



**NOVOGRADAC
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CERTIFIED PUBLIC ACCOUNTANTS

**A MARKET FEASIBILITY STUDY OF:
LAUREL RIDGE
APARTMENTS**

A MARKET FEASIBILITY STUDY OF:

LAUREL RIDGE APARTMENTS

Located At:
620 West Grayson Street
Hillsville, Carroll CoSunt, Virginia 24343

Effective Date: March 4, 2019
Report Date: March 12, 2019

Prepared for:
PJ Hornik
Southport Financial Services, Inc.
5403 W Gray Street
Tampa, FL 33609

Client Code: SFS600-098

Prepared by:
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March 12, 2019

PJ Hornik
Southport Financial Services, Inc.
5403 W Gray Street
Tampa, FL 33609

Re: Market Study of Laurel Ridge Apartments
620 West Grayson Street,
Hillsville, Carroll County, Virginia 24343

Dear Mr. Hornik:

At your request, Novogradac & Company LLP has performed a study of the multifamily rental market in the Hillsville, Virginia area relative to the above-referenced Section 8 project. We have previously performed a preliminary rent analysis on the property that is the Subject of this report, effective October 22, 2018, and are completing an appraisal and RCS concurrently with this report.

The purpose of this market study is to assess the viability of Laurel Ridge Apartments ("Subject"). The Subject is an existing 56-unit multifamily Section 8 property that will be renovated with LIHTC funding. The property will offer 56 subsidized two, three, and four-bedroom units restricted to 60 percent of the Area Median Income (AMI), or less. The following report provides support for the findings of the study and outlines the sources of information and the methodologies used to arrive at these conclusions. The scope of this report meets the 2019 market study requirements of the Virginia Housing Development Authority (VHDA) and conforms to VHDA guidelines. In addition to the addressee, additional users of this report include VHDA.

The National Council of Housing Market Analysts (NCHMA) is a professional organization chartered to promote the development of high quality market analysis for the affordable housing industry. Novogradac is a charter member of this organization. NCHMA has compiled model content standards for market studies. This report generally conforms to those standards. Any slight modifications or departures from those standards are considered incidental and result from the specific market study requirements of VHDA. The scope of the study is based on agreed upon procedures as outlined in the engagement letter and as summarized as follows:

- Analyzing the appropriateness of the proposed unit mix, rent levels, unit and complex amenities, and site.
- In-person inspection of the Subject property.
- Estimating the market rents, absorption rates and stabilized vacancy levels for the market area.
- Investigating the general economic health and conditions of the rental market.
- Complete a by-bedroom capture rate analysis that analyzes the level of potential income eligible tenants in the primary market area.
- Reviewing relevant public records and contacting appropriate public agencies.
- Brief analysis of the economic and social conditions in the market area, in relation to the proposed project.
- Establishing the Subject's Primary Market Area, if applicable.
- Surveying competing projects, both LIHTC and market-rate.

This report contains, to the fullest extent possible and practical, explanations of the data, reasoning, and analyses that were used to develop the opinions contained herein. The depth of discussion contained in the report is specific to the needs of the client.

Southport Financial Services, Inc. is the client in this engagement and intended user of this report. As our client Southport Financial Services, Inc. owns this report and permission must be granted from them before another third party can use this document. We assume that by reading this report another third party has accepted the terms of the

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original engagement letter including scope of work and limitations of liability. We are prepared to modify this document to meet any specific needs of the potential uses under a separate agreement.

The Stated Purpose of this assignment is to assist with underwriting and for submittal to VHDA for the purposes of obtaining LIHTC funding. You agree not to use the Report other than for the Stated Purpose, and you agree to indemnify us for any claims, damages or losses that we may incur as the result of your use of the Report for other than the Stated Purpose. Without limiting the general applicability of this paragraph, under no circumstances may the Report be used in advertisements, solicitations and/or any form of securities offering.

The authors of this report certify that we are not part of the development team, owner of the Subject property, general contractor, nor are we affiliated with any member of the development team engaged in the development of the Subject property or the development's partners or intended partners. Please do not hesitate to contact us if there are any questions regarding the report or if Novogradac & Company LLP can be of further assistance. It has been our pleasure to assist you with this project.

Respectfully submitted,
Novogradac & Company LLP



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A. EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

The Subject is an existing 56-unit Section 8 rental development known as Laurel Ridge Apartments. The Subject consists of 14 one-bedroom units, 28 two-bedroom units, nine three-bedroom units, and five four-bedroom units contained in 16 two-story townhome-style buildings and one single-story leasing office. Additionally, two of the Subject's units are handicapped accessible. The Subject was originally built in 1980, and received new roofs and vinyl siding in 1994. The Subject's improvements are constructed with vinyl siding exterior, a masonry block frame, and gabled, asphalt-shingled roofs. The Subject is located at 620 West Grayson Street in Hillsville, Virginia 24343. The Subject currently benefits from a 40-year term HAP contract (HAP# VA36HO2717) that covers all of the Subject's 56 units. The most recent HAP contract rent increase was effective on September 1, 2016. As of the date of our inspection, the Subject was 96.4 percent occupied and had one vacant two-bedroom unit. Additionally, the Subject maintains a waiting list of approximately 40 households.

The Subject is proposing renovations with LIHTC equity. Following rehabilitation, all of the Subject units will continue to receive Project-Based Section 8 rental assistance and will also be restricted to households earning 60 percent of AMI, or less. Additionally, the developer has elected to restrict the hypothetical LIHTC rents at 40, 50 and 60 percent of AMI levels. The renovations are anticipated to begin in the third quarter of 2019. Additionally, according to the client, the Subject is applying for a Chapter 15 mark-up-to-market restructuring of the current Section 8 contract.

The Subject property is located in the western portion of Hillsville. Land use to the west of the Subject consists of vacant land, which twice per year is home to the Bowmans Festival Market, a local flea market. To the south of the Subject are single-family homes in fair to good condition and vacant land, followed by commercial uses along Stuart Drive (Highway 221). Land use to the east of the Subject consists of single-family homes in fair to average condition, followed by vacant land. Land use to the north consists of single-family homes in fair to average condition and vacant land, followed by Carroll-Grayson-Galax Regional Landfill. The landfill is not visible from the Subject, and there were no detrimental influences brought on by the landfill based on our inspection. The majority of retail and commercial uses are concentrated along Stuart Drive to the south of the Subject. Overall, the majority of surrounding land uses are in fair to good condition.

The Subject's proposed rents are detailed in the following table.

