HUNTER BAY APARTMENTS

61 Hunter Street

York, York County,

South Carolina 29745

FOR:
MS. LAURA NICHOLSON
LIHTC PROGRAM MANAGER
S.C. STATE HOUSING AND FINANCE DEVELOPMENT AUTHORITY
300-C OUTLET POINTE BOULEVARD
ROCK HILL, SC 29210

BY:
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April 12, 2006

Ms. Laura Nicholson
LIHTC Program Manager
S.C. State Housing and Finance
Development Authority
300-C Outlet Pointe Boulevard
Rock Hill, SC 29210

File #: 06-116

RE: Market Study for the adaptive re-use of the 35-unit Hunter Bay Apartments located at 61 Hunter Street, York, York County, South Carolina 29745

Dear Ms. Nicholson:

The attached market study has been prepared for the sole use of and is the exclusive property of the South Carolina State Housing and Finance Development Authority (SCSH&FDA). **The market study has been prepared to assist the SCSH&FDA in making decisions regarding the allocation of Low Income Housing Tax Credits. The SCSH&FDA may rely upon the content and conclusions stated herein for that specific purpose.**

We certify that the physical inspections, data collection, qualitative and quantitative analysis, and the preparation of this narrative document were completed by Kelli K. Kline, MAI and Dan A. Hyleman, CCIM, both principals of **HKM**ERIDIAN. No one provided significant professional assistance, other than the signatories to the report.

We further certify that we have not been engaged to provide analyses or other information with regard to the 2006 Low Income Housing Tax Credit competition by any individual, entity, organization or corporation other than the SCSH&FDA.

The attached market study is intended to comply with the requirements of the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation and the Code of Professional Ethics of the Appraisal Institute. Your attention is directed to the Limiting Conditions and Assumptions, upon which the analysis and conclusions are contingent.

The proposed Hunter Bay Apartments will be an adaptive re-use of an existing commercial building formerly used as a mill. The mill is now vacant. The proposed development will contain 35 units designed for family occupancy. The proposed unit mix and restricted rents are illustrated in the following chart.

PROJECTED RESTRICTED RENTS
HUNTER BAY APARTMENTS

Allocation	Unit Mix	# Units	Size/SF	Rental Rate	Rental Rate/SF	Utility Allowance	Gross Rents	Gross Rent/SF
20/50	1 BD/1BTH	2	800	$325	$0.41	$86	$437	$0.55
	2 BD/2BTH	5	1,000	$375	$0.38	$103	$478	$0.48
	3BD/2BTH	3	1,200	$475	$0.40	$121	$546	$0.46
40/60	1 BD/1BTH	6	800	$375	$0.47	$86	$461	$0.58
	2 BD/2BTH	13	1,000	$475	$0.78	$103	$578	$0.58
	3BD/2BTH	6	1,200	$575	$0.48	$121	$696	$0.58
Total/Average		**35**	**1,006**	**$452**	**$0.45**		**$553**	**$0.55**

The proposed development is feasible as a low income housing tax credit property. The demographics impacting supply and demand in the PMA indicate current and future demand is sufficient to support new development. The factors impacting this conclusion have been described in detail in the attached report. If you have any questions regarding the attached market study report or need additional information, please contact us immediately. Thank you.

Respectfully submitted,

Kelli K. Kline, MAI
South Carolina State Certified General
Real Estate Appraiser CG 2416

Dan A. Hyleman, CCIM
South Carolina State Apprentice
Real Estate Appraiser AA 802

EXECUTIVE SUMMARY

Name: Hunter Bay Apartments

Location: 61 Hunter Street, York, York County, South Carolina 29745

Census Tract: 0616.02

Construction Type: Adaptive re-use of a former textile mill, one-story, brick veneer, no elevator

Occupancy Type: Family

Unit Mix:

PROJECTED RESTRICTED RENTS HUNTER BAY APARTMENTS								
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Total/Average		**35**	**1,006**	**$452**	**$0.45**		**$553**	**$0.55**

Capture Rate:

Bedrooms	Net Demand	Units Proposed	Capture Rate
1 Bedroom 50% AMI	12	2	16.7%
1 Bedroom 60% AMI	31	6	19.4%
2 Bedroom 50% AMI	29	5	17.2%
2 Bedroom 60% AMI	41	13	31.7%
3 Bedroom 50% AMI	12	3	25.0%
3 Bedroom 60% AMI	17	6	35.3%

Absorption Period: Within three months of completion

Effective Date: April 12, 2006

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ADDENDA

Limiting Conditions and Assumptions
Analyst Qualifications
Definitions
PMA Confirmation e-mail

PURPOSE

Real estate market analysis provides insight and guidance to those involved in real estate development, both in the public and private sectors. The goal of a market analysis is to minimize the risks and maximize the opportunities within a given market. It is an on-going process that provides information during the predevelopment, marketing and disposition of a property. The purpose of the forthcoming analysis is to assist the South Carolina State Housing & Finance Development Authority (SCSHFDA) in assessing the demand for the proposed Hunter Bay Apartments, and the feasibility of developing a multi-family project in the City of York, South Carolina using the low income housing tax credit program.

INTENDED USE AND USERS

This market study has been prepared to assist the SCSHFDA in making decisions regarding the allocation of Low Income Housing Tax Credits. The SCSHFDA may rely upon the content and conclusions stated herein for that specific purpose.

This market study has been prepared for the sole use of and is the exclusive property of the SCSHFDA. This report should not be used for any other purposes without the express permission of **HKM**ERIDAN. Authorized use of this report is limited to the person, persons, agency or firm for whom it is prepared, and **HKM**ERIDAN. The client may not distribute copies of this market study report to third parties, in part or in whole, without the prior written consent of **HKM**ERIDAN.

Possession of the attached market study report, in part or in whole, does not constitute accountability, obligation, or liability to any third party on behalf of **HKM**ERIDAN. Reliance on the data, analysis or conclusions contained within the attached market study report shall be solely at the third parties' risk.

Unauthorized distribution of the attached market study report to third parties is without any warranty or representation, expressed or implied, as to its content, its suitability for any purpose, its accuracy or completeness.

This market study has been completed in accordance with the SCSHFDA guidelines and has been written to comply with the requirements of the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation, and the Code of Professional Ethics of the Appraisal Institute.

SCOPE OF ANALYSIS

The scope of this assignment includes an analysis of the socio-economic factors and real estate market trends that impact the potential for feasible low-income multi-family development. The analysis will include:

- a description of the proposed Hunter Bay Apartments;
- a description of the primary market area and the historical development trends in residential real estate within the market;
- a description of the market area economy and an analysis of the demographic trends that impact demand for residential housing;
- a demand analysis identifying demand generators within the primary market area;
- a supply analysis identifying the existing and future housing inventory;
- a summary of our conclusions based on market interviews, primary research and surveys; and,
- development recommendations for the proposed project based on the estimated net demand, potential capture rate and absorption for the proposed units. Potential changes to the projects design, site plan, pricing and/or amenities necessary to enhance the competitiveness of the project within the market will be addressed, if necessary.

EFFECTIVE DATE

The effective date of the forthcoming analysis is April 12, 2006.

COMPETENCY

Kelli K. Kline, MAI, South Carolina State Certified General Real Estate Appraiser Number CG 2416, has been appraising and analyzing real estate for the past ten years. Dan A. Hyleman, CCIM, South Carolina Apprentice Real Estate Appraiser Number AA 802, has been appraising commercial real estate for the past fifteen years. Combined, Ms. Kline and Mr. Hyleman have prepared numerous appraisals and market studies for multi-family properties located throughout the southeastern United States. The appraisers have met the requirements of the Competency Provision of the USPAP.

PROJECT DESCRIPTION

Name: Hunter Bay Apartments

Location: 61 Hunter Street, York, York County, South Carolina 29745

Census Tract: 0616.02

Construction Type: Adaptive re-use of a former textile mill, one-story, brick veneer, no elevator

Occupancy Type: Family

Target Income Group: 10 units @ 50% AMI
25 units @ 60% AMI
35 units total

Special Needs Population: N/A

Unit Mix:

Bedrooms	Baths	# Units	SF	Proposed Contract Rent	Proposed Utility Allowance	Proposed Gross Rent	Target Income Group
1	1	2	800	$325	$86	$437	50%
1	1	6	800	$375	$86	$461	60%
2	2	5	1,000	$375	$103	$478	50%
2	2	13	1,000	$475	$103	$578	60%
3	2	3	1,200	$475	$121	$546	50%
3	2	6	1,200	$575	$121	$696	60%

Utilities:

Item	Source	Payor
HVAC	Electric	Tenant
Water & Sewer	City of York	Tenant
Telecommunications	Various	Tenant
Trash		Landlord

Structure Type/Design: Garden

Rental Assistance: None; housing choice vouchers will be accepted

Project Amenities:

- **Parking:** 109 paved spaces with curbing
- **Landscaping:** Drought resistance plantings with irrigation, sprinkler system and gazebo
- **Community Building:** Yes; with two computer systems available to tenants, management office and kitchen
- **Laundry Facilities:** Two on-site
- **Playground:** Yes
- **Proposed Support Services:** To be provided by CAHEC

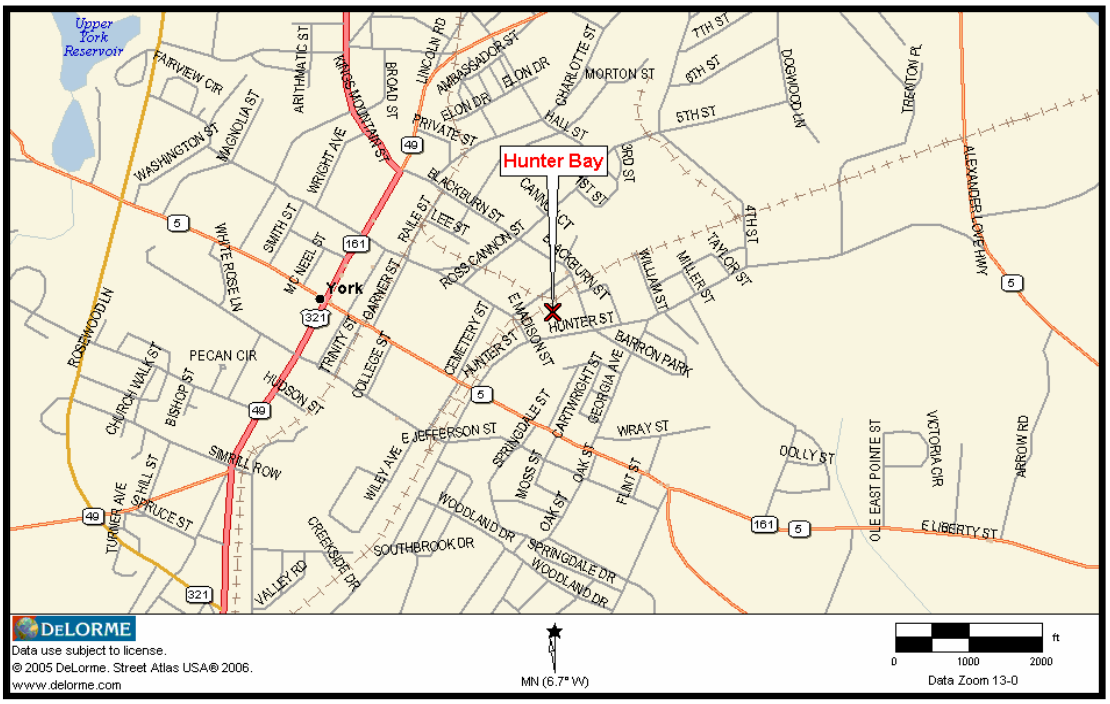
Unit Amenities:

- **Mandatory Design Criteria:** Will include all 28 items on 2006 QAP, page 7
- **Washer/Dryer Connections:** In all units
- **Microwave Ovens:** In all units

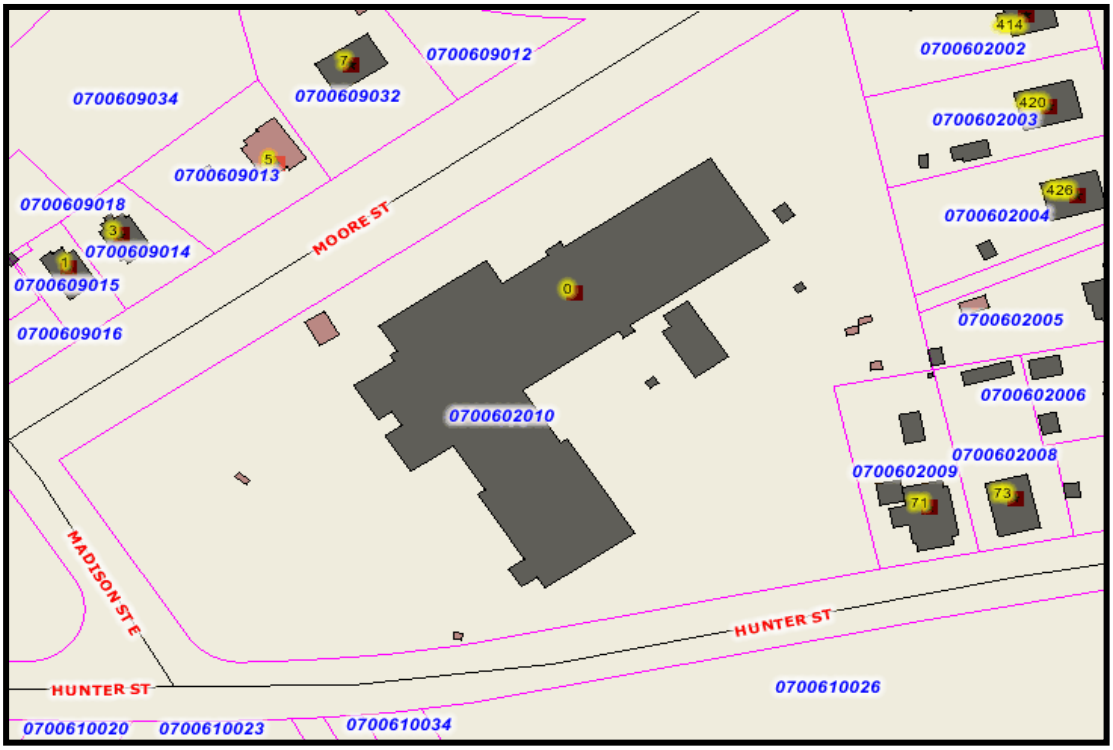
Comments: This facility is not currently being utilized as a multi-family development.

The proposed design, floor plans and amenities will be functional and efficient for the intended use. Following are location maps, photographs of the existing structure and development plans for the proposed renovations.

