landing.

Furthermore, the Chatham Area Transit authority offers public transportation throughout the entire county, as well as the downtown Savannah region. The nearest bus stop is located adjacent to the Subject at the corner of East Henry Street and Waters Avenue, which serves several routes providing convenient bus service throughout the city and metro area. The standard one-way fare is \$1.50, with discounted fare of \$0.75 for seniors. Day passes are available for \$3.00.

Adequacy/Availability of Utilities

All utilities are available to the site.

Conclusion

The Subject parcels are located at the intersection of Waters Avenue and East Anderson Street. Immediate surrounding land uses primarily include single-family homes in fair to good condition, a multifamily building in fair condition, a vacant commercial building, and houses of worship. The Subject appears to be a good location for the proposed adaptive reuse as multifamily housing.

PROPERTY DESCRIPTION

PROPERTY DESCRIPTION



- General:** The Subject site is located along the south side of East Henry Street, the west and east sides of Waters Avenue, and the north and south sides of East Anderson Street
- Shape:** Both Subject sites are rectangular
- Size:** Approximately 1.93 acres per the tax assessor’s website.
- Frontage:** The Subject site has frontage on Waters Avenue, East Henry Street, and East Anderson Street.
- Topography:** The sites are generally level.
- Utilities:** All utilities are available to the site.

**Easements, Encumbrances,
and Moratoria:**

We are not aware of any easements, site encroachments, or other restrictions that would adversely affect the use of the site.

Existing Improvements:

The Subject site is improved with two vacant historic school buildings. The buildings have been out of service for many years and will require extensive renovation. Accordingly, they are considered “shell” buildings. The larger building reportedly contains 38,214 square feet and the smaller building reportedly contains 14,058 square feet. The buildings are reportedly historic and cannot be razed. Photographs of the Subject are found in the Addenda.

Drainage:

Appears adequate, however, no specific tests were performed.

Soil and Subsoil Conditions:

We were not provided with soil surveys. We assume the soils will support the proposed use at the site.

Zoning:

The vacant parcels located across the street from the main school property are zoned R-B-1 Residential-Business. According to the ordinance, “the purpose of this district shall be to create an area in which certain types of convenience-shopping-retail sales and service uses can be established and at the same time prevent nuisances or hazards created by vehicular movement, noise or fume generation, or high intensity use detrimental to adjacent residential development.” The main school site and adjacent vacant land is zoned RIP-B, Residential, Medium Density. This zoning allows for multifamily development by right.

Flood Plain:

According to FEMA Flood information, the Subject site is within community panel number 135163 0162F dated September 26, 2008. The Subject site located in Zone X, which is outside the 100 and 500-year floodplains.

Environmental:

We were not provided with an environmental assessment report. We did not observe any obvious environmental hazards during our site inspection. However, we are not experts within this field.

Detrimental Influences:

We are not aware of any potential detrimental influences.

Conclusion:

The Subject sites have rectangular shapes and frontage on several neighborhood streets. Based on the Subject’s physical characteristics and the surrounding land use pattern, the Subject appears well suited for residential development.

HIGHEST AND BEST USE ANALYSIS

HIGHEST AND BEST USE ANALYSIS

Highest and Best Use is defined as: "The reasonably probable and legal use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity."²

Investors continually attempt to maximize profits on invested capital. The observations of investor activities in the area are an indication of that use which can be expected to produce the greatest net return to the land. The principle of conformity holds, in part, that conformity in use is usually a highly desirable adjunct of real property, since it generally helps create and/or maintains maximum value.

It is to be recognized that in cases where a site has existing improvements on it, the highest and best use may very well be determined to be different from the existing use. The existing use will continue, however, unless and until land value in its highest and best use exceeds the total value of the property in its existing use. Implied in this definition is that the determination of highest and best use takes into account the contribution of a specific use to the community and community development goals as well as the benefits of that use to individual property owners. The principle of Highest and Best Use may be applied to the site if vacant and to the site as it is improved.

The Highest and Best Use determination is a function of neighborhood land use trends, property size, shape, zoning, and other physical factors, as well as the market environment in which the property must compete. In arriving at the estimate of highest and best use, the Subject site was analyzed as is, available for development.

Four tests are typically used to determine the highest and best use of a particular property. Thus, the following areas are addressed.

1. **Physically Possible:** The uses to which it is physically possible to put on the site in question.
2. **Legally Permissible:** The uses that are permitted by zoning and deed restrictions on the site in question.
3. **Feasible Use:** The possible and permissible uses that will produce any net return to the owner of the site.
4. **Maximally Productive:** Among the feasible uses, the use that will produce the highest net return or the highest present worth.

HIGHEST AND BEST USE AS VACANT

This analysis analyzes the highest and best use of the Subject property as if vacant. It is worth noting that the existing school buildings are considered contributing historic structures and cannot be razed.

Physically Possible

The Subject sites contain a total of 1.93 acres. However, approximately 0.35 acre of the total is comprised of the vacant parcels at the southwest corner of Waters Avenue and Anderson Street, which are not contiguous to the main site. The main site supporting the school and the adjacent vacant land contains approximately 1.58 acres. All of the sites are generally level and have ample

² Source: Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015).

frontage. In addition, the property is not located in a flood hazard area. Based on this, the sites could support a number of uses.