PROPOSED RENTS

Unit Type	Unit Size (SF)	Number of Units	Proposed LIHTC Rent	Utility Allowance (1)	Monthly Gross Rent	2018 LIHTC Maximum Allowable Gross Rent	% of LIHTC Maximum Allowable Gross Rent	2018 Fair Market Rent
<i>40% AMI</i>								
1BR / 1BA	560	6	\$343	\$95	\$438	\$438	100.00%	\$596
<i>50% AMI</i>								
1BR / 1BA	560	1	\$452	\$95	\$547	\$547	100.00%	\$596
2BR / 1.5BA	1,180	14	\$530	\$127	\$657	\$657	100.00%	\$684
3BR / 1.5BA	1,350	5	\$596	\$163	\$759	\$759	100.00%	\$966
4BR / 2BA	1,630	2	\$677	\$169	\$846	\$846	100.00%	\$1,073
<i>60% AMI</i>								
1BR / 1BA	560	6	\$562	\$95	\$657	\$657	100.00%	\$596
1BR / 1BA (HC)	560	1	\$562	\$95	\$657	\$657	100.00%	\$596
2BR / 1.5BA	1,180	14	\$662	\$127	\$789	\$789	100.00%	\$684
3BR / 1.5BA	1,350	4	\$748	\$163	\$911	\$911	100.00%	\$966
4BR / 2BA	1,630	2	\$846	\$169	\$1,015	\$1,015	100.00%	\$1,073
4BR / 2BA (HC)	1,630	1	\$846	\$169	\$1,015	\$1,015	100.00%	\$1,073
Total		56						

Note (1) Utility allowance based on Subject's HUD Rent Schedule, (eff. 11/1/2018)

In general, we believe there is demand in the marketplace for the Subject as conceived. We recommend no changes to the general development scheme.

Strengths

- As a newly renovated property, the Subject will exhibit superior condition relative to the majority of the comparable properties.
- The Subject’s projected LIHTC rents represent a discount to the achievable market rents.
- The LIHTC vacancy at the comparable properties is 3.3 percent, which suggests a stable market for affordable housing.
- The Subject primarily offers a townhouse design for a majority of its units, which will offer appeal to family renters.

Weaknesses

- The Subject’s amenities package offers a market disadvantage relative to several of the comparables.

Capture Rates - VHDA:

- The VHDA net demand and capture rate table illustrates demand for the Subject based on capture rates of income-eligible renter households. The following table illustrates the conclusions from this table.

Project Wide Capture Rate - LIHTC/Sec 8 Units	7.7%
Project Wide Capture Rate - LIHTC Units	11.3%
Project Wide Absorption Period	4 months

- This is a low capture rate and indicative of adequate demand for the Subject. We do not believe the additional supply will harm other VHDA properties as the capture rates are low and the vacancy is low.

Recommendations

- In general, we believe there is demand in the marketplace for the Subject as proposed. Additionally, the market has reported strong occupancy rates and waiting lists. The Subject will be well-positioned in the market. As a newly renovated property, the Subject will be in generally superior condition to most of the comparable properties. The market exhibits strong demand for affordable housing, with limited vacancy and strong absorption rates at LIHTC properties that have opened in the past three to four years. Further, the comparable LIHTC properties reported an overall average vacancy rate of 3.3 percent. Based on the performance of the comparable properties, we expect the Subject to operate with an annual vacancy and collection loss of five percent, or less. Based on the comparable data, we have concluded to achievable LIHTC rents as illustrated in following table:

ACHIEVABLE LIHTC RENT				
Bedroom Type	1BR	2BR	3BR	4BR
Achievable Rent @ 40%	\$343*	-	-	-
Achievable Rent @ 50%	\$452*	\$530*	\$596*	\$677*
Achievable Rent @ 60%	\$525	\$662*	\$748*	\$846*

*Maximum Allowable Rent

The Subject’s rents offer significant market rent advantages. Overall, we believe there is demand for the Subject.

B. INTRODUCTION AND SCOPE OF WORK

INTRODUCTION AND SCOPE OF WORK

The purpose of this market study is to assess the viability of Laurel Ridge Apartments (“Subject”). The Subject is an existing 56-unit multifamily Section 8 property that will be renovated with LIHTCs. Tenants at the Subject pay 30 percent of their income towards rent under the Section 8 subsidy. The property will offer 56 subsidized units restricted to 60 percent of the Area Median Income (AMI), or less. Additionally, the developer has elected to restrict the hypothetical LIHTC rents at 40, 50 and 60 percent of AMI levels. The sponsor has indicated that this report is being submitted to the Virginia Housing Development Authority (VHDA) for application purposes. The following report provides support for the findings of the study and outlines the sources of information and the methodologies used to arrive at these conclusions. The scope of this report meets the 2019 market study requirements of the Virginia Housing Development Authority (VHDA) and conforms to VHDA guidelines. In addition to the addressee, additional users of this report include VHDA.

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- Analyzing the appropriateness of the proposed unit mix, rent levels, unit and complex amenities, and site.
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- Investigating the general economic health and conditions of the rental market.
- Complete a by-bedroom capture rate analysis that analyzes the level of potential income eligible tenants in the primary market area.
- Reviewing relevant public records and contacting appropriate public agencies.
- Brief analysis of the economic and social conditions in the market area, in relation to the proposed project.
- Establishing the Subject’s Primary Market Area, if applicable.
- Surveying competing projects, both LIHTC and market-rate.

C. PROJECT DESCRIPTION

PROJECT DESCRIPTION

Location: The Subject site is located at 620 West Grayson Street, Hillsville, Virginia 24343.

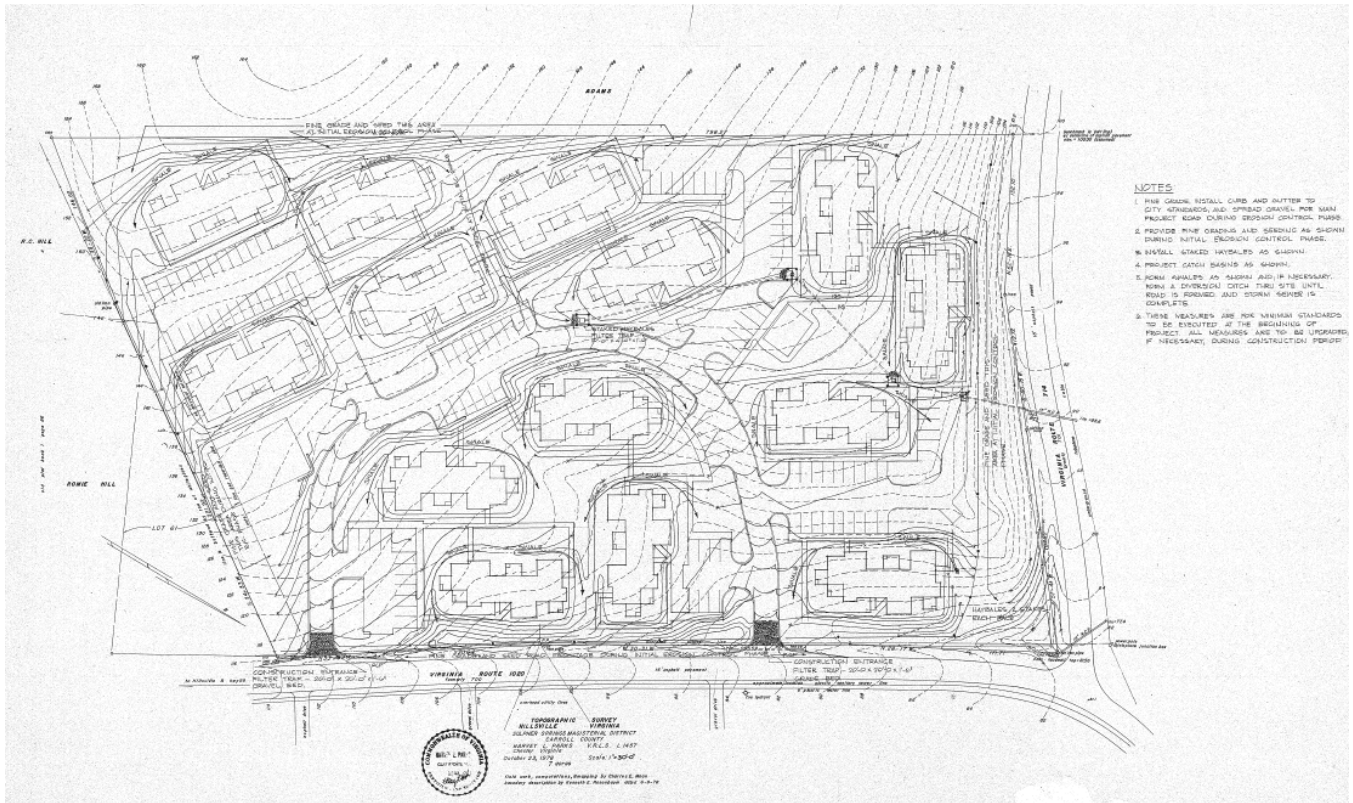
Site Description: The Subject site consists of approximately 7.00 acres, or 304,920 square feet. The Subject has average visibility from its eastern and northern boundaries along Grayson Street and Old Galax Pike.