LOCATION MAP



YORK COUNTY GIS MAP



SUBJECT PHOTOGRAPHS

VIEW OF HUNTER STREET FACING SOUTHWEST, SUBJECT SITE ON RIGHT

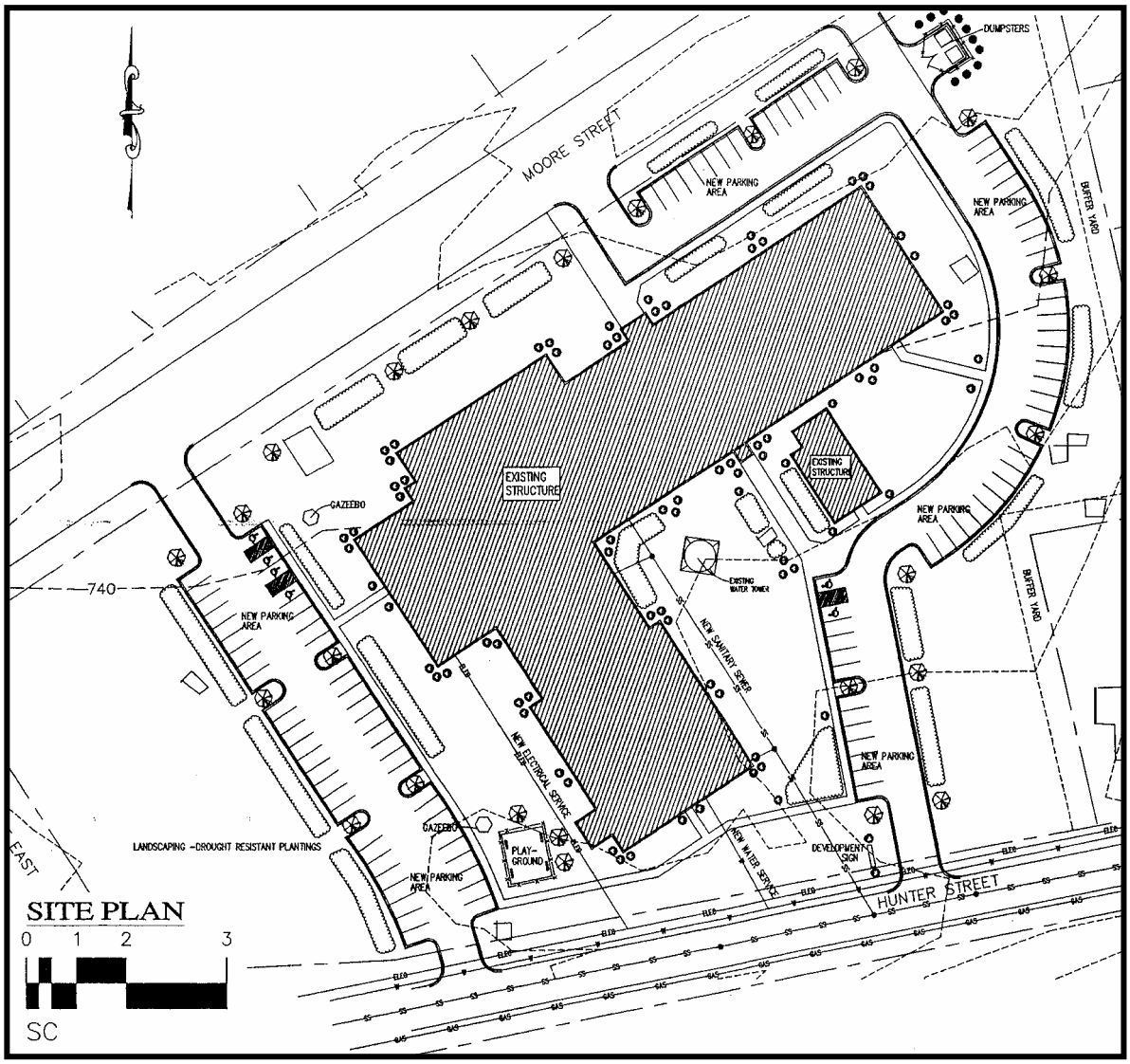
VIEW OF HUNTER STREET FACING NORTHEAST, SUBJECT SITE ON LEFT

SUBJECT PHOTOGRAPHS

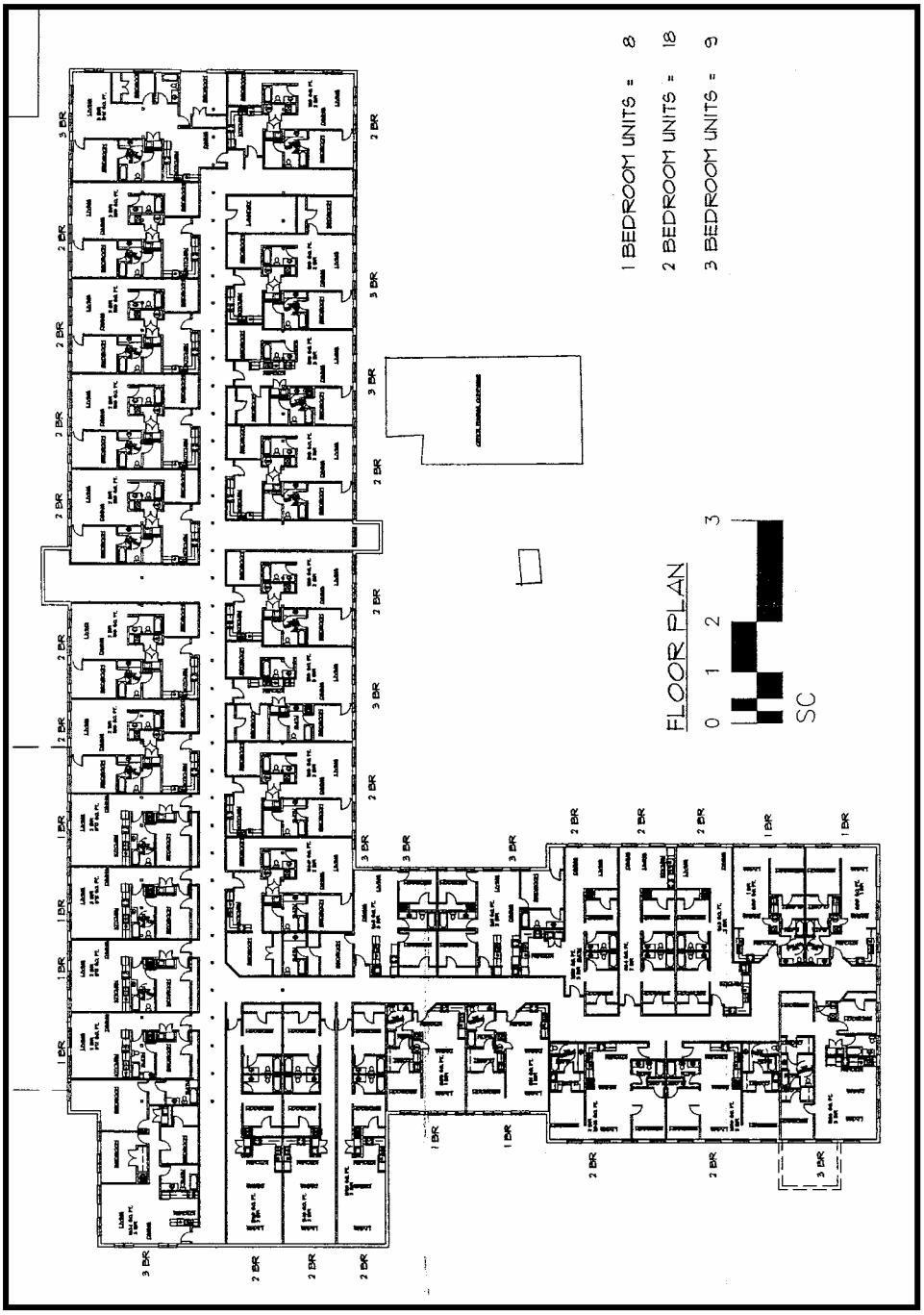
VIEW OF SITE AND EXISTING IMPROVEMENTS FROM HUNTER STREET

VIEW OF SITE AND EXISTING IMPROVEMENTS FROM HUNTER STREET

PROPOSED SITE PLAN



PROPOSED FLOOR PLAN



SITE DESCRIPTION

Dates of Inspection:	March 22, 23, 30, 31 and April 6, 2006
Location:	Northeast corner of Hunter Street and Madison Street
Address	61 Hunter Street, York, York County, SC 29745
Size:	4.82 acres; 209,959 SF ±
Shape:	Irregular; Average depth; Average width
Road Frontage:	Approximately 538' ± on Hunter Street, 209' ± on Madison Street East, and approximately 739' ± on Moore Street
Access/Visibility:	Good; five proposed curb cuts; two on Hunter Street and three on Moore Street; Good visibility from Hunter and Moore Streets
Topography:	Generally level at road grade
Drainage:	Appears adequate; excess storm water drainage directed to underground drainage
Utilities:	Municipal water and sewer, electricity and all telecommunications services
Adjacent Land Uses:	Detached single-family dwellings (former mill housing)
Neighborhood Land Uses:	Single-family dwellings, mobile homes, vacant land, funeral home, cemetery, light industrial buildings, new Hunter Park single-family subdivision and Hunter Street Elementary School
Road/Infrastructure Improvements:	None observed
Environmental Issues:	None observed
Community Amenities	The subject property is located approximately 3,000 feet east

of the center of town. Land uses found in the City of York include office, retail, restaurants, government offices, and churches. The subject site is located within one mile of the YMCA, York Park, York Recreation Complex, and McCelvey Arts Center.

Linkages: The subject site fronts along three secondary roads, Hunter Street, Madison Street East and Moore Street. All of these streets have two-way traffic. Hunter Street intersects with East Liberty Street southwest of the subject site, and connects with Alexander Love Highway (SC 5 Bypass) to the northeast. East Madison Street links Hunter Street with North Congress Street (US 321Business).

Employers: The major employers are located along the primary transportation routes and are within 1.5 miles of the subject site. In addition, there is employment provided by the establishments located in the center of town.

Retail and Restaurants: Multiple retail shops are located nearby in the center of town. The nearest grocery store, Bi-Lo, is located approximately one mile to the southeast. The street address is 630 East Liberty Street. An outparcel to the Bi-Lo center is improved with a convenience store. There is a Wal-Mart Super Center located just southeast of Bi-Lo. Both of these shopping centers have additional retail tenants and restaurants. The nearest pharmacy is an Eckerd Drugs, and the address is 717 East Liberty Street. The pharmacy is approximately one mile southeast of the subject. There are numerous restaurants located downtown and along East Liberty Street.

Schools: The Hunter Street Elementary School is located approximately 1.10 mile northeast of the subject site. York

Junior High and York High School are located on US 321, approximately 1.9 miles south of the subject site.

Medical Services:

The York Family Medicine Center is located on East Liberty Street, approximately one mile southeast of the subject site. The Piedmont Urgent Care North Center is located near the intersection of US 321 and SC 5 Bypass, approximately two miles from the subject site.

Crime:

2005 Crime Index	
PMA	113
City of York	151
Rock Hill	140
York County	110
South Carolina	131

All values are displayed as indexed numbers (Base Average=100) given the Index Base File: US. The subject property is located in an area with an above-average crime risk.

Site Marketability:

The location and physical features of the subject are conducive to multi-family development. Transportation linkages are adequate. The subject property is located in the urban core of the City of York. The surrounding commercial uses include retail and restaurants within walking distance. The site also has proximity to schools and employment. Residential development within the neighborhood is predominantly comprised of modest-sized single-family residences on small lots. Many of these homes are over 40 years old and exhibit deferred maintenance; however, the neighborhood remains a viable residential district. The site provides positive marketability for multi-family development.

PRIMARY MARKET AREA (PMA)

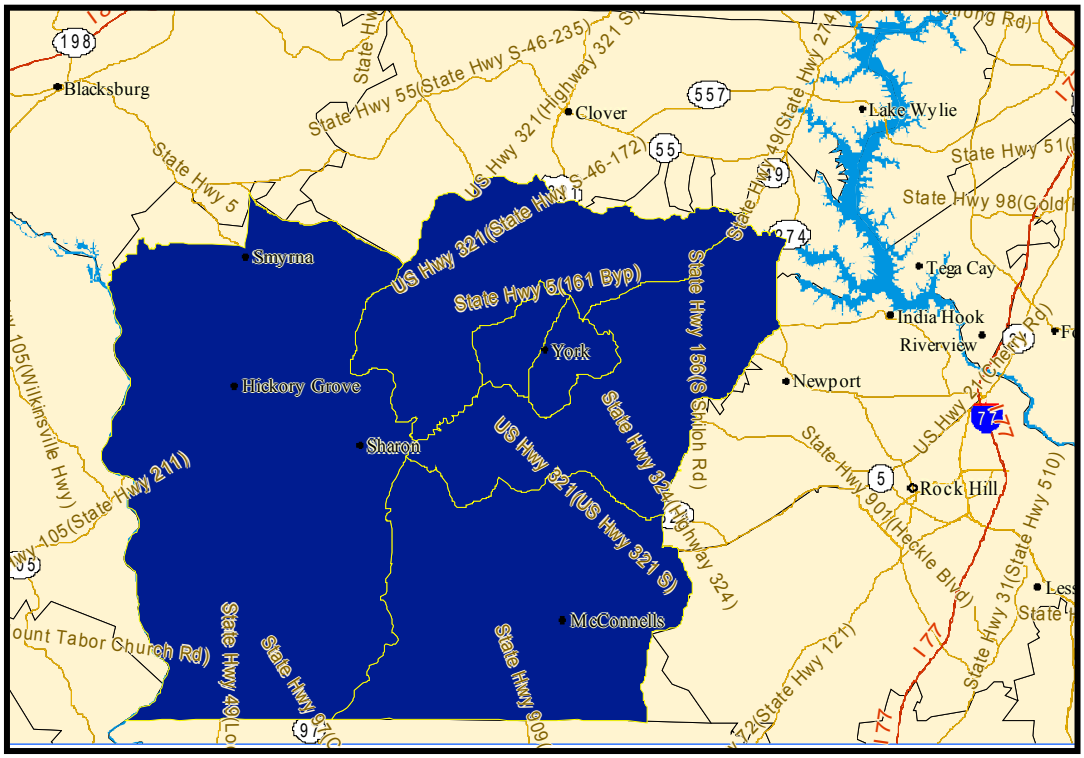
The first step in the market area analysis is to identify the market area from which the proposed multi-family development will attract potential buyers. The existing housing inventory in the City of York is designed to accommodate primary home owners and tenants, i.e., it is not designed to attract second home buyers, seniors/retirees or other special niches. Primary home buyers/tenants are typically employed in the area or planning a move to the area.

The market area for a primary home usually centers on an employment center, a transportation corridor or a desirable location amenity. Consumers frequently focus their housing search on the following factors:

- Travel time to and from major employment centers;
- Transportation linkages (accessibility, availability of public transportation and commuting patterns);
- Patterns of development (existing and anticipated);
- Market segmentation for residential dwelling units;
- Location of competitive properties;
- Socio-economic composition (target market characteristics); and
- Political subdivisions, such tax jurisdictions, political jurisdictions, and school district boundaries.

Most residential development attracts between 50 – 75% of buyers and renters from the existing local community; however, the market area will vary based on the type of development proposed. For example, in-fill housing projects generally attract nearly all residents from the immediate neighborhood, as existing residents take advantage of opportunities to move up in their preferred community. Yet, a second home community will typically draw residents from

outside the local area. Any new housing development within the subject's general neighborhood would comprise in-fill housing, and as a result, would likely generate interest from the existing pool of residents in the general neighborhood. In addition, it would also attract a portion of the new demand for housing generated by those seeking housing opportunities inside the city limits. As a result, the identified market area for any proposed in-fill housing development in the City of York would comprise the entire municipal limits of the city, as well as portions of the surrounding county. In particular, the primary market area includes census tracts: 45091061401, 45091061501, 45091061502, 45091061601, 45091061602, and 45091061900. The boundaries of the identified market area are illustrated on the map below.