Legally Permissible

The vacant parcels located at the southwest corner of Waters Avenue and Anderson Street are zoned R-B-1 Residential-Business. According to the ordinance, “the purpose of this district shall be to create an area in which certain types of convenience-shopping-retail sales and service uses can be established and at the same time prevent nuisances or hazards created by vehicular movement, noise or fume generation, or high intensity use detrimental to adjacent residential development.” The main school site and adjacent vacant land is zoned RIP-B, Residential, Medium Density. This zoning allows for multifamily development by right. The location of the Subject within the neighborhood points to a residential use as being most likely.

Financially Feasible

The cost of the land limits those uses that are financially feasible for the site. Any use of the Subject site that provides a financial return to the land in excess of the cost of the land are those uses that are financially feasible.

The Subject’s feasible uses are restricted to those that are physically and legally possible. As previously noted, the Subject’s locational characteristics point to a residential use. In addition, the zoning covering the majority of the property allows for medium density residential. Given the Subject’s location, market rate multifamily development is not considered feasible. Evidence of this is seen in the fact that the only recent multifamily development in the area in recent years has been apartments constructed with low income housing tax credits (LIHTCs) or other forms of gap subsidy.

Maximally Productive

Based upon our analysis, new market rate construction is not financially feasible. Affordable housing development is not financially feasible without some type of gap funding or subsidy. No alternative use is considered feasible. As a result, the maximally productive use is to develop affordable housing with some form of gap subsidy.

Conclusion

The Subject’s highest and best use “as if vacant” is to hold for future development when market rents rise to the level of cost feasibility. Alternatively, a multifamily rental property would be feasible with gap financing such as tax exempt bonds and tax credits.

HIGHEST AND BEST USE “AS IMPROVED”:

The Subject is currently improved with two historic school buildings that, according to the City, are considered contributing historic structures and cannot be razed. Accordingly, renovation/adaptive reuse is considered to be the highest and best use of the property as improved, most likely as a multifamily use with gap subsidy. This is consistent with the owner’s intended use of the property.

APPRAISAL METHODOLOGY

APPRAISAL METHODOLOGY

VALUATION ANALYSIS

The valuation process begins with an estimate of the highest and best use of the Subject site considered as though vacant, and as improved. Once determined the property is then valued according to its highest and best use. Contemporary appraisers usually gather and process data according to the discipline of the three approaches to value.

The cost approach consists of a summation of land value (as though vacant) and the cost to reproduce or replace the improvements, less appropriate deductions for depreciation. Reproduction cost is the cost to construct a replica of the Subject improvements. Replacement cost is the cost to construct improvements having equal utility.

The sales comparison approach involves a comparison of the appraised property with similar properties that have sold recently. When properties are not directly comparable, sale prices may be broken down into units of comparison, which are then applied to the Subject for an indication of its likely selling price.

The income capitalization approach involves an analysis of the investment characteristics of the property under valuation. The earnings' potential of the property is carefully estimated and converted into an estimate of the property's market value.

Applicability to the Subject

The Subject site is improved with a vacant historic school building. The buildings have been out of service for many years and will require extensive renovation. Accordingly, they are considered “shell” buildings. We relied on the sales comparison approach to determine the underlying land value and the cost approach to determine the contributory value of the improvements.

COST APPROACH

COST APPROACH

The employment of the Cost Approach in the valuation process is based on the principle of substitution. Investors in the marketplace do not typically rely upon the cost approach. As a result, the cost approach is considered to have only limited use in the valuation of the Subject property. The cost approach is considered to be a useful tool and provides the reader with a measure of the economic status within the marketplace. The principle may be stated as follows:

“No one is justified in paying more for a property than that amount by which he can obtain, by purchase of a site and construction of a building, without undue delay, a property of equal desirability and utility. In the case of a building that is new, the disadvantages of deficiencies of the existing building are compared with a new building that must be evaluated.”

The Cost Approach normally consists of four steps:

1. The estimate of the land's value As Is.
2. The estimate of the current cost of replacing the existing improvements.
3. The estimate and deduction of depreciation from all causes if applicable.
4. The addition to the value of the land and the depreciated value of the improvements.

Replacement cost is defined as the cost of creating a similar building or improvement on the basis of current price using modern materials. It should be noted that the budget exhibited is for development of a rent restricted LIHTC property. Many of the costs for obtaining the tax credits are included. The value of the tax credits is best illustrated through a discounted cash flow analysis which is beyond the scope of this assignment. The budgeted costs will be adjusted to reflect a market value not inclusive of the tax credit value. It will be primarily used as support for our highest and best use determination.

LAND VALUATION

To arrive at an estimated land value for the Subject site, we the appraiser has analyzed actual sales of comparable properties in the greater market area. These are the most recent sales from which we were able to ascertain relevant development details.

No two parcels of land are alike; therefore, these sales have been adjusted for various factors including location, size, shape, topography, utility, and marketability. The adjustments made are the result of a careful analysis of market data, as well as interviews with various informed buyers, sellers, real estate brokers, builders and lending institutions. The following pages outline our findings.