Aerial Photo:



Source: Google Earth, retrieved March 2019

Site Plan:



Proposed Rents and Unit Mix:

The following table details the proposed rents and unit mix for the Subject.

PROPOSED RENTS

Unit Type	Unit Size (SF)	Number of Units	Proposed LIHTC Rent	Utility Allowance (1)	Monthly Gross Rent	2018 LIHTC Maximum Allowable Gross Rent	% of LIHTC Maximum Allowable Gross Rent	2018 Fair Market Rent
<i>40% AMI</i>								
1BR / 1BA	560	6	\$343	\$95	\$438	\$438	100.00%	\$596
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4BR / 2BA (HC)	1,630	1	\$846	\$169	\$1,015	\$1,015	100.00%	\$1,073
Total		56						

Note (1) Utility allowance based on Subject's HUD Rent Schedule, (eff. 11/1/2018)

Target Population:

The units will be rented restricted to households earning 60 percent of AMI, or less. All units will operate with full Section 8 subsidy, wherein tenants pay 30 percent of their income towards rent.

Utility Structure:

Tenants are responsible for all electric expenses, which include general electric, electric cooking, electric water heating, and electric heating. The property covers cold water, sewer and trash expenses. Following the renovations, the utility structure will remain the same. The following table depicts the most recent utility allowances, which were utilized to adjust the rent comparables to the Subject's utility convention. The utility allowance information is provided by the Virginia Development Housing Authority, effective November 1, 2018.

HOUSING AUTHORITY UTILITY ALLOWANCE

UTILITY AND SOURCE	Paid By	1BR	2BR	3BR	4BR
Heating - Electric	Tenant	\$26	\$34	\$41	\$51
Cooking - Electric	Tenant	\$4	\$5	\$6	\$7
Other Electric	Tenant	\$14	\$18	\$22	\$28
Air Conditioning	Tenant	\$7	\$9	\$12	\$15
Water Heating - Electric	Tenant	\$13	\$16	\$20	\$25
Water	Landlord	\$23	\$30	\$36	\$46
Sewer	Landlord	\$27	\$35	\$43	\$55
Trash	Landlord	\$12	\$12	\$12	\$12
TOTAL - Paid By Landlord		\$62	\$77	\$91	\$113
TOTAL - Paid By Tenant		\$64	\$82	\$101	\$126
TOTAL - Paid By Tenant (HUD Rent Schedule)		\$95	\$127	\$163	\$169
DIFFERENCE		148%	155%	161%	134%

Source: VHDA, eff. 11/2018

Unit Mix: The following table illustrates the Subject’s existing unit mix and size:

UNIT MIX AND SQUARE FOOTAGE

Unit Type	Number of Units	Unit Size (SF)	Net Leasable Area
1BR/1BA	14	560	7,840
2BR/1.5BA	28	1,180	33,040
3BR/2BA	9	1,350	12,150
4BR/2BA	5	1,630	8,150
TOTAL	56		61,180

Net Rentable Area: Approximately 61,180 square feet as outlined in the table above.

Unit Amenities: The Subject’s units currently offer a balcony/patio, blinds, carpeting, refrigerators, range/oven, central air conditioning, coat closets, and exterior storage. Post renovation, amenities will be upgraded, but no new amenities will be added.

Common Area Amenities: The Subject’s property features include a central laundry facility, off-street parking, on-site management, and a playground. Post renovation, amenities will be upgraded, but no new amenities will be added.

Security Features: The Subject does not offer any security features.

Parking: The Subject features off-street parking to its tenants at no additional cost. There are approximately 104 surface parking spaces, which equates to a parking ratio of approximately 1.9 spaces per unit. Overall, the parking offered at the Subject is reasonable. Additionally, our site inspection revealed ample available parking spaces at the Subject. The Subject will be considered similar to the majority of the comparables in terms of parking.

Number of Stories: The Subject consists of 14 one-bedroom units, 28 two-bedroom units, nine three-bedroom units, and five four-bedroom units contained in 16 two-story townhome-style buildings and one single-story leasing office.

Date of Construction: The Subject’s buildings were originally built in 1980, and received new roofs and vinyl siding in 1994. Renovations are scheduled to commence in July 2019 and be completed in July 2020.

Construction Details: The scope of renovations will include, but not be limited to the following:

Interior	Exterior	Misc
<ul style="list-style-type: none"> · Replace kitchen and bath millwork · Replace appliances · Replace WH · Replace bathroom fixtures/accessories · New vinyl flooring · DW Patch · Paint · Replace HVAC, equipment, clean ducts · Plumbing 	<ul style="list-style-type: none"> · Replace siding w/ cement board & brick · Replace windows · Replace doors · Sidewalks & repairs · Stripe and seal parking lot · Exterior Patios/Storage · Landscaping · Roof 	<ul style="list-style-type: none"> · Office/Community Bldg · Playground with equipment · ADA/Life Safety Compliance · Window Coverings · Electric (Light Fixtures, GFIs) · Termite · General Demo · Cleaning & Misc

The total renovation hard costs are estimated to be \$2,520,000 or approximately \$45,000. The construction timeline is anticipated to be 12 months, starting in July 2019, with an anticipated completion date of July 2020. Renovations are expected to occur with tenants in place to limit tenant disruption.