MARKET AREA ECONOMY

The feasibility of new multi-family development is directly influenced by the economy of the surrounding market area. The following section provides a synopsis of the market area economy and subsequent impacts on multifamily supply and demand. The following table reflects the current distribution of the market area's employment base by industry.

2005 EMPLOYMENT BY INDUSTRY

Industry	# of Employees	% of Workforce
Agricultural	649	0.93%
Construction	3,701	5.31%
F.I.R.E.	2,812	4.04%
Manufacturing	10,594	15.21%
Mining	49	0.07%
Public Administration	4,233	6.08%
Retail Trade	14,165	20.34%
Health Care	5,668	8.14%
Education	5,155	7.40%
Services	17,856	25.0%
TCPU	1,533	2.20%
Unclassified	175	0.25%
Wholesale Trade	3,057	4.39%

Source: U.S. Census Bureau; **www.stdbonline.com**

Manufacturing, Retail Trade and Service represent 60.6% of the total workforce. The chart reveals a relatively diverse employment base, which enhances the stability of the local economy. The 25 largest manufacturing employers in York County are summarized in the following chart.

YORK COUNTY TOP 25 MANUFACTURING EMPLOYERS

Company Name	City	# of Employees	% of Total
Wells Fargo Home Mortgage	Fort Mill	1,500	8.23%
Bowater Coated and Specialty Papers Division	Catawba	1,150	6.31%
Duke Power-Catawba Nuclear Station	York	1,071	5.88%
Ross Distribution	Fort Mill	852	4.68%
Stacy's	York	800	4.39%
U.S. Foodservice Inc.	Fort Mill	780	4.28%
Leiner Health Products	Fort Mill	673	3.69%
INA Bearing Company Inc.	Fort Mill	570	3.13%
Muzak	Fort Mill	517	2.84%
Black & Decker	Fort Mill	500	2.74%
Tvco Electronics	Rock Hill	490	2.69%
Spring Industries Inc. Corporate	Fort Mill	405	2.22%
Champion Laboratories, Inc.	York	360	1.98%
ArvinMeritor	York	350	1.92%
United American Video Corporation	Fort Mill	350	1.92%
Northern Tool and Equipment, Inc.	Fort Mill	315	1.73%
American Eagle Wheel Corp.	York	310	1.70%
Celanese Acetate Corporation	Rock Hill	300	1.65%
Pharr-Yarns-Clover Division	Clover	300	1.65%
West Marine	Rock Hill	285	1.56%
Internet Services Corporation/ICCA	Fort Mill	269	1.48%
Springs Industries	Rock Hill	247	1.36%
Employee Benefit Services	Fort Mill	225	1.24%
Hella Lighting	York	210	1.15%
Four Leaf-Textiles, LLC	Clover	205	1.13%

Source: York County Economic Development Board

YORK COUNTY TOP 20 EMPLOYERS - OVERALL

Company Name
Rock Hill School District #3
Amisub Of South Carolina Inc
Wells Fargo Bank N A
Duke Energy Corporation
Bowater Incorporated
Winthrop University
Fort Mill School District #4
Tyler Staffing Services Inc
Clover School District #2
Ina USA Corporation
York School District-Districtwide
US Foodservice, Inc
City of Rock Hill
Wal-Mart Associates Inc
County of York
Corestaff Services LP
Leiner Health Products LLC
Meritor Heavy Vehicle Systems LLC
York Technical College
Paramont Parks Inc

Source: South Carolina Employment Security Commission

A number of new employers are reportedly planning to locate in York County adding both new jobs and new residents to the employment base. They are as follows.

- Ventura Industries has recently announced the addition of up to 15 jobs.
- Mergent, Inc., provider of international business and financial information of publicly traded companies, is moving to Kingsley Business Park bringing with it 180-200 jobs.

- 3D Systems, a California based company, recently broke ground in Rock Hill and will be bringing up to 145 employees with the company.
- In 2004, CitiFinancial will relocate from Charlotte to Rock Hill bringing 700 employees to York County.

YORK COUNTY EMPLOYMENT AND UNEMPLOYMENT TRENDS

	2004	% of Total	2005	% of Total	% Change from 2004-2005
Total Labor Force	96,804	100.0%	97,780	100.0%	1.0%
Employed	89,293	92.2%	91,120	93.2%	2.1%
Unemployed	**7,511**	**7.8%**	**6,660**	**6.8%**	**(11.3%)**

COMMUTING PATTERNS

Approximately 12.4% of York County's workforce commutes daily from surrounding counties into York County. They are illustrated in the following chart.

COMMUTERS INTO YORK COUNTY

COUNTY OF ORIGIN	# of Commuters
Cleveland, SC	40
Cherokee, SC	274
Chester, SC	3,063
Lancaster, SC	2,775
Mecklenburg, NC	4,217
Union, NC	60
Gaston, NC	1,602
TOTAL	**12,031**

Source: 2000 U.S. Census

Up to 40% of the total workforce in York County over the age of 16 commutes to employment locations outside the county. The following chart illustrates those statistics.

COMMUTERS OUT OF YORK COUNTY

Destination County	# of Commuters
Cleveland	36
Cherokee	21
Union (SC)	74
Chester	95
Lancaster	96
Mecklenburg	23,900
Union (NC)	43
Gaston	2,526
TOTAL	**26,791**

Source: 2000 U.S. Census

CONCLUSION

The employment base in York County is relatively diverse, enhancing the stability of the local economy. The county's unemployment rate decreased between 2004 and 2005 while the total labor force increased, suggesting the inflow of new employers has positively impacted the region. The long-term economic outlook for the market area is positive.

COMMUNITY DEMOGRAPHIC DATA

We have researched and reviewed various statistics regarding population and household growth rates, housing trends and income growth trends. The analysis and resulting conclusions are discussed in detail in the following paragraphs.

Population Trends

Trends in population impact the demand for real estate. Typically, population growth benefits businesses, creates jobs and enhances all aspects of the local tax base. Population growth trends for the PMA, the Cities of Rock Hill and York, York County, and South Carolina are compared in the following chart.

HISTORICAL AND PROJECTED POPULATION GROWTH TRENDS

Area	1990	2000	% Change 1990-2000	2005	Projected Year End 2010	% Change 2000-2010
PMA	21,588	28,187	30.6%	30,747	33,147	17.60%
City of Rock Hill	45,842	49,765	8.6%	55,284	60,434	21.44%
City of York	6,632	6,985	5.3%	7,480	7,930	13.53%
York County	131,495	164,614	25.2%	186,816	207,907	26.30%
South Carolina	3,486,708	4,012,012	15.1%	4,230,879	4,438,211	10.62%

Source: U.S. Census Bureau; www.stdbonline.com

Between 1990 and 2000, the population in the PMA increased by 30.6%, which equates to an annual average of 3.1%. This substantial growth outpaced both cities and the state, and was very similar to the growth reported in York County overall. This comparison suggests population growth during this decade was concentrated in the more suburban and rural areas surrounding the major municipalities in York County.

Between 2000 and 2005, population growth continued at a strong pace. Within the PMA, population growth totaled 9.08% during that five-year period, which

reflected an annual average of just over 1.8%. By 2010, population within the PMA is expected to reach 33,147, which reflects total growth of 17.6% over the 2000 census figures or 1.76% per year. Between 2000 and 2010, the total increase in population in the PMA is expected to be 4,960, which suggests an increase in demand for housing in this area.

Although population growth in the PMA is projected to remain strong, the rate of growth is clearly slowing. In comparison, population in the Cities of Rock Hill and York are projected to increase at a faster pace between 2000 and 2010, while the county population will remain relatively level. Statewide, population is also expected to increase during that period, but the rate of growth is projected to slow.

POPULATION TRENDS IN PMA BY AGE GROUPING

Age	1990		2000		2005		2010	
0 – 4	1,672	7.8%	2,007	7.1%	2,108	6.9%	2,235	6.7%
5 – 14	3,584	16.6%	4,501	16.0%	4,479	14.6%	4,440	13.4%
15 – 19	1,683	7.8%	2,043	7.3%	2,263	7.4%	2,373	7.2%
20 – 24	1,508	7.0%	1,667	5.9%	2,052	6.7%	2,201	6.6%
25 - 34	3,694	17.1%	4,112	14.6%	4,197	13.7%	4,449	13.4%
35 – 44	3,233	15.0%	4,985	17.7%	4,962	16.1%	4,845	14.6%
45 – 54	2,224	10.4%	3,767	13.4%	4,353	14.2%	4,771	14.4%
55 – 64	1,802	8.3%	2,406	8.5%	3,155	10.3%	3,914	11.8%
65 – 74	1,301	6.0%	1,567	5.6%	1,847	6.0%	2,392	7.2%
75 – 84	690	3.2%	854	3.0%	967	3.1%	1,111	3.4%
85+	185	0.9%	278	1.0%	364	1.2%	416	1.3%
Median Age	**31.5**		**34.5**		**35.6**		**36.9**	

Source: U.S. Census Bureau; www.stdbonline.com

As a percentage of the whole population, the segmented age groupings appear to be maintaining relative stability over time. However, it is noted that although

the population under the age of 45 is generally increasing in total number, this group is diminishing as a percentage of the total population.

Between 1990 and 2000, the fastest growing segment of the population was between the ages of 35 and 64, and those 85 and over. Between 2000 and 2010, the fastest growing segment of the population is projected to be those over the age of 55. In particular, the population between the ages of 55 and 64 is projected to increase rapidly by year-end 2010.

Household Trends

Population growth trends drive household growth trends. Household trends within the PMA, the Cities of Rock Hill and York, York County, and South Carolina are compared in the following chart.

HISTORICAL AND PROJECTED HOUSEHOLD GROWTH TRENDS

Area	1990	2000	% Change 1990-2000	2005	Projected Year End 2010	% Change 2000-2010
PMA	7,534	9,981	32.5	11,305	12,491	13.3%
City of Rock Hill	16,219	18,750	15.6%	21,747	24,501	30.7%
City of York	2,446	2,536	3.7%	2,818	3,062	20.7%
York County	47,004	61,051	29.9%	72,037	82,248	34.7%
South Carolina	1,258,028	1,533,854	21.9%	1,588,687	1,640,908	7.0%
Average HH Size	**2.84**	**2.76**		**2.66**	**2.60**	

Source: U.S. Census Bureau; www.stdbonline.com

Between 1990 and 2000, household growth trends were positive in every identified area, including the primary market area. Since 2000, households in all five identified areas have increased, and the number of households in all five identified areas is expected to grow at a moderate pace through 2010. The strongest growth in total households is expected to occur within the municipal

limits of Rock Hill and York. Household growth projections for the PMA include both the City of York and portions of the surrounding county. The previously noted increases in population suggest demand for housing will increase over time. These statistics suggest 1,186 households will be created between 2005 and 2010.

The average household size in 2005 was reported to be 2.66. Since 1990, the average household size in the PMA has consistently decreased from 2.84 in 1990 to 2.76 in 2000 and 2.66 by 2005. By 2010, the average household size is expected to decrease to 2.60. The decrease in household size reflects a decrease in the percentage of households with children, as was illustrated in the population grouping by age segments. Households containing two people or less comprised 55.6% of all households in 2005. By 2010, the percentage of households containing two people or less is expected to increase to 59.1%.

RESIDENCY TRENDS IN PMA

Residency	1990	2000	2005
Stability (5+ years)	59.2%	51.1%	36.0%
Turnover (% annually)	13.4%	16.4%	13.8%

The residency statistics within the PMA suggest the population base is becoming increasingly transient. Decreasing stability over time in the number of households maintaining occupancy for five years or more typically suggests an increase in renter-occupied housing, the loss of a major employer or proximity to a military installation. The subjects' primary market area is not located in proximity to a military installation, and as was illustrated in the preceding Market Area Economy section, the PMA is located in a dynamic market with multiple opportunities for employment. Therefore, the decrease in residential stability is likely attributable to an increase in renter occupancy. Historical and projected occupancy rates within the PMA are summarized in the following chart.

OCCUPANCY TRENDS – PRIMARY MARKET AREA (%)

	1990	2000	2005	2010
Owner-Occupied	73.0%	73.5%	68.6%	64.6%
Renter-Occupied	21.0%	19.8%	22.3%	24.5%
Vacant	6.1%	6.7%	9.1%	10.9%

Source: U.S. Census Bureau; www.stdbonline.com

These statistics clearly reveal decreasing owner-occupancy rates and increasing renter-occupancy rates. In addition, vacancy rates have increased since 2000. The percentage of renter-occupied housing units overall indicates the existing population base is relatively transient and increasingly likely to fluctuate over time.

2005 OCCUPANCY STATISTICS BY CENSUS TRACT

	614.01	615.01	615.02	616.01	616.02	619.00
Owner-Occupied	73.9%	77.3%	76.3%	50.2%	49.9%	74.5%
Renter-Occupied	17.2%	15.8%	15.8%	38.2%	40.1%	14.5%
Vacant	9.0%	6.9%	7.9%	11.6%	10.0%	11.0%

Source: U.S. Census Bureau; www.stdbonline.com

The City of York comprises census tracts 616.01 and 616.02, of which the subject is located in 616.02. These tracts have the highest concentration of renter-occupied housing units within the PMA. Vacancy rates in these tracts are also on the upper end of the range. By 2010, renter-occupied housing units are expected to increase to 39.6% and 41.4%, respectively. Vacancy rates are also expected to increase to 13.3% and 11.8%, respectively.

RESIDENCY TRENDS BY CENSUS TRACT

	616.01			616.02 (SUBJECT)		
	1990	2000	2005	1990	2000	2005
Stability (5+ years)	66.0%	56.1%	35.4%	56.0%	45.8%	38.0%
Turnover (% annually)	18.0%	15.4%	14.8%	20.0%	22.3%	15.2%

Source: U.S. Census Bureau; www.stdbonline.com

The preceding chart clearly indicates stability in residency is decreasing over time in the identified census tracts and that the percentage of annual turnover has fluctuated. Combined, these statistics indicate strong demand for housing units designed for renter occupancy. Renter households segmented by the number of persons per household are summarized in the following chart.

RENTER-OCCUPIED HOUSEHOLD SIZE (PMA)

Persons Per Household*	2005		2010	
1	521	20.7%	690	22.5%
2	880	34.9%	1,122	36.7%
3	510	20.1%	615	20.1%
4	413	16.4%	466	15.2%
5	144	5.7%	135	4.4%
6	32	1.3%	18	0.6%
7 +	21	0.8%	15	0.5%

Source: U.S. Census Bureau; www.stdbonline.com

The demographic trends for renter-occupied household size suggest the majority of demand for rental housing will be generated by households containing two people or less. In 2005, a total of 1,401 or 55.6% of renter-occupied households contained two people or less. By 2010, that number will increase to 1,812 or 59.2%. This trend indicates the predominant demand for renter-occupied housing will be focused on one- and two-bedroom units.

Three-bedroom units generally attract households containing three to four people. In 2005, a total of 923 renter-occupied households contained between three and four people representing 36.5% of the total renter-occupied households in the PMA. By 2010, the total number of households containing three to four people is expected to increase slightly to 1,081; however, the overall percentage of renter-occupied households containing three to four people will

decrease to 35.3%. Demand for three-bedroom units is unlikely to shift significantly over the next five years.

Income levels determine the quality of life enjoyed by a population, the effective buying power of that population, and their ability to attract retail and service providers. Current income levels for the PMA are compared to the Cities of Rock Hill and York, York County, and South Carolina in the following chart.