The sales comparison approach typically reflects the actions of buyers and sellers in the marketplace and serves as an excellent benchmark as to what a potential buyer would be willing to pay for the Subject property. We researched the Subject's market area for recent sales of comparable vacant land sales. From our research, we selected the best transactions available that represent the most recent competitive alternative sales or contracts in the marketplace. It is important to note that there was a lack of recent vacant land sales proposed for multifamily in the Subject's area. We endeavored to identify more recent comparable sales, but extended the time period of our search to include older

sales with slightly inferior market conditions due to the lack of more recent comparable data. Overall, we believe the data set provides a reasonable basis for developing our estimate of value.

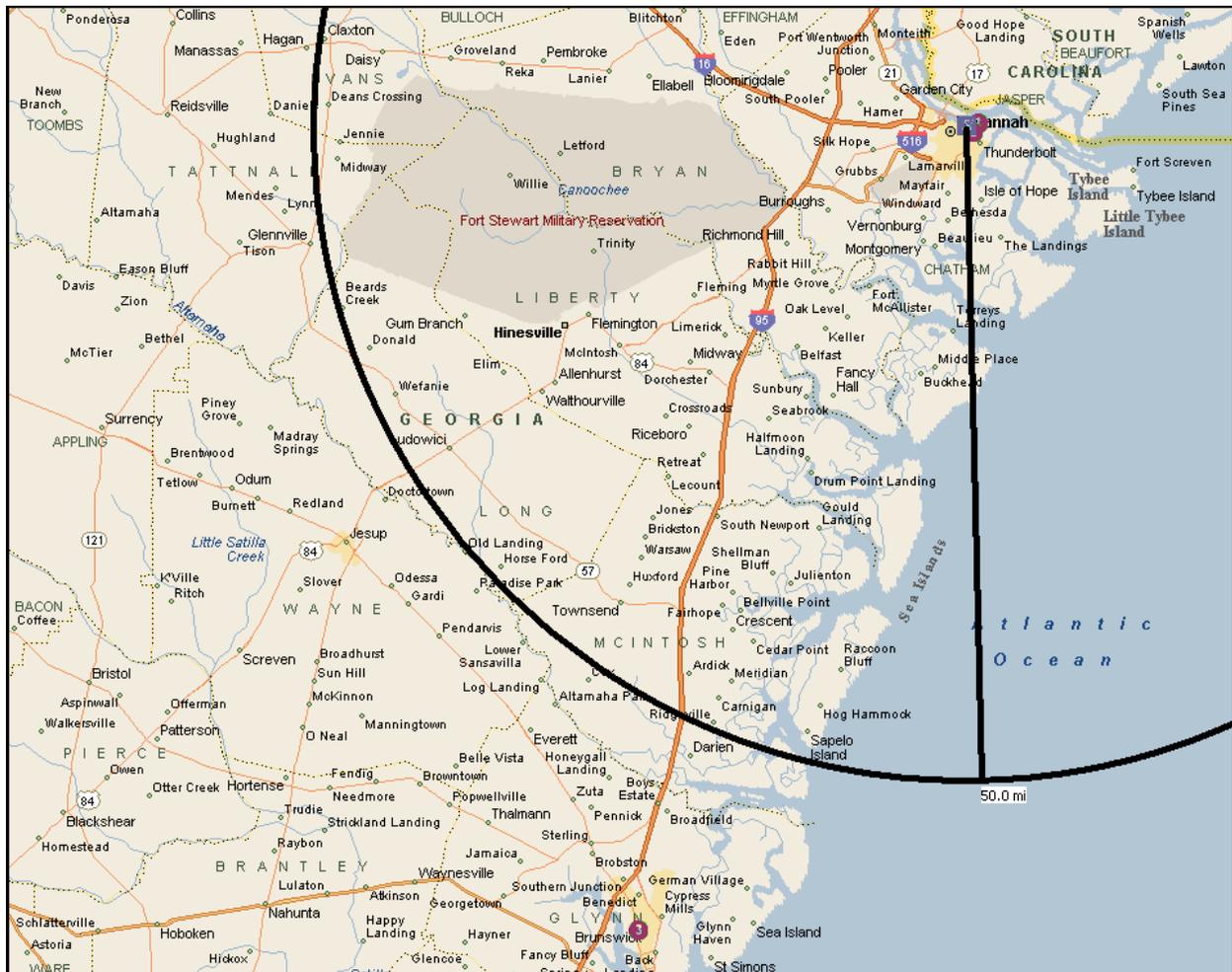
Throughout our conversations with market participants and buyers and sellers of the comparable sales, the respondents indicated that the purchase price is typically based upon a price per unit. This is typical of the multifamily market and will be used as a basis for analysis. The table on the following page indicates a range in price from approximately \$10,000 to \$11,039 per unit. A location map is also presented following.