Assisted Housing Program:

The most recent HAP contract rent increase was effective on September 1, 2016. As of the date of our inspection, the Subject was 96.4 percent occupied. Additionally, according to the client, the Subject is applying for a Chapter 15 mark-up-to-market restructuring of the current Section 8 contract.

Target Population and Occupancy Type:

The Subject will be set-aside for low to moderate-income tenants restricted to households earning 60 percent of the AMI or less. Based on the unit mix and proposed rent levels, the qualified annual incomes for the Subject's units will range from \$0 to \$40,620 as a Section 8 property and \$22,526 to \$40,620 as a LIHTC property absent subsidy.

Americans with Disabilities Act of 1990:

We assume the property does not have any violations of the Americans with Disabilities Act of 1990.

Quality of Construction Condition and Deferred Maintenance:

We assume the Subject will be renovated in a timely manner consistent with the information provided, using average-quality materials in a professional manner.

Functional Utility:

We reviewed plans for the Subject property and inspected the property; the unit sizes and layout appear functional and market-oriented.

Conclusion:

The Subject will be a newly renovated Section 8 and LIHTC property and will exhibit good condition upon completion of renovations. The renovation of the Subject is expected to be an improvement to the existing neighborhood.

PROPERTY PROFILE REPORT

Laurel Ridge

Effective Rent Date	10/19/2018
Location	620 West Grayson Street Hillsville, VA 24343 Carroll County
Distance	N/A
Units	56
Vacant Units	N/A
Vacancy Rate	N/A
Type	Various (2 stories)
Year Built/Renovated	1980 / N/A
Marketing Began	N/A
Leasing Began	N/A
Last Unit Leased	N/A
Major Competitors	N/A
Tenant Characteristics	N/A
Contact Name	N/A
Phone	N/A



Market Information

Program	Section 8
Annual Turnover Rate	70%
Units/Month Absorbed	N/A
HCV Tenants	N/A
Leasing Pace	N/A
Annual Chg. in Rent	N/A
Concession	N/A
Waiting List	10 households for 1BR and 4BR, 20 for 2BR and 3BR.

Utilities

A/C	not included -- central
Cooking	not included -- electric
Water Heat	not included -- electric
Heat	not included -- electric
Other Electric	not included
Water	included
Sewer	included
Trash Collection	included

Unit Mix (face rent)

Beds	Baths	Type	Units	Size (SF)	Rent	Concession (monthly)	Restriction	Waiting List	Vacant	Vacancy Rate	Max Rent?	Range
1	1	Garden (2 stories)	6	560	\$468	\$0	@40% (Section 8)	N/A	N/A	N/A	N/A	None
1	1	Garden (2 stories)	1	560	\$468	\$0	@50% (Section 8)	N/A	N/A	N/A	N/A	None
1	1	Garden (2 stories)	6	560	\$468	\$0	@60% (Section 8)	N/A	N/A	N/A	N/A	None
1	1	Garden (2 stories)	1	560	\$475	\$0	@60% (Section 8)	N/A	N/A	N/A	N/A	None
2	1.5	Townhouse (2 stories)	14	1,180	\$533	\$0	@50% (Section 8)	N/A	N/A	N/A	N/A	None
2	1.5	Townhouse (2 stories)	14	1,180	\$533	\$0	@60% (Section 8)	N/A	N/A	N/A	N/A	None
3	1.5	Townhouse (2 stories)	5	1,350	\$653	\$0	@50% (Section 8)	N/A	N/A	N/A	N/A	None
3	1.5	Townhouse (2 stories)	4	1,350	\$653	\$0	@60% (Section 8)	N/A	N/A	N/A	N/A	None
4	2	Townhouse (2 stories)	2	1,630	\$685	\$0	@50% (Section 8)	N/A	N/A	N/A	N/A	None
4	2	Townhouse (2 stories)	2	1,630	\$685	\$0	@60% (Section 8)	N/A	N/A	N/A	N/A	None
4	2	Townhouse (2 stories)	1	1,630	\$711	\$0	@60% (Section 8)	N/A	N/A	N/A	N/A	None

Laurel Ridge, continued

Unit Mix

@40%	Face Rent	Conc.	Concd. Rent	Util. Adj.	Adj. Rent	@50%	Face Rent	Conc.	Concd. Rent	Util. Adj.	Adj. Rent
1BR / 1BA	\$468	\$0	\$468	\$0	\$468	1BR / 1BA	\$468	\$0	\$468	\$0	\$468
						2BR / 1.5BA	\$533	\$0	\$533	\$0	\$533
						3BR / 1.5BA	\$653	\$0	\$653	\$0	\$653
						4BR / 2BA	\$685	\$0	\$685	\$0	\$685

@60%	Face Rent	Conc.	Concd. Rent	Util. Adj.	Adj. Rent
1BR / 1BA	\$468 - \$475	\$0	\$468 - \$475	\$0	\$468 - \$475
2BR / 1.5BA	\$533	\$0	\$533	\$0	\$533
3BR / 1.5BA	\$653	\$0	\$653	\$0	\$653
4BR / 2BA	\$685 - \$711	\$0	\$685 - \$711	\$0	\$685 - \$711

Amenities

In-Unit		Security	Services
Balcony/Patio	Blinds	None	None
Carpeting	Central A/C		
Exterior Storage	Oven		
Refrigerator			
Property		Premium	Other
Central Laundry	Off-Street Parking(\$0.00)	None	None
On-Site Management	Playground		

Comments

None

Laurel Ridge, continued

Trend Report

Vacancy Rates

4Q18 1Q19
N/A N/A

Trend: @40%

1BR / 1BA

Year	QT	Vac.	Face Rent	Conc.	Concd. Rent	Adj. Rent
2019	1	N/A	\$468	\$0	\$468	\$468

Trend: @50%

1BR / 1BA

Year	QT	Vac.	Face Rent	Conc.	Concd. Rent	Adj. Rent
2019	1	N/A	\$468	\$0	\$468	\$468

2BR / 1.5BA

Year	QT	Vac.	Face Rent	Conc.	Concd. Rent	Adj. Rent
2019	1	N/A	\$533	\$0	\$533	\$533

3BR / 1.5BA

Year	QT	Vac.	Face Rent	Conc.	Concd. Rent	Adj. Rent
2019	1	N/A	\$653	\$0	\$653	\$653

4BR / 2BA

Year	QT	Vac.	Face Rent	Conc.	Concd. Rent	Adj. Rent
2019	1	N/A	\$685	\$0	\$685	\$685

Trend: @60%

1BR / 1BA

Year	QT	Vac.	Face Rent	Conc.	Concd. Rent	Adj. Rent
2019	1	N/A	\$468 - \$475	\$0	\$468 - \$475	\$468 - \$475

2BR / 1.5BA

Year	QT	Vac.	Face Rent	Conc.	Concd. Rent	Adj. Rent
2019	1	N/A	\$533	\$0	\$533	\$533

3BR / 1.5BA

Year	QT	Vac.	Face Rent	Conc.	Concd. Rent	Adj. Rent
2019	1	N/A	\$653	\$0	\$653	\$653

4BR / 2BA

Year	QT	Vac.	Face Rent	Conc.	Concd. Rent	Adj. Rent
2019	1	N/A	\$685 - \$711	\$0	\$685 - \$711	\$685 - \$711

Trend: Comments

4Q18 N/A

1Q19 N/A

Photos



D. LOCATION

LOCATION

Description of the Site

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



Source: Google Earth, retrieved March 2019

- Size:** The Subject site consists of approximately 7.00 acres, or 304,920 square feet.
- Shape:** The Subject consists of one roughly rectangular shaped parcel.
- Frontage:** The Subject has frontage along the west side of Grayson Street and the north side of Old Galax Pike.