2005 INCOME LEVELS ($)

	Average Household Income	Median Household Income	Per Capita Income
PMA	54,989	42,265	20,840
City of Rock Hill	55,350	41,105	22,313
City of York	48,299	33,055	19,135
York County	62,357	48,694	24,380
South Carolina	52,441	40,846	20,037

Source: U.S. Census Bureau; www.stdbonline.com

The preceding chart reveals income levels within the PMA compare favorably to both cities, the county and the state. The following chart illustrates growth trends in income levels within the PMA.

INCOME GROWTH TRENDS ($) - PRIMARY MARKET AREA

	1990	2000	2005	2010	% Change 2000 - 2010
Average Household Income	31,370	45,651	54,989	60,711	32.99%
Median Household Income	29,045	38,735	42,265	47,119	21.64%
Per Capita Income	10,994	16,165	20,840	23,529	45.56%

Source: U.S. Census Bureau; www.stdbonline.com

The preceding chart clearly indicates consistently increasing income levels in all three categories for residents of the PMA. The following chart summarizes income by census tract.

2005 INCOME LEVELS ($)

Census Tract	Average Household Income	Median Household Income	Per Capita Income
45091061401	63,207	44,937	23,142
45091061501	51,332	48,155	18,737
45091061502	62,792	49,700	23,529
45091061601	**46,347**	**31,409**	**17,753**
45091061602	**48,570**	**34,124**	**19,774**
45091061900	55,247	41,264	21,096

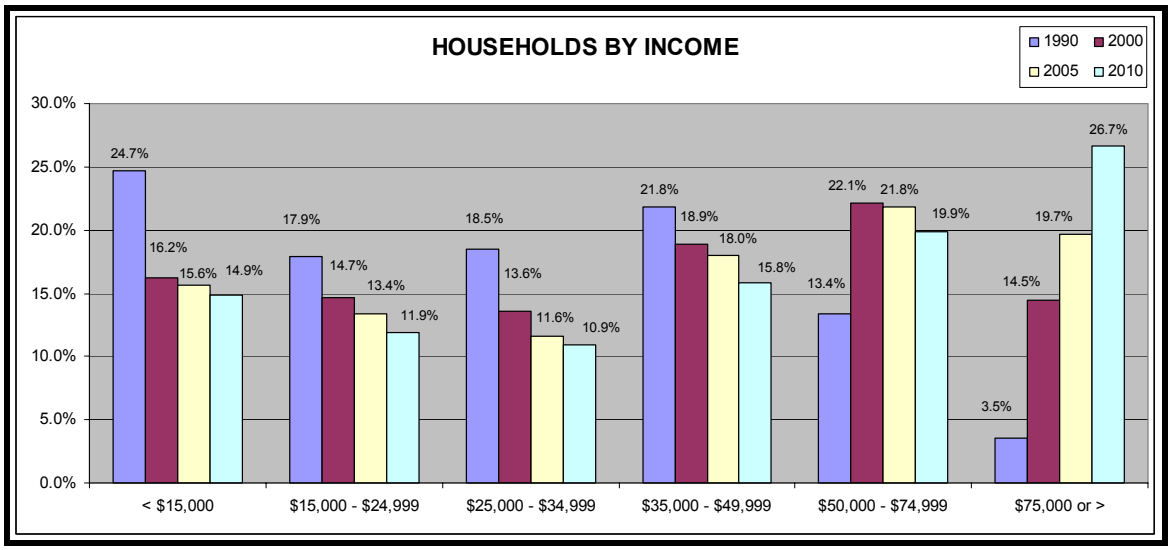
Source: U.S. Census Bureau; www.stdbonline.com

As previously noted, census tracts 616.01 and 616.02 comprise the City of York and the subject is located in 616.02. Income levels within these census tracts represent the lowest average and median household incomes. Per capita income is also on the lower end of the range among the six census tracts. In 2005, a total of 29.0% of the households generated an income below $25,000. Another 51.4% of households generated income between $25,000 and $74,999. Only 19.7% of households reported incomes over $75,000. The range of household income levels is illustrated in the following charts.

2005 HOUSEHOLDS BY INCOME - PMA

	1990	2000	2005	2010	% Change 2000 - 2010
< $15,000	1,863	1,615	1,761	1,863	15.4
$15,000 - $24,999	1,348	1,468	1,516	1,482	1.0
$25,000 - $34,999	1,394	1,362	1,306	1,358	-0.3
$35,000 - $49,999	1,644	1,886	2,037	1,977	4.8
$50,000 - $74,999	1,013	2,206	2,460	2,485	12.6
$75,000 >	268	1,444	2,225	3,226	123.4

Source: U.S. Census Bureau; www.stdbonline.com



Source: U.S. Census Bureau; www.stdbonline.com

The census data clearly indicates that the number and percentage of households in the PMA earning $35,000 or more per year is increasing. In 2000, the number of households earning less than $35,000 was 4,445, while the number of households earning $35,000 or more totaled 5,536. By 2010, the number of households earning less than $35,000 is projected to be 4,703, while the number of households earning $35,000 or more is projected to be 7,688.

The standard maximum percentage of annual household income that should be allocated for housing costs is 35%. Households paying more than 35% of income for rent, mortgage and associated housing costs are considered over-burdened. When a market contains a significant percentage of households that are overburdened by housing costs, the demand for new inventory of affordable housing can be impacted because those households are likely to seek more affordable housing opportunities as they become available. As a result, an accurate identification of the demand generated by those households is critical in the analysis of a proposed development.

The City of York comprises the core of the PMA for the subject property. The median rent in the city is $460 per month, indicating renter households earning less than $15,771 per year most likely comprise the predominant number of

households that are over-burdened. In 2005, there were 1,761 households in the PMA that earned less than $15,771 annually. Only 766 renter households paid $300 or less in gross rent per month. Another 1,697 renter households paid between $300 and $499 in gross rent per month. The predominant portion of renter households (4,521 or 51.6%) paid between $500 and $749 in gross rent per month. The total number of households paying between $300 and $749 in gross rent per month is 6,218. This analysis suggests a portion of those households are over-burdened by housing costs. The percentage of rent-overburdened households must be segmented more specifically to reliably estimate the impact to the subject.

As will be illustrated in the forthcoming Project Specific Demand Analysis, the minimum income limits for the subject based upon the projected restricted rents range from approximately $15,000 to $24,000, rounded. According to the US Census, a total of 1,516 households in the PMA earned an annual household income within that range in 2005. However, not all of those households are encumbered by housing costs that exceed the maximum 35% standard. Rent over-burdened households in City of York and York County are summarized in the following chart.

RENT OVER-BURDENDED HOUSEHOLDS				
	City of York		York County	
Gross Rent as % of HH Income	# of HH	% of HH	# of HH	% of HH
< 15%	243	23.6%	3,146	19.4%
15.0% - 19.9%	146	14.2%	2,485	15.4%
20.0% - 24.9%	145	14.1%	2,473	15.3%
25.0% - 29.9%	88	8.5%	1,484	9.2%
30.0% - 34.9%	78	7.6%	1,118	6.9%
35.0% or more	239	23.2%	4,095	25.3%
Not computed	91	8.8%	1,377	8.5%

*Source: U.S. Census Bureau

In the City of York, 23.2% of the renter population paid 35% or more of their annual household income for housing costs. In York County, a similar percentage (25.3%) paid 35% or more of their annual household income for housing costs. The City of York comprises the core of the PMA for the subject property and within that area 239 households appear to be overburdened by housing costs. Only a fraction of those households earn an annual household income sufficient to qualify for the subject property. For this analysis, housing demand for the subject created by overburdened households is likely to be marginal (2% or less).

Substandard housing can also generate demand for new housing inventory. In the City of York, a total of 194 housing units were considered substandard in 2000, i.e., lack complete plumbing, complete kitchen or phone service. Those units include owner-occupied and renter-occupied. Renter-occupied substandard housing was 38.4 units. The percentage of substandard housing was 7.0% of all housing units. Since 2000, vacancy rates have increased and new inventory of affordable housing has been added to the market. As a result, the impact of substandard housing on the subject has diminished since the 2000 census. For this analysis, housing demand for the subject created by substandard households is negligible.

Elderly homeowners who are over-burdened by housing costs can also generate demand for new rental inventory, as some will view affordable rental housing as a viable financial alternative to the costs of homeownership. These homeowners are typically retired, and living on social security or disability income. The mature population (ages 55 – 64) who still work to earn income provide little, if any, impact. The population aged 75 and over are more likely to seek housing designed specifically for the elderly or skilled care, and would not significantly impact demand for the subject. The predominant demand would be attributable to those between the ages of 65 and 74 years. In 2005, a total of 694

households headed by a person between the ages of 55 and 64 in the PMA earned an income between $0 and $39,999.

We estimate that 300 of those households earned less than the required minimum of $15,000 to qualify for the subject units. The remaining income qualified households total 394. The 2000 census reports that 14.2% of all homeowners in the City of York paid 35% or more for housing. Using that benchmark, the number of elderly households who earn enough to qualify for the subject units and who are currently overburdened by housing costs totals approximately 56. Many of these homeowners will seek more affordable ownership opportunities before considering a rental unit as a housing alternative. As a result, only a fraction of the qualified, over-burdened elderly owner-occupied households would have an interest in the subject property. Based on the limited number of those households, housing demand for the subject created by them is likely to be negligible.

Household expenditures and disposable income provide a benchmark for the quality of life residents of an area enjoy. The PMA expenditures and disposable incomes are compared to those of Rock Hill, York, York County and the state in the following chart.

HOUSEHOLD EXPENDITURES – 2005 ($)

	AVERAGE HOUSEHOLD EXPENDITURES	AVERAGE RETAIL EXPENDITURES	MEDIAN DISPOSABLE INCOME
PMA	46,490	20,225	36,801
City of Rock Hill	46,368	20,191	35,840
City of York	42,627	18,643	29,297
York County	50,574	21,930	41,445
South Carolina	44,885	19,550	35,608

Source: U.S. Census Bureau; www.stdbonline.com

The expenditure and disposable income statistics within the PMA indicate a relatively high quality of life for residents.

Summary

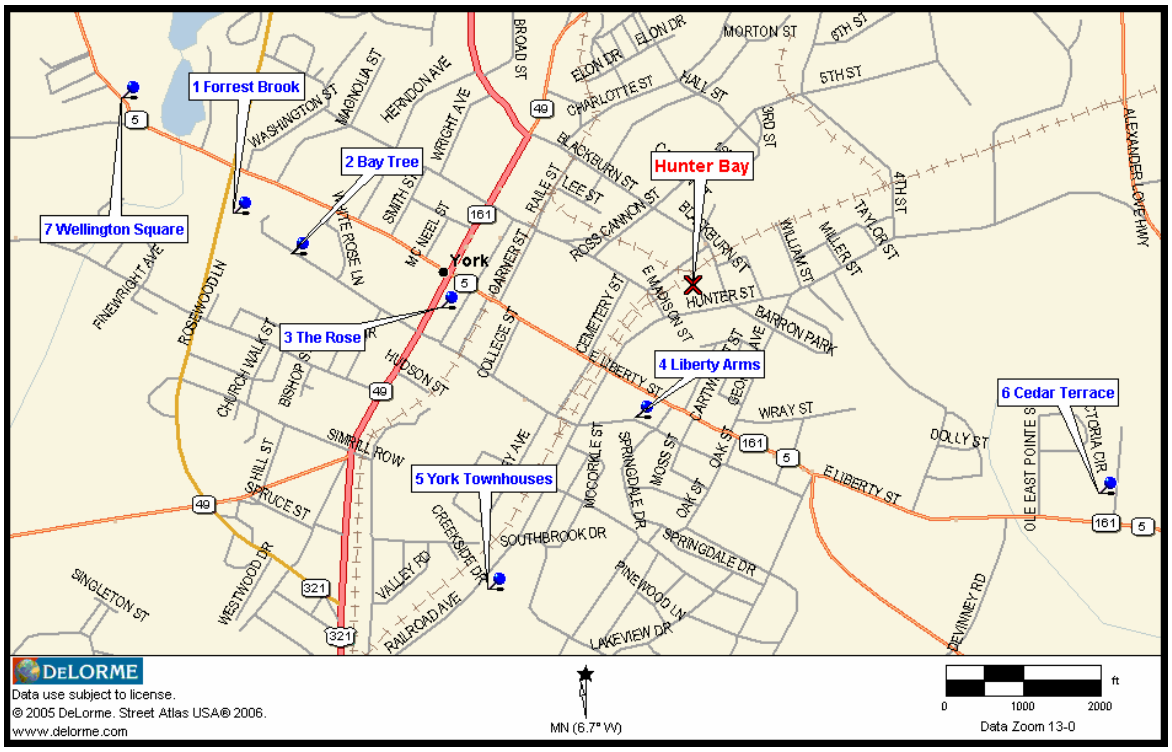
The preceding analysis of the demographic trends in the PMA indicated strong growth trends in population and households. Demand for renter-occupied housing is significant within the municipal limits of York, and the areas immediate surrounding the city. Income levels, household expenditures and disposable income levels reflect economic strength and stability. Given the increasing population base, demand for the existing housing inventory is likely to spur new growth over the next five years. New housing opportunities are likely to be well-received and financially-feasible, assuming they are designed to be aesthetically appealing and affordable to the average household within the market area.

SUPPLY ANALYSIS

The first step in this analysis requires an inventory of the comparable competing multi-family rental properties in the PMA. Those facilities are summarized in the chart below and their approximate locations are identified on the following map. Detailed summaries of each property are provided on the following pages.

COMPARABLE	LOCATION	YEAR BUILT	# OF UNITS	TYPE
Forest Brook	106 Eaves Way, York, SC	2003	56	LIHTC
BayTree	West Jefferson St, York, SC	1984	40	RD 515
The Rose	S. Congress St., York, SC	2001	15	Home
Liberty Arms	East Jefferson St., York, SC	1970's	10	Conventional
York Townhomes	500 Railroad Ave., York, SC	1986	46	RD 515
Cedar Terrace	East Liberty Street, York, SC	1978/84	104	RD 515
Wellington Square	SC Highway 5, York, SC	Proposed	50	LIHTC
		TOTAL	**321**	

U/C denotes under construction



FORREST BROOK

106 Eaves Way
York, SC 29745
York County

Gaye Smith
803-628-6947
Type: LIHTC
Section 8: Vouchers

MAP CODE 1

SUMMARY	
Total Units	56
Vacancy	0.00%
Concessions	No
Deposit	$200.00
Application	$35.00
Year Built	2003
Condition	Average
Style	Town House
Stories	2

COMMUNITY AMENITIES	
Pool	
Clubhouse	x
Exercise Room	
Tennis Courts	
Playground	x
Sports Court	
Jog/Bike Trail	
Laundry	x
On-site Management	x

UNIT AMENITIES	
Range	x
Refrigerator	x
Microwave	
Washer Dryer	
W/D Conn.	
Fireplace	
Ceiling Fan	
Storage	x
Balcony/Patio	
Carport	
Garage	

UTILITIES	Payor	Type
Heat	T	Electricity
Hot Water	T	Electricity
Cooking	T	Electricity
Electricity	T	Duke Power
Water/Sewer	LL	Municipal
Trash Pickup	LL	Municipal
Cable TV	T	Multiple
Internet	T	Multiple
Utility Allowanc	$76.00	2 BR
Utility Allowanc	$92.00	3 BR

			Number of Units							
Bedroom	Baths	Type	Existing	Vacant	Rents		Square Feet		Rent/SF	
2	1.5	TH	42	0%	$525	$540	1,020	1,020	$0.51	$0.53
3	2	TH	14	0%	$630	$640	1,302	1,302	$0.48	$0.49

Comments: First occupant June 2003, all units pre-leased during construction.