Comparable Sales

The selected sales are summarized in a following table; the sale prices identified in the table have been adjusted for cash-equivalency, when appropriate. The sales are summarized and mapped as follows:

COMPARABLE LAND SALES

#	Location	City	Sale Date	Price	Acres	Units	Price/Unit
1	2010 E. President Street	Savannah, GA	Jul-14	\$2,145,000	16.2	323	\$6,641
2	514 Pennsylvania Ave.	Savannah, GA	Dec-13	\$1,140,000	5	114	\$10,000
3	3412 Norwich Street	Brunswick, GA	May-13	\$500,000	4.7	52	\$9,615



Land Sale 1



Location: 2010 E. President Street
Savannah, GA

Buyer: Mariner Group Ltd.
Seller: JS&H Enterprises LP
Sale Date: July-14
Sale Price: \$2,145,000
Financing: Cash

Number of Units: 323
Site: Acre(s) 16.230
 Square Footage 706,979
 Density 19.9
Zoning Multifamily
Corner Yes
Topography Level
Shape Rectangular

Sale Price: Per Unit \$6,641
 Per Acre \$132,163
 Per SF \$3.03

Comments:
 This land was purchased to construct a proposed 323 unit market rate apartment community to be called Mariner Grove.

Verification: Public Records, Seller, Management

Land Sale 2



Location: 514 Pennsylvania Ave.
Savannah, GA

Buyer: Mercy Housing Southeast, Inc.
Seller: CHSA Development, Inc.
Sale Date: December-13
Sale Price: \$1,140,000
Financing: Cash

Number of Units: 114
Site: Acre(s) 4.960
 Square Footage 216,058
 Density 23.0
Zoning Multifamily
Corner No
Topography Level
Shape Rectangular

Sale Price: Per Unit \$10,000
 Per Acre \$229,839
 Per SF \$5.28

Comments:
 The site was developed with a LIHTC/market property known as Savannah Gardens Phase IV, which opened in January 2015.

Verification: Public Record, Buyer, Management

Land Sale 3



Land Sale 2

Location: 3412 Norwich St
Brunswick, GA

Buyer: Norwich Commons LP

Seller: Brunswick Downtown Development

Sale Date: May-13

Sale Price: \$500,000

Financing: Cash

Number of Units: 52

Site: Acre(s) 4.710
Square Footage 205,168

Zoning Multifamily

Corner No

Topography Level

Shape Irregular

Sale Price: Per Unit \$9,615
Per Acre \$106,157
Per SF \$2.44

Comments:
This site was purchased to construct a 52-unit affordable multifamily property. Based on our research, the property completed construction in 2014 and is known as Norwich Commons.

Verification: Glynn County Assessor, Public Records

Comparable Land Data Adjustment Grid				
	Subject	1	2	3
Location	Anderson Street at Waters Avenue	2010 E. President Street	514 Pennsylvania Ave.	3412 Norwich Street
City, State	Savannah, GA	Savannah, GA	Savannah, GA	Brunswick, GA
Parcel Data				
Zoning	Residential	Multifamily	Multifamily	Multifamily
Topography	Level	Similar	Similar	Similar
Shape	Rectangular	Similar	Similar	Similar
Corner	Yes	Yes	Yes	Yes
Size (SF)	84,071	705,672	217,800	205,168
Size (Acres)	1.93	16.2	5	4.7
Units	57	323	114	52
Units Per Acre	30	30	23	11
Sales Data				
Date		Jul-14	Dec-13	May-13
Interest		Fee Simple	Fee Simple	Fee Simple
Price		\$2,145,000	\$1,140,000	\$500,000
Price per Unit		\$6,641	\$10,000	\$9,615
Adjustments				
Property Rights		0	0	0
		\$2,145,000	\$1,140,000	\$500,000
Financing		0	0	0
		\$2,145,000	\$1,140,000	\$500,000
Conditions of Sale		0	0	0
		\$2,145,000	\$1,140,000	\$500,000
Market Conditions		1.0	1.0	1.0
Adjusted Sale Price		\$2,145,000	\$1,140,000	\$500,000
Adjusted Price Per Unit		\$6,641	\$10,000	\$9,615
Adjustments				
Location/Access		0.0%	0.0%	5.0%
Zoning / Density		0.0%	0.0%	0.0%
Site Restrictions		0.0%	0.0%	0.0%
Topography		0.0%	0.0%	0.0%
Shape		0.0%	0.0%	0.0%
Size		5.0%	5.0%	0.0%
Overall Adjustment		5.0%	5.0%	5.0%
Adjusted Price Per Unit		\$6,973	\$10,500	\$10,096
Low	\$6,973			
High	\$10,500			
Mean	\$9,190			
Median	\$10,096			
Conclusion	\$7,000	x	57	\$399,000
Rounded				\$400,000

EXPLANATION OF ADJUSTMENTS***Property Rights Conveyed***

All of the sales used in this analysis represent the conveyance of the fee simple interest in the respective properties. Therefore, no adjustment is applied to any of the sales under this adjustment category.

Financing

If applicable, the comparable sales must be adjusted for financing terms. The adjustment renders the sale price to cash equivalent terms. All of the sales are considered to be cash equivalent and no adjustment is necessary.

Conditions of Sale

This adjustment is used if there are any unusual circumstances surrounding the transactions such as foreclosures, bulk sales, related parties, assemblages, etc. All of the comparable sales are considered to be market-oriented, arms-length transactions. As a result, no additional adjustments are needed.