Topography: The site is slightly sloping.

Utilities: All utilities are available to the site.

Visibility/Views: The Subject has average visibility from its eastern and northern boundaries along Grayson Street and Old Galax Pike. The Subject is located in a residential neighborhood with generally limited traffic. To the north, east, and south of the Subject, views consist of single-family homes in fair to average condition. Views west of the Subject consist of vacant land. Overall, visibility and views are considered average.

Surrounding Uses: The Subject property is located in the western portion of Hillsville. Land use to the west of the Subject consists of vacant land, which twice per year is home to the Bowmans Festival Market, a local flea market. To the south of the Subject are single-family homes in fair to good condition and vacant land, followed by commercial uses along Stuart Drive (Highway 221). Land use to the east of the Subject consists of single-family homes in fair to average condition, followed by vacant land. Land use to the north consists of single-family homes in fair to average condition and vacant land, followed by Carroll-Grayson-Galax Regional Landfill. The landfill is not visible from the Subject, and there were no detrimental influences brought on by the landfill based on our inspection. The majority of retail and commercial uses are concentrated along Stuart Drive to the south of the Subject. Overall, the majority of surrounding land uses are in fair to good condition.

Access and Traffic Flow: The Subject site is accessible via West Grayson Street, which is accessible via Stuart Drive 0.1 miles to the south. Stuart Drive connects to Highway 58 approximately 0.5 miles to the west, and Highway 58 provides access to Interstate 77 roughly 1.3 miles farther west. Interstate 77 provides access to Charlotte, North Carolina roughly 100 miles to the south. Overall, traffic in the Subject’s immediate area is considered light, and access is considered average.

Layout and Curb Appeal: Based on our inspection, the Subject has a functional layout for its intended use and offers average curb appeal. The following table summarizes various characteristics of the Subject site.

SUMMARY OF SUBJECT SITE		
	Visibility	Average
	Views	Average
	Access/Traffic Flow	Light
	Layout/Curb Appeal	Average

Drainage: Appears adequate, however, no specific tests were performed. Further, Novogradac is not an expert in this field and cannot opine on this issue.

Soil and Subsoil Conditions: Novogradac did not perform any soil and subsoil test upon inspection of the site, as this is beyond the scope of work. We have not been provided with a soil and subsoil report. We are not experts in this field and assume the soil is adequate for development.

Environmental Assessment: We requested but were not provided with a Phase I Environmental Report for the Subject. During our inspection, we walked the grounds of the Subject

and the rear of the building and observed no obvious signs of detrimental environmental conditions. However, Novogradac and Company LLP does not have expertise in this field and cannot opine as to the adequacy of the soil conditions, drainage, or existence of adverse environmental conditions.

Flood Plain:

According to FEMA Community Panel Number 51035C0165C, dated August 28, 2008, the Subject site is located in Zone X. Zone X is defined as an area outside 500-year floodplain, which is determined to be outside the .02 percent annual chance floodplains. Novogradac & Company LLP does not offer expertise in this field and cannot opine on this issue. Further analysis by Novogradac is beyond the scope of the report.

Proximity to Adverse Conditions:

At the time of the site inspection, there were no detrimental influences observed that would adversely impact the marketability of the Subject.