BAYTREE

West Jefferson St
York, SC 29745
York County

Dianne Leary
803-684-1775
Type: RD 515
Section 8: Vouchers

MAP CODE 2

SUMMARY	
Total Units	40
Vacancy	5.00%
Concessions	1st month
Deposit	$50.00
Application	$0.00
Year Built	1984
Condition	Average
Style	Garden
Stories	2

COMMUNITY AMENITIES	
Pool	
Clubhouse	x
Exercise Room	
Tennis Courts	
Playground	x
Sports Court	
Jog/Bike Trail	
Laundry	x
On-site Management	x

UNIT AMENITIES	
Range	x
Refrigerator	x
Microwave	
Washer Dryer	
W/D Conn.	x
Fireplace	
Ceiling Fan	
Storage	x
Balcony/Patio	
Carport	
Garage	

UTILITIES	Payor	Type
Heat	T	Electricity
Hot Water	T	Electricity
Cooking	T	Electricity
Electricity	T	Duke Power
Water/Sewer	LL	Municipal
Trash Pickup	LL	Municipal
Cable TV	T	Multiple
Internet	T	Multiple
Utility Allowanc	$62.00	1 BR
Utility Allowanc	$65.00	2 BR

			Number of Units							
Bedroom	Baths	Type	Existing	Vacant	Rents		Square Feet		Rent/SF	
1	1	G	20	5.00%	$345	$350	654	654	$0.53	$0.54
2	1	G	20	5.00%	$368	$373	753	753	$0.49	$0.50

Comments: Rental assistance and Section 8 vouchers are very important to this older property (11 residents receive rental assistance).

THE ROSE

South Congress St
York, SC 29745
York County

John Sari & Carol McKensie
803-385-5559

MAP CODE 3

SUMMARY	
Total Units	15
Vacancy	0.00%
Concessions	No
Deposit	1 month
Application	$10.00
Year Built	2001
Condition	Average
Style	Garden
Stories	2

COMMUNITY AMENITIES	
Pool	
Clubhouse	
Exercise Room	
Tennis Courts	
Playground	x
Sports Court	
Jog/Bike Trail	
Laundry	x
On-site Management	x Partime

UNIT AMENITIES	
Range	x
Refrigerator	x
Microwave	
Washer Dryer	
W/D Conn.	
Fireplace	
Ceiling Fan	
Storage	x
Balcony/Patio	
Carport	
Garage	

UTILITIES	Payor	Type
Heat	LL	Electricity
Hot Water	LL	Electricity
Cooking	LL	Electricity
Electricity	LL	Duke Power
Water/Sewer	LL	Municipal
Trash Pickup	LL	Municipal
Cable TV	T	Multiple
Internet	T	Multiple
Utility Allowanc	$95.00	1 BR
Utility Allowanc	$110.00	2 BR

			Number of Units							
Bedroom	Baths	Type	Existing	Vacant	Rents		Square Feet		Rent/SF	
1	1	G	10	0%	$525	$575	750	850	$0.70	$0.68
2	1	G	5	0%	$625	$675	850	1,000	$0.74	$0.68

Comments: 100% occupancy with waiting list

LIBERTY ARMS

East Jefferson St
York, SC 29745
York County

Truman Gray
803-328-6860
Type: Conventional

MAP CODE 4

SUMMARY	
Total Units	10
Vacancy	40.00%
Concessions	No
Deposit	1 month
Application	$0.00
Year Built	mid 1970's
Condition	Average
Style	Town House
Stories	2

COMMUNITY AMENITIES	
Pool	
Clubhouse	
Exercise Room	
Tennis Courts	
Playground	
Sports Court	
Jog/Bike Trail	
Laundry	x
On-site Management	

UNIT AMENITIES	
Range	x
Refrigerator	x
Microwave	
Washer Dryer	
W/D Conn.	
Fireplace	
Ceiling Fan	
Storage	x
Balcony/Patio	x
Carport	
Garage	

UTILITIES	Payor	Type
Heat	T	Electricity
Hot Water	T	Electricity
Cooking	T	Electricity
Electricity	T	Duke Power
Water/Sewer	LL	Municipal
Trash Pickup	LL	Municipal
Cable TV	T	Multiple
Internet	T	Multiple

Number of Units										
Bedroom	Baths	Type	Existing	Vacant	Rents		Square Feet		Rent/SF	
2	1.5	TH	10	40%	$525	$535	1,000	1,000	$0.53	$0.54

Comments: Formerly known as Yorkville Apartments - new manager at this older, market rate property. Unusually high percentage of vacancy attributed to the relatively small size of the property (10 units) and its overall age/condition.

YORK TOWNHOUSES

500 Railroad Ave
York, SC 29745
York County

Kaci Clemmer
803-684-9133
Type: RD 515
Section 8 vouchers

MAP CODE 5

SUMMARY	
Total Units	46
Vacancy	8.70%
Concessions	No
Deposit	$150.00
Application	$0.00
Year Built	1986
Condition	Average
Style	Town House
Stories	2

COMMUNITY AMENITIES	
Pool	
Clubhouse	x
Exercise Room	
Tennis Courts	
Playground	x
Sports Court	
Jog/Bike Trail	
Laundry	x
On-site Management	x

UNIT AMENITIES	
Range	x
Refrigerator	x
Microwave	
Washer Dryer	
W/D Conn.	
Fireplace	
Ceiling Fan	
Storage	x
Balcony/Patio	
Carport	
Garage	

UTILITIES	Payor	Type
Heat	T	Electricity
Hot Water	T	Electricity
Cooking	T	Electricity
Electricity	T	Duke Power
Water/Sewer	LL	Municipal
Trash Pickup	LL	Municipal
Cable TV	T	Multiple
Internet	T	Multiple
Utility Allowanc	$66.00	2 BR
Utility Allowanc	$73.00	3 BR

			Number of Units							
Bedroom	Baths	Type	Existing	Vacant	Rents		Square Feet		Rent/SF	
2	1.5	TH	12	17%	$380	$395	750	750	$0.51	$0.53
3	2	TH	34	6%	$410	$435	900	900	$0.46	$0.48

Comments: All tenants are income restricted, four vacant units, but has two deposits pending.

CEDAR TERRACE

East Liberty St
York, SC 29745
York County

Dianne Leary
803-684-7290
Type: RD 515
Section 8: Vouchers

MAP CODE 6

SUMMARY	
Total Units	104
Vacancy	1.92%
Concessions	No
Deposit	1 month
Application	$10.00
Year Built	1978/1984
Condition	Average
Style	Garden
Stories	2

COMMUNITY AMENITIES	
Pool	
Clubhouse	x
Exercise Room	
Tennis Courts	
Playground	x
Sports Court	
Jog/Bike Trail	
Laundry	x
On-site Management	x

UNIT AMENITIES	
Range	x
Refrigerator	x
Microwave	
Washer Dryer	
W/D Conn.	
Fireplace	
Ceiling Fan	
Storage	x
Balcony/Patio	
Carport	
Garage	

UTILITIES	Payor	Type
Heat	T	Electricity
Hot Water	T	Electricity
Cooking	T	Electricity
Electricity	T	Duke Power
Water/Sewer	LL	Municipal
Trash Pickup	LL	Municipal
Cable TV	T	Multiple
Internet	T	Multiple
Utility Allowance	$45.00	1 BR
Utility Allowance	$52.00	2 BR
Utility Allowance	$64.00	3 BR

Number of Units					Rents		Square Feet		Rent/SF	
Bedroom	Baths	Type	Existing	Vacant						
1	1	G	41	2.44%	$369	$552	636	702	$0.58	$0.79
2	1	G	56	0.00%	$386	$569	760	812	$0.51	$0.70
3	1	G	8	12.50%	$402	$585	962	962	$0.42	$0.61

Comments: Rental assistance and Section 8 vouchers are very important to this older property (56 tenants receive rental assistance).

WELLINGTON SQUARE

SC Highway 5
York, SC 29745
York County

Gaye Smith and
InterMark Management
Type: LIHTC

MAP CODE 7

SUMMARY	
Total Units	50
Vancancy	0.00%
Concessions	Unknown
Deposit	
Application	
Year Built	2006/2007
Condition	Proposed
Style	Town House
Stories	2

COMMUNITY AMENITIES	
Pool	
Clubhouse	x
Exercise Room	
Tennis Courts	
Playground	x
Sports Court	
Jog/Bike Trail	
Laundry	x
On-site Management	x

UNIT AMENITIES	
Range	x
Refrigerator	x
Microwave	
Washer Dryer	
W/D Conn.	
Fireplace	
Ceiling Fan	
Storage	x
Balcony/Patio	
Carport	
Garage	

UTILITIES	Payor	Type
Heat	T	Electricity
Hot Water	T	Electricity
Cooking	T	Electricity
Electricity	T	Duke Power
Water/Sewer	T	Municipal
Trash Pickup	LL	Municipal
Cable TV	T	Multiple
Internet	T	Multiple

			Number of Units							
Bedroom	Baths	Type	Existing	Vacant	Rents		Square Feet		Rent/SF	
2	1.5	TH	32	0%	$515	$520	960	960	$0.54	$0.54
3	2	TH	8	0%	$590	$631	1,185	1,185	$0.50	$0.53

Comments: New construction of duplex townhouses, should enter the market October-November 2006, InterMark Management projects 120-180 days to lease-up.

RENT COMPARABLES
Hunter Bay

MAP CODE	SUBJECT			1		2		3		4	5		6			7	
PROPERTY NAME	**Hunter Bay**			**Forrest Brook**		**Bay Tree**		**The Rose**		**Liberty Arms**	**York Townhouses**		**Cedar Terrace**			**Wellington Square**	
STREET	61 Hunter Street			106 Eaves Way		W. Jefferson Street		South Congress Street		E. Jefferson Street	500 Railroad Avenue		East Liberty Street			SC 5	
CITY	York			York		York		York		York	York		York			York	
STATE	South Carolina			South Carolina		South Carolina		South Carolina		South Carolina	South Carolina		South Carolina			South Carolina	
RENTS	Restricted			Restricted		Restricted		Restricted		Market	RD 515		RD 515			Restricted	
TYPE	Family			Family		Family		Family		Family	Family		Family			Family	
NUMBER OF UNITS	35			56		40		15		10	46		104			50	
OCCUPANCY				100%		95%		100%		60%	91%		98%			Under construction	
YEAR BUILT	Proposed Adaptive Reuse			2003		1984		2001 Adaptive Reuse		1970's	1986		1978-84			2006	
Bedroom:Bath	1:1	2:2	3:2	2:1.5	3:2	1:1	2:1	1:1	2:1	2:1.5	2:1.5	3:2	1:1	2:1	3:1	2:1.5	3:2
Size: SF	800	1,000	1,200	1,020	1,302	654	753	850	1,000	1,000	750	900	702	812	962	960	1,185
Average Contract Rent	$350.00	$425.00	$525.00	$530.00	$635.00	$345.00	$370.00	$525.00	$650.00	$530.00	$385.00	$425.00	$460.00	$475.00	$495.00	$520.00	$610.00
$/SF/Month	$0.44	$0.43	$0.44	$0.52	$0.49	$0.53	$0.49	$0.62	$0.65	$0.53	$0.51	$0.47	$0.57	$0.49	$0.51	$0.54	$0.51
LOCATION				Similar	Similar	Similar	Similar	Superior	Superior	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar
AGE/CONDITION				Similar	Similar	Inferior	Inferior	Similar	Similar	Inferior	Inferior	Inferior	Inferior	Inferior	Inferior	Similar	Similar
SIZE				Similar	Superior	Inferior	Inferior	Similar	Similar	Similar	Similar	Similar	Inferior	Inferior	Inferior	Similar	Superior
QUALITY				Similar	Similar	Inferior	Inferior	Similar	Similar	Inferior	Inferior	Inferior	Inferior	Inferior	Inferior	Similar	Similar
PROJECT AMENITIES				Similar	Similar	Inferior	Inferior	Similar	Similar	Inferior	Inferior	Inferior	Inferior	Inferior	Inferior	Similar	Similar
UNIT AMENITIES				Similar	Similar	Inferior	Inferior	Similar	Similar	Inferior	Inferior	Inferior	Inferior	Inferior	Inferior	Similar	Similar
KITCHENS				Similar	Similar	Inferior	Inferior	Similar	Similar	Inferior	Inferior	Inferior	Inferior	Inferior	Inferior	Similar	Similar
LAUNDRY				Inferior	Inferior	Similar	Similar	Inferior	Inferior	Inferior	Inferior	Inferior	Similar	Similar	Similar	Inferior	Inferior
UTILITIES				Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar
OVERALL				**Similar**	**Similar**	**Inferior**	**Inferior**	**Similar**	**Similar**	**Inferior**	**Inferior**	**Inferior**	**Inferior**	**Inferior**	**Inferior**	**Similar**	**Similar**

The preceding comparative analysis indicates the subject compares favorably with each of the comparable competing properties in terms of physical characteristics, and amenities.

Rent Comparison

The developer has projected the following restricted rents for the subject property.

PROJECTED RESTRICTED RENTS HUNTER BAY APARTMENTS								
Allocation	Unit Mix	# Units	Size/SF	Rental Rate	Rental Rate/SF	Utility Allowance	Gross Rents	Gross Rent/SF
20/50	1 BD/1BTH	2	800	$325	$0.41	$86	$437	$0.55
	2 BD/2BTH	5	1,000	$375	$0.38	$103	$478	$0.48
	3BD/2BTH	3	1,200	$475	$0.40	$121	$546	$0.46
40/60	1 BD/1BTH	6	800	$375	$0.47	$86	$461	$0.58
	2 BD/2BTH	13	1,000	$475	$0.78	$103	$578	$0.58
	3BD/2BTH	6	1,200	$575	$0.48	$121	$696	$0.58
Total/Average		**35**	**1,006**	**$452**	**$0.45**		**$553**	**$0.55**

*Source: Landmark Development dba Hunter Bay, LLC

The indicated rents provided by the comparable competing properties are summarized in the following chart.

				Number of Units							
	Bedroom	Baths	Type	Existing	Vacant	Rents		Square Feet		Rent/SF	
FORREST BROOK	2	1.5	TH	42	0%	$525	$540	1,020	1,020	$0.51	$0.53
	3	2	TH	14	0%	$630	$640	1,302	1,302	$0.48	$0.49
BAYTREE	1	1	G	20	5.00%	$345	$350	654	654	$0.53	$0.54
	2	1	G	20	5.00%	$368	$373	753	753	$0.49	$0.50
THE ROSE	1	1	G	10	0%	$525	$575	750	850	$0.70	$0.68
	2	1	G	5	0%	$625	$675	850	1,000	$0.74	$0.68
LIBERTY ARMS	2	1.5	TH	10	40%	$525	$535	1,000	1,000	$0.53	$0.54
YORK TOWNHOUSES	2	1.5	TH	12	17%	$380	$395	750	750	$0.51	$0.53
	3	2	TH	34	6%	$410	$435	900	900	$0.46	$0.48
CEDAR TERRACE	1	1	G	41	2.44%	$369	$552	636	702	$0.58	$0.79
	2	1	G	56	0.00%	$386	$569	760	812	$0.51	$0.70
	3	1	G	8	12.50%	$402	$585	962	962	$0.42	$0.61
WELLINGTON SQUARE	2	1.5	TH	32	0%	$515	$520	960	960	$0.54	$0.54
	3	2	TH	8	0%	$590	$631	1,185	1,185	$0.50	$0.53

The projected rates for the subject compare favorably with the comparable competing properties and reflect market rental rates for the subject.