Market Conditions

Real estate values change over time. The rate of this change fluctuates due to investors' perceptions and responses to prevailing market conditions. This adjustment category reflects market differences occurring between the effective date of the appraisal and the sale date of comparables, when values have appreciated or depreciated. We have analyzed sale/resale data of tracts, and considered the changes in market conditions of residential properties. The following table illustrates capitalization rate trends since early 2003.

PwC Real Estate Investor Survey - National Apartment Market					
Overall Capitalization Rate - Institutional Grade Investments					
Quarter	Cap Rate	Change (bps)	Quarter	Cap Rate	Change (bps)
1Q03	8.14	-	4Q09	8.03	0.19
2Q03	7.92	-0.22	1Q10	7.85	-0.18
3Q03	7.61	-0.31	2Q10	7.68	-0.17
4Q03	7.45	-0.16	3Q10	7.12	-0.56
1Q04	7.25	-0.20	4Q10	6.51	-0.61
2Q04	7.13	-0.12	1Q11	6.29	-0.22
3Q04	7.05	-0.08	2Q11	6.10	-0.19
4Q04	7.01	-0.04	3Q11	5.98	-0.12
1Q05	6.74	-0.27	4Q11	5.80	-0.18
2Q05	6.52	-0.22	1Q12	5.83	0.03
3Q05	6.28	-0.24	2Q12	5.76	-0.07
4Q05	6.13	-0.15	3Q12	5.74	-0.02
1Q06	6.07	-0.06	4Q12	5.72	-0.02
2Q06	6.01	-0.06	1Q13	5.73	0.01
3Q06	5.98	-0.03	2Q13	5.70	-0.03
4Q06	5.97	-0.01	3Q13	5.61	-0.09
1Q07	5.89	-0.08	4Q13	5.80	0.19
2Q07	5.80	-0.09	1Q14	5.79	-0.01
3Q07	5.76	-0.04	2Q14	5.59	-0.20
4Q07	5.75	-0.01	3Q14	5.51	-0.08
1Q08	5.79	0.04	4Q14	5.36	-0.15
2Q08	5.75	-0.04	1Q15	5.36	0.00
3Q08	5.86	0.11	2Q15	5.30	-0.06
4Q08	6.13	0.27	3Q15	5.39	0.09
1Q09	6.88	0.75	4Q15	5.35	-0.04
2Q09	7.49	0.61	1Q16	5.35	0.00
3Q09	7.84	0.35			

Source: PwC Real Estate Investor Survey, Q1 2016

Each of the sales occurred since the second quarter of 2013 and market conditions have been generally stable since that time. Accordingly, no adjustments for market conditions are warranted.

Location

Location encompasses a number of issues, including location within different market areas with different supply/demand pressures, the character/condition of surrounding development, access, and visibility. It is important to assess which factors truly impact value for different types of real estate.

LOCATION COMPARISON

Property	Zip Code	Median Household Income	Median Gross Rent
Subject	31404	\$31,263	\$864
Sale 1	31404	\$31,263	\$864
Sale 2	31404	\$31,263	\$864
Sale 3	31520	\$27,670	\$715

Source: 2016 American Community Survey

Sales 1 and 2 are located in the same zip code as the Subject site in similar locations. Sale 3 is located in an area with a slightly lower median household income and a slightly lower median gross rent, indicating a slightly inferior location. We have adjusted Sale 3 upward by five percent to account for the slightly inferior location.

Access/Exposure

The Subject is located in an interior location within a residential area, similar to Sales 2 and 3. Sale 1 has a generally inferior location, as it is located adjacent to several industrial plants. We have applied an upward adjustment of 20 percent to Sale 1.

Zoning

All of the land sales' zoning permits multifamily development; therefore no adjustments are necessary.

Topography

The Subject site is generally level, similar to all three sales; therefore, no adjustments are necessary.

Shape

The Subject site and all the comparables have functional shapes; therefore, no adjustments are warranted.

Size/Number of Units

With respect to size, the pool of potential purchasers decreases as property size (and purchase price) increases. The pricing relationship is not linear and certain property sizes, while different, may not receive differing prices based on the grouping within levels. In this instance, Sales 1 and 2 have a larger number of units. Therefore we have adjusted these sales upwards by five percent. Sale 3 has a similar number of proposed units when compared to the Subject site, and thus no adjustment is necessary for this comparable.

Land Value Conclusion

The adjusted sales range from \$6,973 to \$10,500 per unit. The sales reflect a mean of \$9,190 per unit and a median of \$10,096 per unit. Given the Subject's physical characteristics, most notably the fact that it is comprised of two parcels, we have concluded to a land value for the Subject of \$7,000 per unit, which is within the adjusted range of these comparables.

Therefore, as a result of our investigation and analysis, it our opinion that, subject to the limiting conditions and assumptions contained herein, the estimated value of the land, as if vacant, as of May 3, 2016, is:

**FOUR HUNDRED THOUSAND DOLLARS
(\$400,000)**

AS IS VALUATION

According to information provided by the borrower, the existing shell buildings contain 52,272 gross square feet. The buildings were constructed in the 1920s and have been vacant for many years. They will require extensive renovation. However, the building shell is considered to contribute nominal value.