PHOTOGRAPHS OF SUBJECT AND NEIGHBORHOOD



SUBJECT SIGNAGE



SUBJECT OFFICE



SUBJECT EXTERIOR



SUBJECT EXTERIOR



SUBJECT EXTERIOR



SUBJECT EXTERIOR



SUBJECT EXTERIOR



OFFICE



MAILBOXES



SUBJECT PARKING



SUBJECT PARKING



TRASH BIN



CENTRAL LAUNDRY



PLAYGROUND



TYPICAL BEDROOM



TYPICAL BEDROOM



TYPICAL BEDROOM



TYPICAL LIVING ROOM



TYPICAL LIVING ROOM



TYPICAL LIVING ROOM



TYPICAL DINING AREA



TYPICAL KITCHEN



TYPICAL KITCHEN



TYPICAL KITCHEN



TYPICAL BATHROOM



TYPICAL BATHROOM



TYPICAL BATHROOM



TYPICAL WATER HEATER



TYPICAL EXTERIOR STORAGE



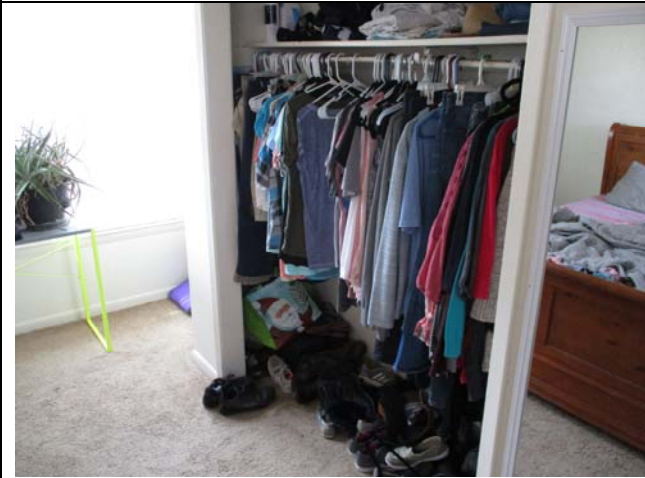
TYPICAL EXTERIOR STORAGE



TYPICAL PATIO



TYPICAL CLOSET



TYPICAL CLOSET



STREET VIEW



STREET VIEW



STREET VIEW



TYPICAL SINGLE-FAMILY HOME



TYPICAL SINGLE-FAMILY HOME



TYPICAL SINGLE-FAMILY HOME



ENTRANCE TO LANDFILL



NEARBY COMMERCIAL



NEARBY COMMERCIAL



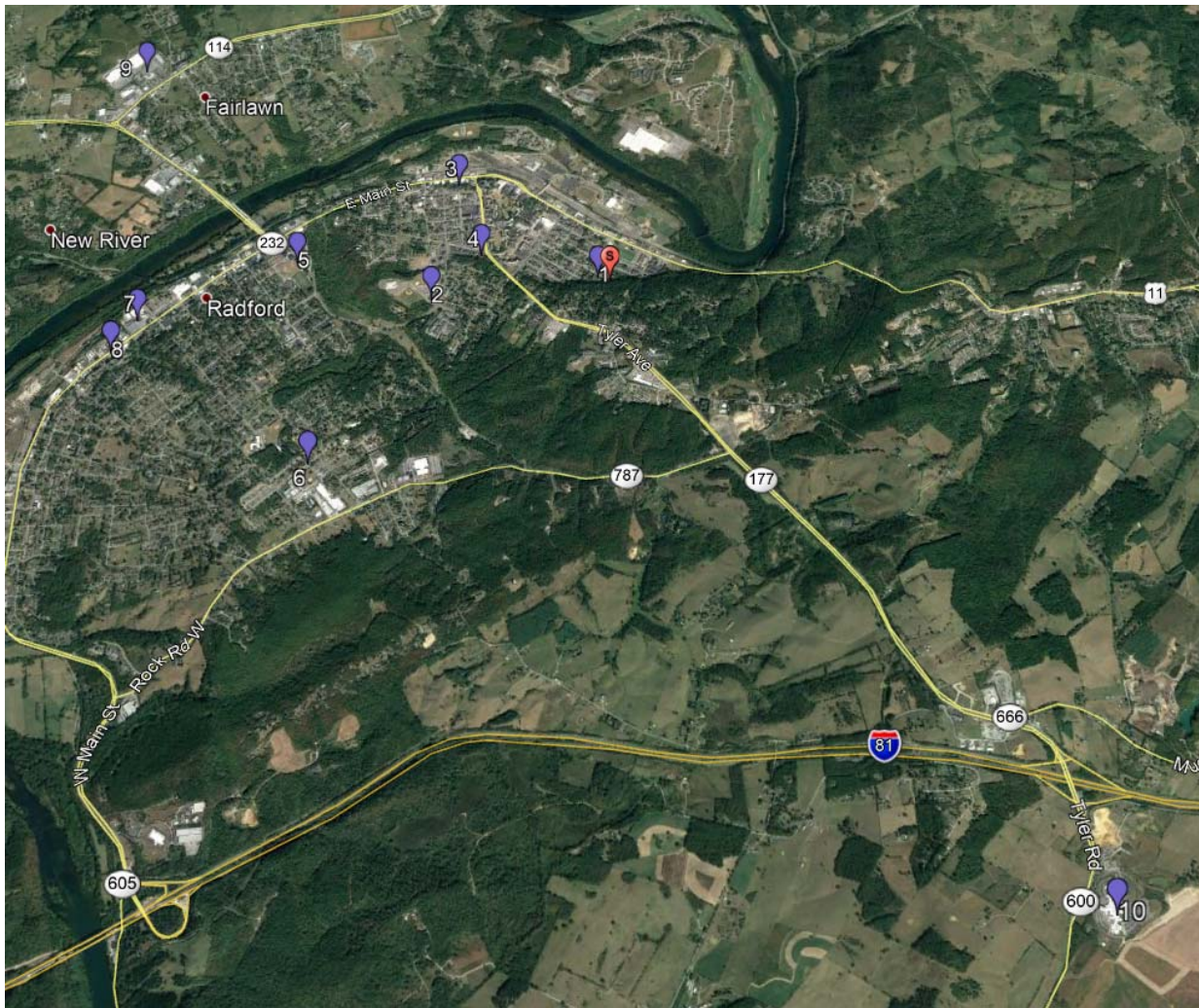
NEARBY COMMERCIAL



NEARBY COMMERCIAL

Proximity to Local Services:

The Subject is located in close proximity to services including area retail, medical facilities, and schools. The distances of various services from the Subject and a map of the locations are provided following.



LOCATIONAL AMENITIES

Map #	Service or Amenity	Distance from Subject
1	CVS Pharmacy	0.2 miles
2	Citgo Gas Station	0.6 miles
3	Post Office	0.6 miles
4	First Community Bank	0.7 miles
5	Food Lion Grocery Store	0.8 miles
6	Police Station	0.9 miles
7	Carroll County Middle School	0.9 miles
8	Carroll County High School	1.2 miles
9	Hillsville Elementary	3.5 miles
10*	Wytheville Community Hospital	23.0 miles

*Not pictured in map

Crime Statistics

The following tables show crime statistics from 2018 for the PMA. The table below depicts crime indices in the PMA in comparison to that of the MSA and the nation. A crime index below 100 is below the national average and anything over 100 is above the nation’s crime index average. A crime index of 75 in a PMA would be 25 percent below the national average while a crime rate of 200 would be twice that of the national average.

2018 CRIME INDICES

	PMA	SMA
Total Crime*	43	49
Personal Crime*	32	30
Murder	68	75
Rape	63	59
Robbery	13	12
Assault	37	35
Property Crime*	45	52
Burglary	39	41
Larceny	49	59
Motor Vehicle Theft	22	23

Source: Esri Demographics 2018, Novogradac & Company LLP, March 2019

*Unweighted aggregations

As the previous table illustrates, crime indices in the PMA are below the MSA and significantly below the nation as a whole. The Subject’s does not offer any security features, similar to the majority of the comparables. Coupled with the low overall crime index in the PMA, the lack of security features offered by the Subject and the market does not appear to impact the marketability of the Subject. We believe the Subject is competitive in the market in terms of security features.

Public Transportation

Fixed-route public transportation is not available in Hillsville, which is common for rural areas.

Conclusion

The Subject is located in primarily residential neighborhood within Hillsville city limits, which consists of single-family homes in fair to good condition, commercial uses, and vacant wooded land. Overall, the Subject’s location is considered average. The neighborhood is well suited for this type of affordable multifamily housing.