Vacancy Rates

Vacancy rates for the comparable competing properties and the PMA overall are illustrated in the following chart.

COMPARABLE	YEAR BUILT	# OF UNITS	TYPE	UNIT MIX	VACANCY BY UNIT TYPE	CURRENT OVERALL VACANCY	2005 OVERALL VACANCY
Forest Brook	2003	56	LIHTC	2BD/1.5BTH 3BD/2BTH	0% 0%	0%	2.0%
BayTree	1984	40	RD 515	1BD/1BTH 2BD/1BTH	5% 5%	5%	N/A
The Rose	2001	15	Home	1BD/1BTH 2BD/1BTH	0% 0%	0%	N/A
Liberty Arms	1970's	10	Conventional	2BD/1.5BTH	40%	40%	N/A
York Townhomes	1986	46	RD 515	2BD/1.5BTH 3BD/2BTH	17% 6%	8.7%	N/A
Cedar Terrace	1978/84	104	RD 515	1BD/1BTH 2BD/1BTH 3BD/1BTH	2.4% 0% 12.5%	1.9%	N/A
Wellington Square	U/C	50	LIHTC	2BD/1.5BTH 3BD/2BTH	0% 0%	N/A	N/A
TOTAL MARKET VACANCY				**1-Bedroom** **2-Bedroom** **3-Bedroom**	**2.5%** **5.5%** **6.5%**	**4.4%**	

Total market vacancy currently averages 4.4%. The proposed units in Wellington Square are not available for lease yet, and were excluded from the calculation of current vacancy. The overall vacancy rate appears to have been skewed by the vacancy associated with Liberty Arms, which is the only conventional market rate property in the analysis. This property contains only 10 units, of which 4 are vacant. The property manager indicated the reported occupancy rate is not typical; however, the unusually high vacancy rate within the only conventional market rate property in the PMA suggests limited demand for conventional multi-

family properties. Excluding Liberty Arms, the overall market vacancy is only 3.1%.

As noted previously, the subject compares favorably with the competing properties and is expected to compete well for prospective tenants. Including Liberty Arms, there are 271 existing multi-family units in the subject's PMA, of which 12 are vacant. Excluding Liberty Arms, the number of units vacant reduces to eight. With the completion of Wellington Square and the subject will increase the total inventory by 85 units to 356 units or by 42.1% overall.

Market Impact

Initially, the increased inventory associated with the subject property will generate a slight increase in vacancy; however, the increase is expected to be short-term as on-going demand during the construction period enhances absorption of the current vacant inventory. The development of the subject property is not expected to adversely impact the feasibility of the existing subsidized housing projects.

Owner-occupied home values increased substantially between 1990 and 2000. Total owner-occupied homes in the PMA increased by 34.4% between 1990 and 2000, and are expected to increase by another 15.1% by 2010, suggesting that increases in home values have not cooled buying patterns for home owners. This trend has been fueled in recent years by low-interest rates, and a variety of financing options available to home-buyers. The median household income for York County indicates a sizable portion of residents have the financial strength to purchase a home; however, rapidly increasing property values and continually increasing interest rates are likely to blunt the rate of growth in homeownership over the next five years, as illustrated by the census data. As the cost of homeownership increases and purchasing declines, demand for rental properties is likely to increase over time.

Housing options in York County are relatively varied. They include single-family housing, multi-family rental properties (conventional and subsidized), condominiums and townhomes. In light of current vacancy rates for each market segment, the only underserved segment appears to be subsidized housing.

Note: Research revealed one additional multi-family rental project under construction. The proposed Misty Way 14-unit conventional project will be located on Railroad Avenue in York, SC. The developer is Ward Properties, Inc., who confirmed each unit will have three bedrooms, two baths and a garage. The first units are scheduled for a late 2006 delivery. Projected rental rates are unknown. This property may compete indirectly with the subject property; therefore, the proposed units will be considered in the forthcoming demand analysis.

PROJECT SPECIFIC DEMAND ANALYSIS

To be eligible for the LIHTC program, a development must have at least 20% of its units occupied by households earning at or below 50% of the area median income, or 40% of its units occupied by households earning at or below 60% of the area median income. Maximum permitted rents are set for each unit based upon 35% of the areas maximum allowable income for specified household sizes. Tenant paid utilities are counted as part of the maximum rent.

For the Hunter Bay Apartments, the developer has allocated 10 units or 28.6% for households earning at or below 50% of the area median income. The remaining 25 units or 71.4% have been allocated for households earning at or below 60% of the area median income. The allocation of units meets the requirements of the LIHTC program.

The 2006 maximum income and gross rent limits are based upon the permitted number of occupants for each unit type. They are illustrated in the following chart.

0 Bedroom	=	1.0 person income
1 Bedroom	=	1.5 person income
2 Bedroom	=	3.0 person income
3 Bedroom	=	4.5 person income
4 Bedroom	=	6.0 person income

The subject will have one-bedroom, two-bedroom and three-bedroom units, indicating income generated by 1.0 to 4.5 persons can be used to calculate gross rent limits. Those gross rent estimates are illustrated in the following chart.

2006 MAXIMUM INCOME AND GROSS RENT LIMITS York County Median HH Income = $64,400				
20/50 Allocation		**Max. Income**	**Gross Rent**	**Total Units**
1BD/1BTH	1-Person	$22,550	$657	2
1BD/1BTH	1.5-Person	$24,150	$704	
2BD/2BTH	2-Person	$25,750	$751	5
2BD/2BTH	3-Person	$29,000	$845	
3BD/2BTH	4.0-Person	$32,200	$939	3
3BD/2BTH	4.5 Person	$33,500	$977	
40/60 Allocation		**Max. Income**	**Gross Rent**	**Total Units**
1BD/1BTH	1-Person	$27,060	$789	6
1BD/1BTH	1.5-Person	$28,980	$845	
2BD2BTH	2-Person	$30,900	$901	13
2BD/2TH	3-Person	$34,800	$1,015	
3BD/2BTH	4.0-Person	$38,640	$1,127	6
3BD/2BTH	4.5 Person	$40,560	$1,183	

The maximum restricted rents for one bedroom units range from $657/month to $845/month. The maximum restricted rents for the two-bedroom units range from $751/month to $1,015/month. The maximum restricted rents for the three-bedroom units range from $939 to $1,183/ month. These gross rents include utility allowances, and are based on a maximum of 35% of maximum allowable income.

The next step in this section is to review the restricted rents and utility allowances projected by the developer for the subject. Those figures are summarized in the following chart.

PROJECTED RESTRICTED RENTS HUNTER BAY APARTMENTS								
Allocation	Unit Mix	# Units	Size/SF	Rental Rate	Rental Rate/SF	Utility Allowance	Gross Rents	Gross Rent/SF
20/50	1 BD/1BTH	2	800	$325	$0.41	$86	$437	$0.55
	2 BD/2BTH	5	1,000	$375	$0.38	$103	$478	$0.48
	3BD/2BTH	3	1,200	$475	$0.40	$121	$546	$0.46
40/60	1 BD/1BTH	6	800	$375	$0.47	$86	$461	$0.58
	2 BD/2BTH	13	1,000	$475	$0.78	$103	$578	$0.58
	3BD/2BTH	6	1,200	$575	$0.48	$121	$696	$0.58
Total/Average		**35**	**1,006**	**$452**	**$0.45**		**$553**	**$0.55**

*Source: Landmark Development dba Hunter Bay, LLC

The restricted rents projected by the developer clearly fall below the maximum gross rents permitted for each unit type and are reasonable. The required income limits based on the developers' projected gross rents are illustrated in the following chart.

HUNTER BAY APARTMENTS - MINIMUM & MAXIMUM INCOME LIMITS						
Allocation	Unit Mix	# Units	Size/SF	Gross Rents	Minimum Income Limits*	Maximum Income Limits**
20/50	1 BD/1BTH	2	800	$437	$14,983	$24,150
	2 BD/2BTH	5	1,000	$478	$16,389	$29,000
	3BD/2BTH	3	1,200	$546	$18,720	$33,500
40/60	1 BD/1BTH	6	800	$461	$15,805	$28,980
	2 BD/2BTH	13	1,000	$578	$19,817	$34,800
	3BD/2BTH	6	1,200	$696	$23,863	$40,560
Total/Average		**35**	**1,006**	**$553**	**$18,960**	**$33,241**

*Based on a maximum of 35% of gross income allocated to rent.
**Based on maximum allowable rents for York County.

The next step in this analysis is to estimate net demand for the proposed subject units. Net demand is the combined total of demand from new households, rent-

overburdened households, existing sub-standard households and elderly homeowner households that are likely to revert to renter-occupancy less the existing supply. Net demand is illustrated for all of the subject's units in the following chart.

PMA Population	30,747
Annual Pop. Increase	1.8%
2008 Pop. Projection	32,437
% of Renter HH	25%
2008 Renter HH Projection	8,109
% Qualified	16.5%
Total Qualified Renters	1,338
Average HH Size	2.6
Total Qualified Demand (New HH)	515
Demand from Over-burdened HH	11
Demand from Sub-standard HH	0
Demand from Elderly Owner Turnover	0
Gross Demand	526
Current Supply	(271)
Proposed Units	(64)
Pent Up Demand (Units)	**191**

	One Bedroom		Two Bedroom		Three Bedroom	
	50%	60%	50%	60%	50%	60%
Pent Up Demand (Net)	191	191	191	191	191	191
% Demand by Type	6.5%	16.0%	15.2%	21.7%	6.5%	8.7%
Net Demand by Type	12	31	29	41	12	17
Total Net Demand			142			

Total net demand for households at 50% AMI is 53 units. Total net demand for households at 60% AMI is 89 units. Capture for the subject units is calculated in the following chart.

Bedrooms	Net Demand	Units Proposed	Capture Rate
1 Bedroom 50% AMI	12	2	16.7%
1 Bedroom 60% AMI	31	6	19.4%
2 Bedroom 50% AMI	29	5	17.2%
2 Bedroom 60% AMI	41	13	31.7%
3 Bedroom 50% AMI	12	3	25.0%
3 Bedroom 60% AMI	17	6	35.3%

Absorption Rates

As noted in the preceding Community Demographic Data section, the percentage of renter-occupied households has increased moderately between 1990 and 2005 in the PMA, and is expected to continue increasing through 2010. Between 2000 and 2005, renter-occupied households increased by an annual average of 132, which indicates the total increase in renter-occupied households by 2008 should equate to 396. Of that total only 16.5% (65 total) will represent households with income levels that qualify for subsidized housing. The current available supply of vacant units is twelve. Proposed units include the 50 units associated with Wellington Square, the subject's 35 units and another 14 units associated with Misty Way. Vacant and proposed units total 111 units and the derived pent up demand among qualified households was 142 units. This analysis indicates the PMA will maintain a pent up demand for 31 low-income or subsidized housing units when the subject is completed. Absorption among recently completed properties, such as Forest Brook, has been strong. Rental concessions are not impacting this market. The subject is expected to reach stabilized occupancy within three months of completion.

Summary

The proposed development and unit mix is supported by market demand. The proposed restricted rents are comparable to competing facilities and indicate feasibility assuming low income tax credits are issued.

INTERVIEWS

MAP CODE 1

FORREST BROOK
106 Eaves Way
York, SC 29745
Gaye Smith
803-628-6947
Comments: First occupant June 2003, all units pre-leased during construction.

MAP CODE 2

BAYTREE
West Jefferson St
York, SC 29745
Dianne Leary
803-684-1775
Comments: Rental assistance and Section 8 vouchers are very important to this older property.

MAP CODE 3

THE ROSE
South Congress St
York, SC 29745
John Sari & Carol McKensie
803-385-5559
Comments: 100% occupancy with waiting list.

MAP CODE 4

LIBERTY ARMS
East Jefferson St
York, SC 29745
Truman Gray
803-328-6860
Comments: Formerly known as Yorkville Apartments - new manager at this older, market rate property. Unusually high percentage of vacancy attributed to the relatively small size of the property (10 units) and its overall age/condition.

MAP CODE 5

YORK TOWNHOUSES

500 Railroad Ave
York, SC 29745
Kaci Clemmer
803-684-9133
Comments: All tenants are income restricted, four vacant units, but has two deposits pending.

MAP CODE 6

CEDAR TERRACE

East Liberty St
York, SC 29745
Dianne Leary
803-684-7290
Comments: Rental assistance and Section 8 vouchers are very important to this older property.

MAP CODE 7

WELLINGTON SQUARE

SC Highway 5
York, SC 29745
Gaye Smith
803-628-6947
Comments: New construction of duplex townhouses, should enter the market October-November 2006, InterMark Management projects 120-180 days to lease-up.

RECOMMENDATIONS/CONCLUSIONS

The subject property is feasible as a low income housing tax credit property. The demographics impacting supply and demand in the PMA indicate current and future demand is sufficient to support the development of the proposed Hunter Bay Apartments. The following factors impacted this conclusion.

- The proposed design, floor plans and amenities will be functional and efficient for the intended use.

- The location and physical features of the subject are conducive to multi-family development. Transportation linkages are adequate. The surrounding commercial and residential uses are compatible with multi-family development.

- The long-term economic outlook for the market area is positive.

- Demographic trends in the PMA indicate strong growth trends in population and households. Demand for renter-occupied housing is significant within the municipal limits of York, and the areas immediate surrounding the city. Given the increasing population base, demand for the existing housing inventory is likely to spur new growth over the next five years. New housing opportunities are likely to be well-received and financially-feasible, assuming they are designed to be aesthetically appealing and affordable to the average household within the market area.

- The subject compares favorably with competing properties in terms of physical characteristics and amenities. The projected restricted rents are reasonable.

- The development of the subject property is not expected to adversely impact the feasibility of the existing subsidized housing projects.

- As the cost of homeownership increases and purchasing declines, demand for rental properties is likely to increase over time.

- The only underserved housing segment appears to be subsidized housing for low-income families.

- The project specific demand analysis indicated the PMA will maintain a pent up demand for 31 low-income or subsidized housing units when the subject is completed.

- Absorption among recently completed properties, and rental concessions are not impacting this market. The subject is expected to reach stabilized occupancy within three months of completion.

ANALYST STATEMENT

We affirm that we have made a physical inspection of the market and surrounding area and the information obtained in the field has been used to determine the need and demand for LIHTC units. We understand that any misrepresentation of this statement may result in the denial of further participation in the South Carolina State Housing Finance & Development Authority's programs. We also affirm that we have no financial interest in the project or current business relationship with the ownership entity and our compensation is not contingent on this project being funded. This report was written according to the SCSHFDA's market study requirements. The information included is accurate and can be relied upon by the SCSHFDA to present a true assessment of the low-income housing rental market.

_____ _____

Kelli K. Kline, MAI Date
South Carolina State Certified General
Real Estate Appraiser CG 2416

_____ _____

Dan A. Hyleman, CCIM Date
South Carolina State Apprentice
Real Estate Appraiser CG 2416

USPAP CERTIFICATION

We certify that, to the best of our knowledge and belief:

The statements and facts 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 and conclusions and recommendations.

We have no present interest or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.