Cost estimates were established according to M&S valuations and assumed 15 percent of the shell buildings would be used. The indicated cost of the shell improvements is calculated as follows:

Construction Cost Estimate		
Marshall & Swift Shell (psf)	\$54.05	Class D, Masonry Veneer
Current Cost Multipliers	1.00	
Local Multiplier	1.03	per M&S
Gross Area (square feet)	52,272	
Construction Costs	\$2,910,061	
Percentage of Shell Complete	15%	
Adjusted Shell Construction Cost	\$436,509	
Adjusted Shell Construction Cost (Rounded)	\$400,000	

The indicated contributory value of the shell improvements by this technique is \$400,000. However, the property sold in April 2015 for \$615,000. Based on the previously estimated land value of \$400,000, this indicates a contributory value for the improvements of \$215,000. Given that the sale occurred recently, considerable emphasis is placed on it as an indicator and the final estimated contributory value of the improvements is concluded to be \$250,000.

The following table outlines the value of the shell buildings and the value of the land.

AS IS VALUE			
Scenario	No. of Units	Price Per Unit	Indicated Value (Rounded)
Land Value - As If Vacant	57	\$7,000	\$400,000
Shell Value			<u>\$250,000</u>
As Is Value			\$650,000

As a result of our analysis, the Subject’s “As Is” fee simple value as of May 12, 2016, is:

SIX HUNDRED FIFTY THOUSAND DOLLARS
(\$650,000)

Exposure Time: Nine – 12 Months

Marketing Period: Nine – 12 Months

ADDENDUM A

Assumptions & Limiting Conditions and Certification

ASSUMPTIONS AND LIMITING CONDITIONS

1. In the event that the client provided a legal description, building plans, title policy and/or survey, etc., the appraiser has relied extensively upon such data in the formulation of all analyses.
2. The legal description as supplied by the client is assumed to be correct and the author assumes no responsibility for legal matters, and renders no opinion of property title, which is assumed to be good and merchantable.
3. All encumbrances, including mortgages, liens, leases, and servitudes, were disregarded in this valuation unless specified in the report. It was recognized, however, that the typical purchaser would likely take advantage of the best available financing, and the effects of such financing on property value were considered.
4. All information contained in the report, which others furnished, was assumed to be true, correct, and reliable. A reasonable effort was made to verify such information, but the author assumes no responsibility for its accuracy.
5. The report was made assuming responsible ownership and capable management of the property.
6. The sketches, photographs, and other exhibits in this report are solely for the purpose of assisting the reader in visualizing the property. The author made no property survey, and assumes no liability in connection with such matters. It was also assumed there is no property encroachment or trespass unless noted in the report.
7. The author of this report assumes no responsibility for hidden or unapparent conditions of the property, subsoil, or structures, or the correction of any defects now existing or that may develop in the future. Equipment components were assumed in good working condition unless otherwise stated in this report.
8. It is assumed that there are no hidden or unapparent conditions for the property, subsoil, or structures, which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering, which may be required to discover such factors.
9. The investigation made it reasonable to assume, for report purposes, that no insulation or other product banned by the Consumer Product Safety Commission has been introduced into the Subject premises. Visual inspection by the appraiser did not indicate the presence of any hazardous waste. It is suggested the client obtain a professional environmental hazard survey to further define the condition of the Subject soil if they deem necessary.
10. Any distribution of total property value between land and improvements applies only under the existing or specified program of property utilization. Separate valuations for land and buildings must not be used in conjunction with any other study or appraisal and are invalid if so used.

11. A valuation estimate for a property is made as of a certain day. Due to the principles of change and anticipation, the value estimate is only valid as of the date of valuation. The real estate market is non-static and change and market anticipation is analyzed as of a specific date in time and is only valid as of the specified date.
12. Possession of the report, or a copy thereof, does not carry with it the right of publication, nor may it be reproduced in whole or in part, in any manner, by any person, without the prior written consent of the author particularly as to value conclusions, the identity of the author or the firm with which he or she is connected. Neither all nor any part of the report, or copy thereof shall be disseminated to the general public by the use of advertising, public relations, news, sales, or other media for public communication without the prior written consent and approval of the appraiser. Nor shall the appraiser, firm, or professional organizations of which the appraiser is a member be identified without written consent of the appraiser.
13. Disclosure of the contents of this report is governed by the Bylaws and Regulations of the professional appraisal organization with which the appraiser is affiliated: specifically, the Appraisal Institute.
14. The author of this report is not required to give testimony or attendance in legal or other proceedings relative to this report or to the Subject site unless satisfactory additional arrangements are made prior to the need for such services.
15. The opinions contained in this report are those of the author and no responsibility is accepted by the author for the results of actions taken by others based on information contained herein.
16. Opinions of value contained herein are estimates. There is no guarantee, written or implied, that the Subject site will sell or lease for the indicated amounts.
17. All applicable zoning and use regulations and restrictions are assumed to have been complied with, unless nonconformity has been stated, defined, and considered in the appraisal report.
18. It is assumed that all required licenses, permits, covenants or other legislative or administrative authority from any local, state, or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
19. On all appraisals, Subject to satisfactory completion, repairs, or alterations, the appraisal report and value conclusions are contingent upon completion of the improvements in a workmanlike manner and in a reasonable period of time. A final inspection and value estimate upon the completion of said improvements should be required.
20. All general codes, ordinances, regulations, or statutes affecting the property have been and will be enforced and the property is not Subject to flood plain or utility restrictions or moratoriums except as reported to the appraiser and contained in this report.