E.MARKET AREA DEFINITION

MARKET AREA DEFINITION

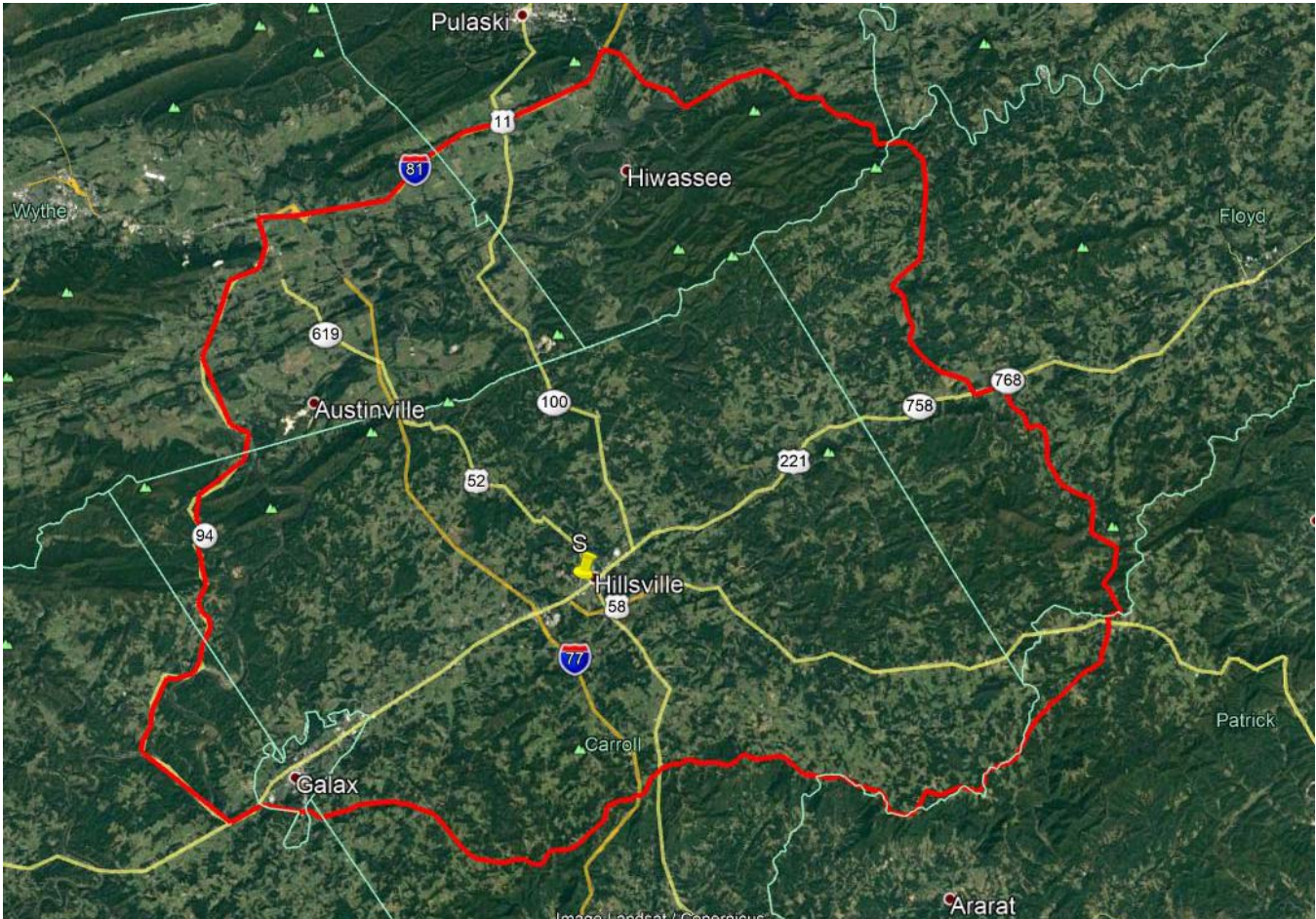
Primary Market Area

For the purpose of this study, it is necessary to define the competitive primary market area (PMA), or the area from which potential tenants for the project are likely to be drawn. In some areas, residents are very much “neighborhood oriented” and are generally very reluctant to move from the area where they have grown up. In other areas, residents are more mobile and will relocate to a completely new area, especially if there is an attraction such as affordable housing at below market rents.

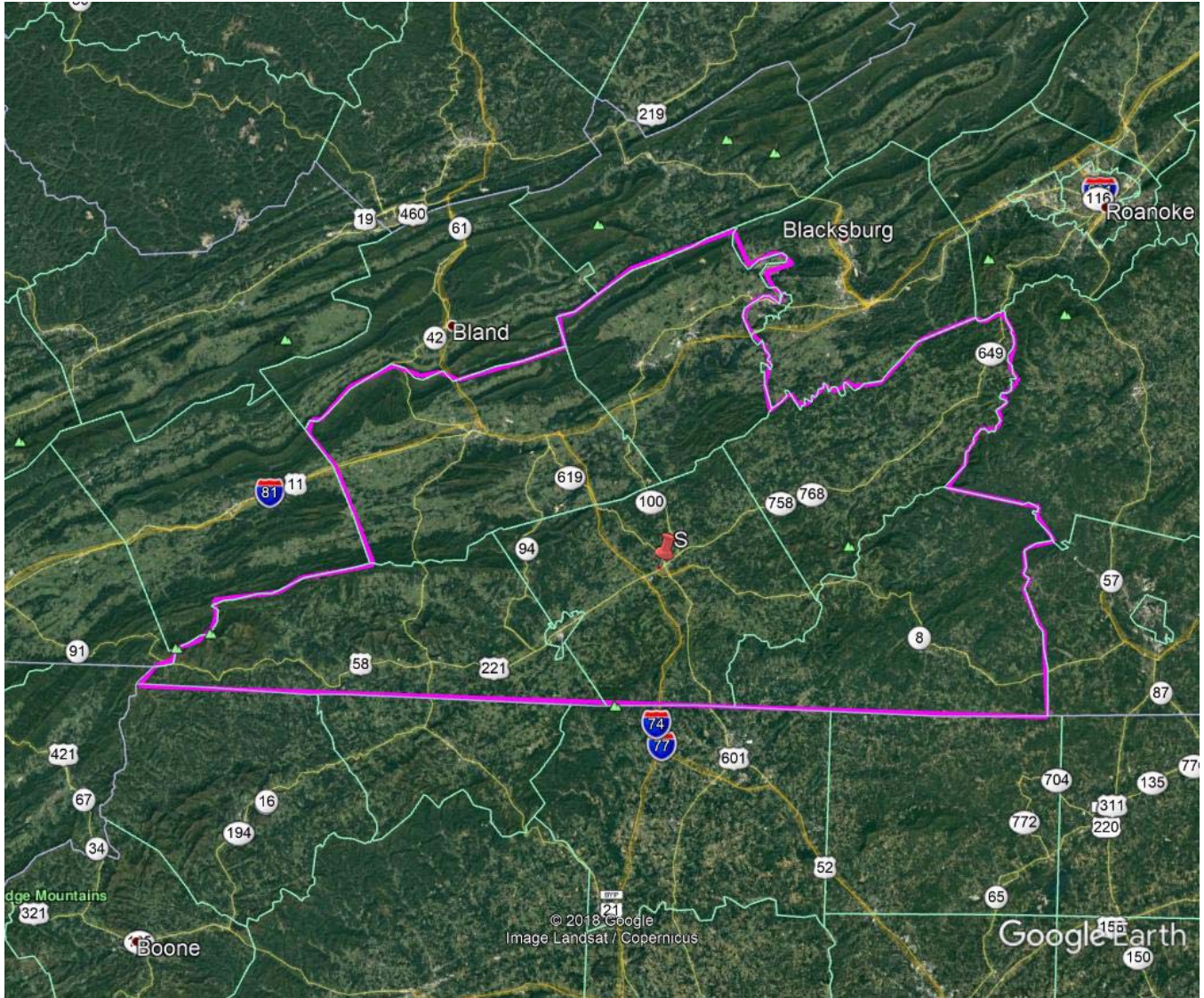
The Subject property is located in Hillsville, Virginia. The PMA is defined by Interstate 81, Highway 672, Highway 693, and Simpkinstown Road to the north, Highway 619, Highway 787, and Highway 799 and Highway 614 to the east, Blue Ridge Parkway, Highway 97, and Highway 94 to the south, and Highway 94 to the west. The PMA was determined based on input from area property managers, including the manager at the Subject property.