We have no bias with respect to the 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 conclusion or recommendation that favors the cause of the client, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this report.

The reported 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*.

The use of the report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

Dan A. Hyleman, CCIM physically inspected the property that is the subject of this report.

No significant professional assistance was provided by anyone other than the signatories to this certification.

As of the date of this report, Kelli K. Kline, MAI has completed the continuing education program of the Appraisal Institute.

_____ _____

Kelli K. Kline, MAI Date
South Carolina State Certified General
Real Estate Appraiser CG 2416

_____ _____

Dan A. Hyleman, CCIM Date
South Carolina State Apprentice
Real Estate Appraiser CG 2416

HCAHMA CERTIFICATION

This study has been prepared in conformance with the standards adopted by the National Council of Affordable Housing Market Analysts (NCAHMA) for the market analysts' industry. These standards include the Standard Definitions of Key Terms Used in Market Studies for Affordable Housing Projects, and Model Content Standards for the Content of Market Studies for Affordable Housing Projects. These Standards are designed to enhance the quality of market studies and to make them easier to prepare, understand, and use by market analysts and by the end users. These standards are voluntary only, and no legal responsibility regarding their use is assumed by the NCAHMA.

HKMERIDIAN is duly qualified and experienced in providing market analysis for affordable housing. The company's principals participate in NCAHMA educational and information sharing programs to maintain the highest professional standards and state-of-the-art knowledge. **HKM**ERIDIAN is an independent market analyst. No principal or employee of **HKM**ERIDIAN has any financial interest whatsoever in the development for which this analysis has been undertaken.

_____ _____

Kelli K. Kline, MAI Date
South Carolina State Certified General
Real Estate Appraiser CG 2416

_____ _____

Dan A. Hyleman, CCIM Date
South Carolina State Apprentice
Real Estate Appraiser CG 2416

ADDENDA

LIMITING CONDITIONS AND ASSUMPTIONS

The use of this report for any purpose signifies the reading and acceptance of all assumptions, attachments and limiting conditions. These conditions are a part of the report, they are a preface to any certification, definition fact or analysis, and are intended to establish as a matter of record that the function is to provide analysis and recommendations for the identified property(s) based upon an analysis of the real estate market. This report is an economic study to estimate development feasibility. It is not an engineering, construction, environmental, legal or architectural study nor survey and no such expertise is implied. No testings of material, equipment, soils, water, air or vegetation were made on or off site. The following limiting conditions and assumptions apply to each and every property identified within this report, unless otherwise indicated.

ASSUMPTIONS

1. That the legal description as given is correct.
2. That the title to the property is good and marketable.
3. That certain opinions, data, and estimates furnished by others in the course of this investigation are correct.
4. That the property is under responsible ownership and competent management.
5. That no recorded restriction or zoning ordinance would prohibit the use of the property for any purpose indicated to be the Highest and Best Use unless cited in the report.
6. That any legal instrument or engineering document, plat or report affecting or indicating an effect upon the use and utility of the property has been furnished to the appraiser(s) by the orderer or property owner and that if no such documents are presented (in original form or a copy) prior to or by the date of inspection of the property, it is a representation that no such documents exist.

LIMITING CONDITIONS

1. The signatories to this report have no responsibility for matters of a technical or legal nature, especially those affecting title to the property.
2. No obligation for court testimony with regard to this report exists, unless arrangements have been previously made therefore.
3. Drawings, sketches, or maps as included in this report are for the sole purpose of assisting the reader in visualizing the property. Unless otherwise indicated, they are not engineering drawings.
4. This report is based on there being no hidden or unapparent conditions of the property, subsoil, or structures, which would render it more or less valuable. The signatories to this report have no responsibility for such conditions, or for engineering studies, which might be required to discover such factors.
5. Unless otherwise discussed in the body of this report, the signatories to this report assume that appropriate waste disposal facilities are either available from public or private sewer.
6. Users of this report are directed to obtain the services of a professional engineer to determine the presence and/or absence of hazardous materials including but not limited to: asbestos and/or radon gas and/or urea formaldehyde foam insulation.
7. The signatories to this report have not made any form of an environmental study, nor has any such studies been made available. The conclusions reported herein assume the subject site is free and clear of any and all contamination, either on or underground, above ground, air borne, water borne, or within any improvements thereon. The signatories to this report cannot assume liability for off site environmental problems, either unrevealed, unidentified, or in no way provided to the appraiser.
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14. An abundance of research and analysis was conducted in the preparation of this report. All file data, research, and analysis, is incorporated herein by reference.

QUALIFICATIONS

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KELLI K. KLINE, MAI

PROFESSIONAL LICENSES

South Carolina State Certified General Real Estate Appraiser Number CG 2416
North Carolina State Certified General Real Estate Appraiser Number A 4502
Virginia Certified General Real Estate Appraiser Number 4001 005658
Georgia Certified General Real Property Appraiser Number 6887

PROFESSIONAL EXPERIENCE

HKMERIDIAN (formerly Kelli Kline & Associates)
August 1999 – Present

HKMERIDIAN specializes in providing commercial real estate valuation, market studies, feasibility analysis, consultation, and appraisal review services throughout the southeastern United States. Our work is primarily focused in South Carolina, Georgia, North Carolina and Virginia; however our professional services also extend to Florida, and Tennessee.

Prior Appraisal Experience

November 1992 – July 1999

Between 1992 and 1996, I was employed as an Assistant Review Officer in the Appraisal Review Department of the Commercial Real Estate Lending division of BB&T. Since entering the appraisal profession in early 1996, my work has been focused exclusively on valuation analysis and consultation in commercial real estate. My firm has provided appraisal and/or consultation services for a wide variety of clients including private investors, banks, attorneys, real estate investment trusts, insurance companies, government agencies, and non-profit organizations. My experience includes properties located throughout the United States.

PROFESSIONAL AFFILIATIONS AND HONORS

Appraisal Institute

Member Appraisal Institute (MAI) – Certification # 12178
Appraisal Institute Leadership Development Advisory Council - Chair 2005
Appraisal Institute Leadership Development Advisory Council - Vice Chair 2005
Appraisal Institute Leadership Development Advisory Council - Discussion Leader 2003
Appraisal Institute Leadership Development Advisory Council 2000 - 2002
Appraisal Institute Communications Committee 2005
Appraisal Institute Publications Review Panel Committee 2001 - 2005
Appraisal Institute Membership Development and Retention Committee 2002 and 2003
Appraisal Institute South Carolina Chapter Government Relations Committee – Chair 2005 - 2006
Appraisal Institute South Carolina Chapter Government Relations Committee – Vice Chair 2005
Appraisal Institute South Carolina Chapter Associates Guidance Committee 2003 - 2005
Appraisal Institute South Carolina Chapter Education Committee 2001 – 2003

The Realm

ARGUS Advisory Board Member 2003 – 2005
ARGUS Development Panel Moderator – Fusion 2005 Conference – Toronto, Canada

Related Trade Organizations

South Carolina Economic Development Association
International Economic Development Association
Commercial Investment Real Estate Institute

REAL ESTATE APPRAISAL AND ECONOMIC DEVELOPMENT COURSES

Appraisal Institute Courses

Real Estate Finance, Value and Investment Performance – June 2005
Uniform Standards of Professional Appraisal Practice – May 2005
Demonstration Report Writing – March 2003
Advanced Applications – November 2000
Report Writing and Valuation Analysis – October 2000
Highest and Best Use and Market Analysis – September 2000
Apartment Appraisal – January 1999
Advanced Sales Comparison and Cost Approaches – January 1999
Advanced Income Capitalization – May 1998
General Applications - August 1996

Appraisal Principles - March 1996
Appraisal Procedures - March 1996
Basic Income Capitalization - August 1995

South Carolina Economic Developers Association
Fundamentals of Economic Development – March 2006

PRIOR EDUCATION

University of North Carolina at Charlotte - Bachelor of Arts – 1989

PUBLICATIONS

- "2005 Leadership Development & Advisory Council Debates Future of Profession", Valuation Insights & Perspectives, Second Quarter 2005, Volume 10, Number 2, pp 18 - 23
- "Grassroots Government Relations Calls for Strategy and Commitment", Valuation Insights & Perspectives, First Quarter 2005, Volume10, Number 1, pp 18 - 21
- "Strategic Resources for Grassroots Politicking", Valuation Insights & Perspectives, First Quarter 2005, Volume 10, Number 1, pp 21 - 23
- "Taking Control: Transforming the Appraisal Institute into a Political Powerhouse", Valuation Insights & Perspectives, Second Quarter 2003, Volume 8, Number 2, pp 29

CONSULTING/MASTER PLANNING

In addition to valuation services, Kelli Kline & Associates is also extensively involved in urban planning, community development, project management, and consulting for public and private entities. In particular, the firm specializes in the revitalization of blighted areas. KK&A had provided professional services to a variety of city and county governments, non-profit organizations, private investors and developers, community development corporations, as well as urban design and master planning firms throughout the southeastern United States. Our experience working within a variety of regions, ranging from densely populated urban neighborhoods to suburban communities and sparsely populated rural regions provides our team with the depth of knowledge required to recognize and identify trends and market forces unique to each of these areas. Our diversified experience allows KK&A to deliver objective, professional,

and informed insight into the strengths, weaknesses, opportunities and threats facing each of our clients.

RECENT PROJECT EXPERIENCE

- **North Columbia Master Plan/Market Analysis**
  City of Columbia, SC

- **City of Greenwood Master Plan/Market Analysis**
  City of Greenwood, SC

- **Sandhills Master Plan/ Market Analysis**
  City of Augusta, GA

- **East Central City Master Plan/Market Analysis**
  East Central City Consortium
  Columbia, SC

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Dan A. Hyleman, CCIM

PROFESSIONAL LICENSES

South Carolina Apprentice Real Estate Appraiser - License Number AA 802

South Carolina Real Estate Brokers License, November 1975

PROFESSIONAL EXPERIENCE

HKMERIDIAN (formerly Kelli Kline & Associates)
November 2005 – Present

Currently a Partner in **HKM**ERIDIAN, which specializes in providing commercial real estate valuation, market studies, feasibility analysis, consultation, and appraisal review services throughout the southeastern United States. Our work is primarily focused in South Carolina, Georgia, North Carolina and Virginia; however our professional services also extend to Florida, and Tennessee.

Prior Appraisal Experience

April 1985 – November 2005

Between 1985 and the present, I have been actively engaged in appraising, developing and providing consultation for commercial real estate. My clients include private investors, banks, attorneys, real estate investment trusts, insurance companies, government agencies, and non-profit organizations. My experience includes properties located throughout the United States.

Stone and Associates, Inc., Greenville, SC
Commercial Appraiser, August 1993 – November 2005

Shiplett-Wilkins and Associates, Inc., Charlotte, NC
Commercial Appraiser, February 1993 - August 1993

Charleston Appraisal Service, Inc., Charleston, SC
Commercial Appraiser, November 1990 - February 1993

Development Consultant and Manager, April 1985 - November 1990

PROFESSIONAL AFFILIATIONS AND HONORS

Member – Commercial Investment Real Estate Institute
CCIM designation number 1554, February 1982

Related Trade Organizations

South Carolina Economic Development Association
International Economic Development Association
Associate Member – Appraisal Institute

REAL ESTATE COURSES

Uniform Standards of Professional Practice (USPAP) Update, Appraisal Institute - June, 2005
Real Estate Finance, Value and Investment Performance, Appraisal Institute - June, 2005
Introduction to Income Capitalization, Appraisal Institute - June, 2005
Rates and Ratios, Appraisal Institute - June, 2004
Appraisal Consulting, Appraisal Institute - June, 2004
Land Valuation Adjustments, Appraisal Institute - 2003
Appraisal of Local Retail Properties, Appraisal Institute - 2002
Appraisal of Non-Conforming Uses, Appraisal Institute - 2002
Standards of Professional Practice - Part C, Appraisal Institute - 2001
Standards of Professional Practice - Part B, Appraisal Institute - 1997, 1992
Standards of Professional Practice - Part A, Appraisal Institute - 1997, 1992
Advanced Sales Comparison & Cost Approaches, Appraisal Institute - 1997
Advanced Applications, Appraisal Institute - 1994
Report Writing & Valuation Analysis, Appraisal Institute - 1993
Highest & Best Use and Market Analysis, Appraisal Institute - 1993
Capitalization Theory & Techniques - Parts A & B, American Institute of R/E Appraisers - 1989
Basic Valuation Procedures, successfully challenged exam - 1988
Real Estate Appraisal Principles, successfully challenged exam - 1988
Appraisal Principles, successfully challenged exam – 1975

PRIOR EDUCATION

University of South Carolina, Columbia, South Carolina
Bachelor of General Studies with concentrations in Real Estate and Finance, May 1976

DEFINITIONS

Absorption Period: The period of time necessary for a newly constructed or renovated property to achieve the stabilized level of occupancy. The absorption period begins when the first certificate of occupancy is issued and ends when the last unit to reach the stabilized level of occupancy has a signed lease. Assumes a typical pre-marketing period, prior to the issuance of the certificate of occupancy, of about three to six months. The month that leasing is assumed to begin should accompany all absorption estimates.

Absorption Rate: The average number of units rented each month during the absorption period.

Acceptable Rent Burden: The rent-to-income ratio used to qualify tenants for both income-restricted and non-income restricted units. The acceptable rent burden varies depending on the requirements of funding sources, government funding sources, target markets, and local conditions.

Affordable Housing: Housing where the tenant household pays no more than 30 percent of its annual income on gross rent.

Amenity: Tangible or intangible benefits offered to a tenant at no fee, typically on-site recreational facilities or planned programs, services and activities.

Annual Demand: The total estimated demand present in the market in any one year for the type of units proposed.

Area Median Income (AMI): 100% of the gross median household income for a specific MSA, county or non-metropolitan area established annually by HUD.

Assisted Housing: Housing where the monthly costs to the tenants are subsidized by federal, state or other programs.

Attached Housing: Two or more dwelling units connected with party walls (e.g. townhouses or flats).

Basic Rent: The minimum monthly rent that tenants who do not have rental assistance pay to lease units developed through the USDA-RD Section 515 Program, the HUD Section 236 Program and HUD Section 223(d)(3) Below Market Interest Rate Program. The basic rent is calculated as the amount of rent required to operate the property, maintain debt service on a subsidized mortgage with a below-market interest rate, and provide a return on equity to the developer in accordance with the regulatory documents governing the property.

Below Market Interest Rate Program (BMIR): Program targeted to renters with income not exceeding 80% of area median income by limiting rents based on HUD's BMIR program requirements and through the provision of an interest reduction contract to subsidize the market interest rate to a below-market rate. Interest rates are typically subsidized to effective rates of one percent or three percent.

Capture Rate: The percentage of age, size, and income qualified renter the primary market area that the property must capture to achieve the stabilized level of occupancy. Funding agencies may require restrictions to the qualified households used in the calculation including age, income, living in substandard housing, mover-ship and other comparable factors. The capture rate is calculated by dividing the total number of units at the property by the total number of age, size and income qualified renter households in the primary market area. See penetration rate for rate for entire market area.

Census Tract: A small, relatively permanent statistical subdivision delineated by a local committee of census data users for the purpose of presenting data. Census tract boundaries normally follow visible features, but may follow governmental unit boundaries and other non-visible features; they always nest within counties. They are designed to be relatively homogeneous units with respect to population characteristics, economic status, and living conditions at the time of establishment. Census tracts average about 4,000 inhabitants.