21. The party for whom this report is prepared has reported to the appraiser there are no original existing condition or development plans that would Subject this property to the regulations of the Securities and Exchange Commission or similar agencies on the state or local level.
22. Unless stated otherwise, no percolation tests have been performed on this property. In making the appraisal, it has been assumed the property is capable of passing such tests so as to be developable to its highest and best use, as detailed in this report.
23. No in-depth inspection was made of existing plumbing (including well and septic), electrical, or heating systems. The appraiser does not warrant the condition or adequacy of such systems.
24. No in-depth inspection of existing insulation was made. It is specifically assumed no Urea Formaldehyde Foam Insulation (UFFI), or any other product banned or discouraged by the Consumer Product Safety Commission has been introduced into the appraised property. The appraiser reserves the right to review and/or modify this appraisal if said insulation exists on the Subject site.
25. Acceptance of and/or use of this report constitute acceptance of all assumptions and the above conditions. Estimates presented in this report are not valid for syndication purposes.

CERTIFICATION

The undersigned hereby certify that, to the best of our knowledge and belief:

- The statements of fact contained in this report are true and correct;
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, conclusions, and recommendations;
- We have no present or prospective interest in the property that is the subject of this report, and we have no personal interest with respect to the parties involved;
- We are currently completing a market study involving the proposed improvements on the Subject site. We have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment;
- We have no bias with respect to any property that is the subject of this report or to the parties involved with this assignment;
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results;
- Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal;
- Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice;
- Edward Mitchell, MAI made a personal inspection of the Subject and comparable market data. Brad Weinberg, MAI, CVA, CCIM oversaw all data collection and reporting in this appraisal. No one other than those listed on this page provided any significant real property appraisal assistance.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives. As of the date of this report, Brad Weinberg and Edward Mitchell have completed the requirements of the continuing education program of the Appraisal Institute.



Edward R. Mitchell, MAI
Manager – Valuation
GA State Certified Appraiser #4649
Ed.Mitchell@novoco.com
(678) 867-2333



Brad Weinberg, MAI, CVA, CCIM
Partner

ADDENDUM B
Subject Photographs



Subject (existing building)



Subject (existing building)



Subject (existing building)



Subject (existing building)



Green space and concrete pad on Subject site



Subject (vacant SW corner lot)



Parking lot and single-family homes adjacent to existing building



Multifamily building immediately west of Subject



View east on E. Anderson St.



View west on E. Anderson St.



View north on Waters Ave.



View south on Waters Ave.

ADDENDUM C
Qualifications of Appraisers

STATEMENT OF PROFESSIONAL QUALIFICATIONS

EDWARD R. MITCHELL, MAI

I. Education

Master of Science – Financial Planning
University of Alabama, Tuscaloosa, Alabama

Graduate Certificate (Half Master's) Conflict Management, Negotiation, and Mediation
University of Alabama, Tuscaloosa, Alabama

Bachelor of Science – Human Environmental Science
University of Alabama, Tuscaloosa, Alabama

Associate of Arts – Real Estate Management
San Antonio College, San Antonio, Texas

II. Work History

Manager - Valuation; Novogradac & Company LLP; Atlanta, Georgia
Senior Real Estate Analyst; Novogradac & Company LLP; Atlanta, Georgia
Senior Appraiser; Valbridge Property Advisors; Atlanta, Georgia
Managing Partner; Consolidated Equity, Inc.; Atlanta, Georgia and Jacksonville, Florida
Senior Appraiser; Schultz, Carr, Bissette & Associates; Atlanta, Georgia
Disposition Manager; Resolution Trust Corporation (RTC); San Antonio & Dallas, Texas

III. Relevant Experience

- Managed and prepared market studies and appraisals throughout the U.S. for family and senior Low-Income Housing Tax Credit (LIHTC), market rate, HOME financed, USDA Rural Development, and HUD subsidized properties.
- Managed and prepared HUD rent comparability studies (RCS).
- Performed HUD MAP Quality Control market study and appraisal reviews.
- Over 20 years' experience in real estate appraisal, investment, development, and construction. Past appraisal assignments include all types of vacant and improved commercial property and special use properties such as rail corridors, Right-of-Way projects, and recycling plants.

IV. Certifications & Licenses

- Alabama State Certified General Real Property Appraiser #G01192
- Florida State Certified General Real Property Appraiser #RZ3784
- Georgia State Certified General Real Property Appraiser #4649
- Mississippi State Certified Real Property Appraiser #GA 1135
- North Carolina State Certified General Real Property Appraiser #A7996
- South Carolina State Certified General Property Appraiser #7354
- West Virginia State Certified Real Property Appraiser #CG 524
- Licensed Real Estate Salesperson (Georgia)

CURRICULUM VITAE
BRAD E. WEINBERG, MAI, CVA, CCIM

I. Education

University of Maryland, Masters of Science in Accounting & Financial Management
University of Maryland, Bachelors of Arts in Community Planning

II. Licensing and Professional Affiliations

MAI Member, Appraisal Institute, No. 10790
Certified Investment Member (CCIM), Commercial Investment Real Estate Institute
Certified Valuation Analyst (CVA), National Association of Certified Valuers and Analysts (NACVA)