Central Business District (CBD): The center of commercial activity within a town or city; usually the largest and oldest concentration of such activity.

Community Development Corporation (CDC): Entrepreneurial institution combining public and private resources to aid in the development of socio-economically disadvantaged areas.

Comparable Property: A property that is representative of the rental housing choices of the subject's primary market area and that is similar in construction, size, amenities, or age. These comparables are generally used to derive market rent.

Competitive Property: A property that is comparable to the subject and that competes at nearly the same rent levels, and tenant profile, such as age, family or income.

Concession: Discount given to a prospective tenant to induce the tenant to sign a lease. Concessions typically are in the form of reduced rent or free rent for a specific lease term, or for free amenities which are normally charged separately (i.e. washer/dryer, parking).

Condominium: A form of joint ownership and control of property in which specified volumes of space (for example, apartments) are owned individually while the common elements of the property (for example, outside walls) are owned jointly.

Contract Rent: 1.The actual monthly rent payable by the tenant, including any rent subsidy paid on behalf of the tenant, to the owner, inclusive of all terms of the lease. (HUD & RD) 2. The monthly rent agreed to between a tenant and a landlord (Census).

Demand: The total number of households in a defined market area that would potentially move into proposed new or renovated housing units. These households must be of the appropriate age, income, tenure and size for a specific proposed development. Components of demand vary and can include household growth; turnover, those living in substandard

conditions, rent over-burdened households, and demolished housing units. Demand is project specific.

Difficult Development Area (DDA): An area designated by HUD as an area that has high construction, land, and utility costs relative to the area median gross income. A project located in a DDA and utilizing the low income housing tax credit may qualify for up to 130% of eligible basis for the purpose of calculating the tax credit allocation.

Detached Housing: A freestanding dwelling unit, typically single-family, situated on its own lot.

Effective Rents: Contract rent less concessions.

Elderly or Senior Housing: Housing where (1) all the units in the property are restricted for occupancy by persons 62 years of age or older or (2) at least 80% of the units in each building are restricted for occupancy by households where at least one household member is 55 years of age or older and the housing is designed with amenities and facilities designed to meet the needs of senior citizens.

Extremely Low Income: Person or household with income below 30% of area median income adjusted for household size.

Fair Market Rent (FMR): The estimates established by HUD of the gross rents (contact rent plus tenant paid utilities) needed to obtain modest rental units in acceptable condition in a specific county or metropolitan statistical area. HUD generally sets FMR so that 40% of the rental units have rents below the FMR. In rental markets with a shortage of lower priced rental units HUD may approve the use of FMR that are as high as the 50th percentile of rents.

Garden Apartments: Apartments in low-rise buildings (typically two to four stories) that feature low density, ample open-space around buildings, and on-site parking.

Gross Rent: The monthly housing cost to a tenant which equals the contract rent provided for in the lease plus the estimated cost of all tenant paid utilities.

High-rise: A residential building having more than ten stories.

Household: One or more people who occupy a housing unit as their usual place of residence.

Household Trends: Changes in the number of households for a particular area over a specific period of time, which is a function of new household formations (e.g. at marriage or separation) and changes in average household size.

Housing Unit: House, apartment, mobile home, or group of rooms used as a separate living quarters by a single household.

Housing Choice Voucher (Section 8 Program): Federal rent subsidy program under Section 8 of the U.S. Housing Act, which issues rent vouchers to eligible Households to use in the housing of their choice. The voucher payment subsidizes the difference between the gross rent and the tenant's contribution of 30% of adjusted income, (or 10% of gross income, whichever is greater). In cases where 30% of the tenants' income is less than the utility allowance, the tenant will receive an assistance payment. In other cases, the tenant is responsible for paying his share of the rent each month.

Housing Finance Agency (HFA): State or local agencies responsible for financing housing and administering assisted housing programs.

HUD Section 8 Program: Federal program that provides project based rental assistance. Under the program HUD contracts directly with the owner for the payment of

the difference between the contract rent and a specified percentage of tenants' adjusted income.

HUD Section 202 Program: Federal program, which provides direct capital assistance (i.e. grant) and operating or rental assistance to finance housing designed for occupancy by elderly households who have income not exceeding 50% of AMI. The program is limited to housing owned by 501(c)(3) nonprofit organizations or by limited partnerships where the sole general partner is a 501(c)(3) nonprofit organization. Units receive HUD project based rental assistance that enables tenants to occupy units at rents based on 30% of tenant income.

HUD Section 811 Program: Federal program, which provides direct capital assistance and operating or rental assistance to finance housing designed for occupancy by persons with disabilities who have income not exceeding 50% of AMI. The program is limited to housing owned by 501(c)(3) nonprofit organizations or by limited partnerships where the sole general partner is a 501(c)(3) nonprofit organization.

HUD Section 236 Program: Federal program which provides interest reduction payments for loans which finance housing targeted to households with income not exceeding 80% of area median income who pay rent equal to the greater of basic rent or 30 percent of their adjusted income. All rents are capped at a HUD approved market rent.

Income Band: The range of incomes of households that can pay a specific rent but do not have more income than is allowed by the income limits of a particular housing program. The minimum household income typically is based on a defined acceptable rent burden percentage and the maximum typically is pre-defined by specific programmatic requirements or by general market parameters.

Income Limits: Maximum household income by county or MSA, adjusted for household size and expressed as a percentage of the area median income for the

purpose of establishing an upper limit for eligibility for a specific housing program. Income limits for federal, state and local rental housing programs typically are established at 30%, 50%, 60% or 80% of AMI. HUD publishes Income Limits each year for 30% median, Very Low Income (50%), and Low-Income (80%), for households with 1 through 8 people.

Infrastructure: Services and facilities including roads, highways, water, sewerage, emergency services, parks and recreation, etc. Infrastructure includes both public and private facilities.

Low Income: Person or household with gross household income below 80% of area median income adjusted for household size.

Low Income Housing Tax Credit: A program to generate equity for investment in affordable rental housing authorized pursuant to Section 42 of the Internal Revenue Code, as amended. The program requires that a certain percentage of units built be restricted for occupancy to households earning 60% or less of area median income, and that the rents on these units be restricted accordingly.

Low Rise Building: A building with one to three stories

Market Advantage: The difference, expressed as a percentage, between the estimated market rent for an apartment property without income restrictions and the lesser of (a) the owner's proposed rents or (b) the maximum rents permitted by the financing program for the same apartment property.

Market Analysis: A study of real estate market conditions for a specific type of property.

Market Area or Primary Market Area: A geographic area from which a property is expected to draw the majority of its residents.

Market Demand: The total number of households in a defined market area that would potentially move into new or renovated housing units. Market demand is not project specific and refers to the universe of tenure appropriate households, independent of income. The components of market demand are similar to those used in determining demand.

Market Rent: The rent that an apartment, without rent or income restrictions or rent subsidies, would command in the open market considering its location, features and amenities. Market rent should be adjusted for concessions and owner paid utilities included in the rent.

Market Study: A comprehensive review of the housing market in a defined market area. A market study can be used to determine the demand for specific proposed development or to examine the overall condition of an area's housing market. Project specific market studies are often used by developers, syndicators, and government entities to determine the appropriateness of a proposed development, whereas market specific market studies are used to determine what housing needs, if any, exist within a specific geography. At a minimum, market studies include a review of location, economic conditions, demographics, and existing and proposed housing stock.

Marketability: The manner in which the subject fits into the market; the relative desirability of a property (for sale or lease) in comparison with similar or competing properties in the area.

Market Vacancy Rate Physical Market Vacancy Rate Economic: Average number of apartment units in any market which are unoccupied divided by the total number of apartment units in the same market area, excluding units in properties which are in the lease-up stage. Percentage of rent loss due to concessions and vacancies.

Metropolitan Statistical Area (MSA): A geographic entity defined by the federal Office of Management and Budget for use by federal statistical agencies, based on the concept of a

core area with a large population nucleus, plus adjacent communities having a high degree of economic and social integration with that core. Qualification of an MSA requires the presence of a city with 50,000 or more inhabitants, or the presence of an Urbanized Area (UA) and a total population of at least 100,000 (75,000 in New England). The county or counties containing the largest city and surrounding densely settled territory are central counties of the MSA. Additional outlying counties qualify to be included in the MSA by meeting certain other criteria of metropolitan character, such as a specified minimum population density or percentage of the population that is urban.

Mid-rise: A building with four to ten stories.

Migration: The movement of households from one location or market area to another.

Mixed Income Property: An apartment property containing (1) both income restricted and unrestricted units or (2) units restricted at two or more income limits (i.e. low income tax credit property with income limits of 30%, 50% and 60%).

Mobility: The ease with which people move from one location to another.

Moderate Income: Person or household with gross household income between 80 and 120 percent of area median income adjusted for household size.

Move-up Demand: An estimate of how many consumers are able and willing to relocate to more expensive or desirable units, such as tenants who move up from Class C properties to Class B; and Class B tenants that move up to class A properties; and tenants that move from Class C and B properties to a new superior low income tax credit property.

Multi-family: Structures that contain more than two or more housing units.

Neighborhood: An area of a city or town with common demographic and economic features that distinguish it from adjoining areas.

Net Rent (Contract or Lease Rent): Gross rent less tenant paid utilities.

Penetration Rate: The percentage of age and income qualified renter households in the primary market area that all existing and proposed properties, to be completed within six months of the subject, and which are competitively priced to the subject that must be captured to achieve the stabilized level of occupancy. Funding agencies may require restrictions to the qualified households used in the calculation including age, income, living in substandard housing, mover ship and other comparable factors.

Pent-up Demand: A market in which there is a scarcity of supply and vacancy rates are very low.

Population Trends: Changes in population levels for a particular area over a specific period of time—which is a function of the level of births, deaths, and net migration.

Primary Market Area: See market area.

Programmatic Rents: The proposed rents for a tax credit or other income restricted property relative to comparable market rate properties and rents being achieved at another low income housing tax credit or other income restricted properties in the market. Can be no greater than maximum rents permitted by the low income housing tax credit or other program regulations.

Project Based Rent Assistance: Rental assistance from a federal, state or local program that is allocated to the property or a specific number of units in the property and is available to each income eligible tenant of the property or an assisted unit.

Public Housing or Low Income Conventional Public Housing: HUD program administered by local (or regional) housing authorities which serves low- and very-low income households with rent based on the same formula used for HUD Section 8 assistance.

Qualified Census Tract (QCT): Any census tract (or equivalent geographic area defined by the Bureau of the Census) in which at least 50% of households have an income less than 60% of area median income or where the poverty rate is at least 25%. A project located in a QCT and receiving low income housing tax credits may qualify for up to 130% of eligible basis for the purpose of calculating the tax credit allocation.

Rural Development (RD) Market Rent: A monthly rent that can be charged for an apartment under a specific USDA-RD housing program, that reflects the agency's estimate of the rent required to operate the property, maintain debt service on an un-subsidized mortgage and provide an adequate return to the property owner. This rent is the maximum rent that a tenant can pay at an RD property.

Rural Development (RD) Program: (Formerly the Farmers Home Administration Section 515 Rural Rental Housing Program) federal program which provides low interest loans to finance housing which serves low- and moderate-income persons in rural areas who pay 30 percent of their adjusted income on rent or the basic rent, whichever is the higher (but not exceeding the market rent). The program may include property based rental assistance and interest reduction contracts to write down the interest on the loan to as low as one percent.

Redevelopment: The redesign or rehabilitation of existing properties.

Rent Burden: Gross rent divided by gross monthly household income.

Rent Burdened Households: Households with rent burden above the level determined by the lender, investor, or public program to be an acceptable rent-to-income ratio.

Restricted Rent: The rent charged under the restrictions of a specific housing program or subsidy.

Saturation: The point at which there is no longer demand to support additional units.

Secondary Market Area: The portion of a market area that supplies additional support to an apartment property beyond that provided by the primary market area.

Single-Family Housing: A dwelling unit, either attached or detached, designed for use by one Household and with direct access to a street. It does not share heating facilities or other essential building facilities with any other dwelling.

Special Needs Population: Specific market niche that is typically not catered to in a conventional apartment property. This population should exhibit certain criteria, which can be well defined, in order, for example, to assess the need and demand from this source. Examples of special needs populations include: substance abusers, visually impaired person or persons with mobility limitations.

Stabilized Level of Occupancy: The underwritten or actual number of occupied units that a property is expected to maintain after the initial rent-up period, expressed as a percentage of the total units.

State Data Center (SDC): A state agency or university facility identified by the governor of each state to participate in the census bureau's cooperative network for the dissemination of the census data.

Subsidy: Monthly income received by a tenant or by an owner on behalf of a tenant to pay the difference between the apartment's contract rent and the amount paid by the tenant toward rent.

Substandard Conditions: Housing conditions that are conventionally considered unacceptable which may be defined in terms of lacking plumbing facilities, one or more major systems not functioning properly, or overcrowded conditions.

Target Income Band: The income band from which the subject property will draw tenants.

Target Population: Market niche a development will appeal or cater to. State agencies often use target population to refer to various income set asides, elderly v. family, etc.

Tenant: One who rents real property.

Tenant Paid Utilities: The cost of utilities necessary for the habitation of a dwelling unit, which are paid by the tenant. Tenant paid utilities do not include costs for telephone or cable service.

Tenure: The distinction between owner-occupied and renter-occupied housing units.

Townhouse (Row House): Single-family attached residence separated from another by party walls, usually on a narrow lot offering small front and back-yards; also called a row house.

Turnover Period: 1. An estimate of the number of housing units in a market area as a percentage of total housing units in the market area that will likely change occupants in any one year. 2. The percent of occupants in a given apartment complex that move in one year.

Unmet Housing Need: New units required in the market area to accommodate household growth, homeless Households, and housing in substandard conditions.

Unrestricted Rents: The recommended rents for the market rate units at a mixed-income property.

Unrestricted Units: The units at a mixed-income property not subject to any income or rent restrictions.

Vacancy Period: The amount of time that an apartment remains vacant and available for rent.

Vacancy Rate- Economic

Vacancy Rate – Physical: Maximum potential revenue less actual rent revenue divided by maximum potential rent revenue. The number of total habitable units that are vacant divided by the total number of units in the property.

Very Low Income: Person or household whose gross household income does not exceed 50% of area median income adjusted for household size.

Zoning: Classification and regulation of land by local governments according to use categories (zones); often also includes density designations.

PMA CONFIRMATION E-MAIL

Dan A. Hyleman, CCIM

From: Kelli Kline [Kelli@hkmeridian.com]
Sent: Monday, April 03, 2006 11:47 AM
To: Leanne.Johnson@schousing.com; jim@landmarkdevelopment.biz
Cc: Laura.Nicholson@schousing.com; dan@hkmeridian.com
Subject: RE: Hunter Bay

Thank you Leanne. My partner, Dan Hyleman is working on this project and will forward the requested comparables to you this afternoon.

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-----Original Message-----
From: Leanne.Johnson@schousing.com [mailto:Leanne.Johnson@schousing.com]
Sent: Monday, April 03, 2006 11:12 AM
To: kelli@hkmeridian.com; jim@landmarkdevelopment.biz
Cc: Laura.Nicholson@schousing.com
Subject: Hunter Bay

Attached is what we have decided will be the market area for Hunter Bay. Ms. Kline, please send me a list of comparables by the end of today (Monday, April 3rd). Please notice I've listed some possible comparables at the bottom of the attached map.

Leanne Johnson
Public Information Coordinator
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