Member, Urban Land Institute

Member, National Council of Housing Market Analysts (NCHMA)

State of Alabama – Certified General Real Estate Appraiser, No. G00628

State of Connecticut – Certified General Real Estate Appraiser, No. RCG.0001439

Washington, D.C. – Certified General Real Estate Appraiser; No. GA10340

State of Florida – Certified General Real Estate Appraiser; No. RZ3249

State of Georgia – Certified General Real Property Appraiser; No. 221179

State of Maine – Certified General Real Estate Appraiser, No. CG3435

State of Maryland – Certified General Real Estate Appraiser; No. 6048

Commonwealth of Massachusetts – Certified General Real Estate Appraiser; No. 103769

State of Michigan – Certified General Real Estate Appraiser, No. 1201074327

State of Nebraska – Certified General Real Estate Appraiser, No. CG2015008R

State of New Jersey – Certified General Real Estate Appraiser; No. 42RG00224900

State of Ohio – Certified General Real Estate Appraiser; No. 2006007302

State of Pennsylvania – Certified General Real Estate Appraiser; No. GA004111

State of South Carolina – Certified General Real Estate Appraiser; No. 4566

III. Professional Experience

Partner, Novogradac & Company LLP

President, Capital Realty Advisors, Inc.

Vice President, The Community Partners Realty Advisory Services Group, LLC

President, Weinberg Group, Real Estate Valuation & Consulting

Manager, Ernst & Young LLP, Real Estate Valuation Services

Senior Appraiser, Joseph J. Blake and Associates

Senior Analyst, Chevy Chase F.S.B.

Fee Appraiser, Campanella & Company

IV. Professional Training

Appraisal Institute Coursework and Seminars Completed for MAI Designation and Continuing Education Requirements

Commercial Investment Real Estate Institute (CIRESI) Coursework and Seminars
Completed for CCIM Designation and Continuing Education Requirements

V. Speaking Engagements and Authorship

Numerous speaking engagements at Affordable Housing Conferences throughout the Country
Participated in several industry forums regarding the Military Housing Privatization Initiative

Authored "New Legislation Emphasizes Importance of Market Studies in Allocation Process," *Affordable Housing Finance*, March 2001

VI. Real Estate Assignments

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

- On a national basis, conduct market studies and appraisals for proposed Low-Income Housing Tax Credit properties. Analysis includes preliminary property screenings, market analysis, comparable rent surveys, demand analysis based on the number of income qualified renters in each market, supply analysis and operating expense analysis to determine appropriate cost estimates.
- On a national basis, conduct market studies and appraisals of proposed new construction and existing properties under the HUD Multifamily Accelerated Processing program. This includes projects under the 221(d)3, 221(d)4, 223(f), and 232 programs.
- Completed numerous FannieMae and FreddieMac appraisals of affordable and market rate multifamily properties for DUS Lenders.
- Managed and completed numerous Section 8 Rent Comparability Studies in accordance with HUD's Section 9 Renewal Policy and Chapter 9 for various property owners and local housing authorities.
- Developed a Flat Rent Model for the Trenton Housing Authority. Along with teaming partner, Quadel Consulting Corporation, completed a public housing rent comparability study to determine whether the flat rent structure for public housing units is reasonable in comparison to similar, market-rate units. THA also requested a flat rent schedule and system for updating its flat rents. According to 24 CFR 960.253, public housing authorities (PHAs) are required to establish flat rents, in order to provide residents a choice between paying a "flat" rent, or an "income-based" rent. The flat rent is based on the "market rent", defined as the rent charged for a comparable unit in the private, unassisted market at which a PHA could lease the public housing unit after preparation for occupancy. Based upon the data collected, the consultant will develop an appropriate flat rent schedule, complete with supporting documentation outlining the methodology for determining and applying the rents. We developed a system that THA can implement to update the flat rent schedule on an annual basis.

- As part of an Air Force Privatization Support Contractor team (PSC) to assist the Air Force in its privatization efforts. Participation has included developing and analyzing housing privatization concepts, preparing the Request for Proposal (RFP), soliciting industry interest and responses to housing privatization RFP, Evaluating RFP responses, and recommending the private sector entity to the Air Force whose proposal brings best value to the Air Force. Mr. Weinberg has participated on numerous initiatives and was the project manager for Shaw AFB and Lackland AFB Phase II.
- Conducted housing market analyses for the U.S. Army in preparation for the privatization of military housing. This is a teaming effort with Parsons Corporation. These analyses were done for the purpose of determining whether housing deficits or surpluses exist at specific installations. Assignment included local market analysis, consultation with installation housing personnel and local government agencies, rent surveys, housing data collection, and analysis, and the preparation of final reports.
- Developed a model for the Highland Company and the Department of the Navy to test feasibility of developing bachelor quarters using public-private partnerships. The model was developed to test various levels of government and private sector participation and contribution. The model was used in conjunction with the market analysis of two test sites to determine the versatility of the proposed development model. The analysis included an analysis of development costs associated with both MILCON and private sector standards as well as the potential market appeal of the MILSPECS to potential private sector occupants.