Per VHDA guidelines, analysts are not to include secondary or tertiary markets. In this case, we have conservatively defined the PMA for a multifamily development (also per specific VHDA guidance) and the secondary market area is simply presented as a source of comparison to the PMA.

Primary Market Area (PMA) Map



Secondary Market Area (SMA) Map



F.EMPLOYMENT AND ECONOMY

ECONOMIC ANALYSIS

Employment and Unemployment Trends

The table below illustrates the total employment and unemployment rates for the Blacksburg-Christiansburg-Hillsville, VA MSA and nation as of October 2018.

EMPLOYMENT & UNEMPLOYMENT TRENDS (NOT SEASONALLY ADJUSTED)

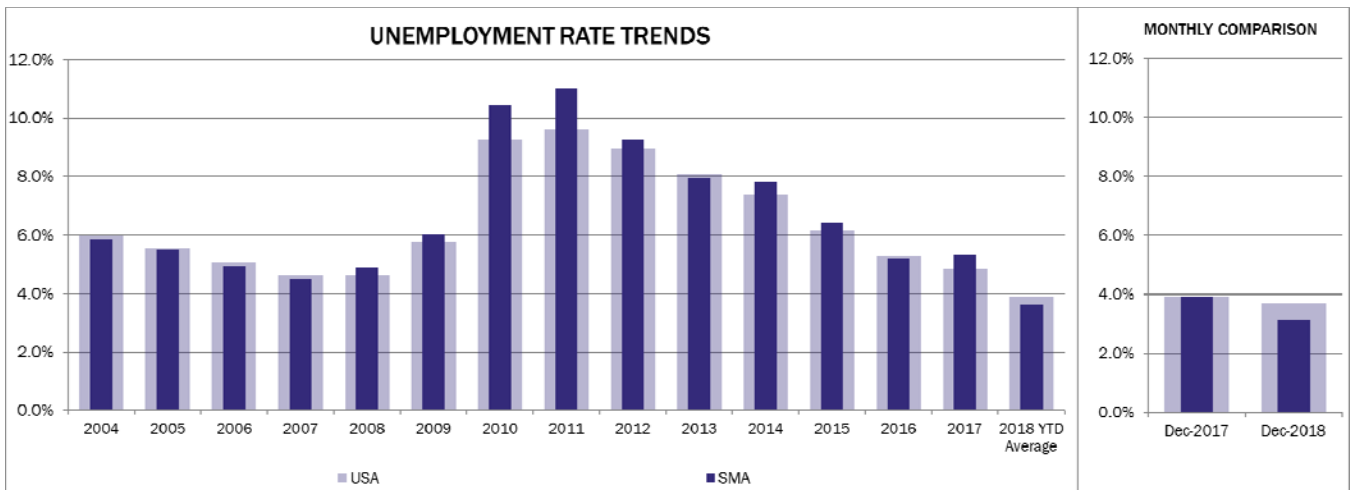
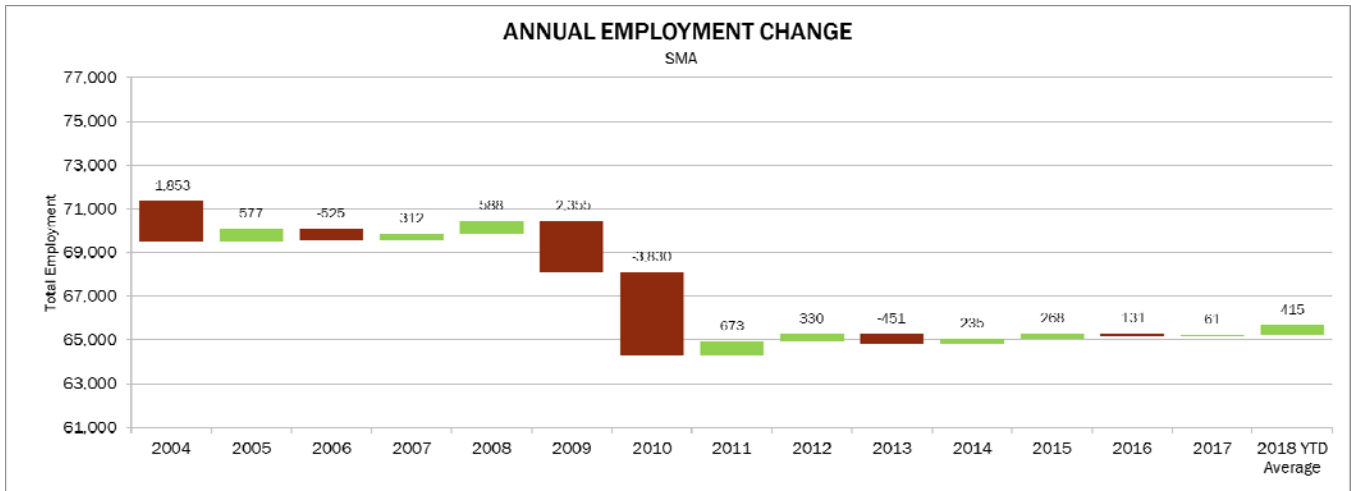
Year	MSA				USA			
	Total Employment	% Change	Unemployment Rate	Change	Total Employment	% Change	Unemployment Rate	Change
2002	69,313	-	6.7%	-	136,485,000	-	5.8%	-
2003	71,364	3.0%	5.9%	-0.9%	137,736,000	0.9%	6.0%	0.2%
2004	69,511	-2.6%	5.5%	-0.4%	139,252,000	1.1%	5.5%	-0.5%
2005	70,088	0.8%	4.9%	-0.6%	141,730,000	1.8%	5.1%	-0.5%
2006	69,563	-0.7%	4.5%	-0.4%	144,427,000	1.9%	4.6%	-0.5%
2007	69,875	0.4%	4.9%	0.4%	146,047,000	1.1%	4.6%	0.0%
2008	70,464	0.8%	6.0%	1.1%	145,363,000	-0.5%	5.8%	1.2%
2009	68,108	-3.3%	10.4%	4.4%	139,878,000	-3.8%	9.3%	3.5%
2010	64,278	-5.6%	11.1%	0.6%	139,064,000	-0.6%	9.6%	0.3%
2011	64,951	1.0%	9.3%	-1.8%	139,869,000	0.6%	9.0%	-0.7%
2012	65,281	0.5%	8.0%	-1.3%	142,469,000	1.9%	8.1%	-0.9%
2013	64,830	-0.7%	7.8%	-0.1%	143,929,000	1.0%	7.4%	-0.7%
2014	65,065	0.4%	6.4%	-1.4%	146,305,000	1.7%	6.2%	-1.2%
2015	65,333	0.4%	5.2%	-1.2%	148,833,000	1.7%	5.3%	-0.9%
2016	65,202	-0.2%	5.3%	0.1%	151,436,000	1.7%	4.9%	-0.4%
2017	65,263	0.1%	4.8%	-0.6%	153,337,000	1.3%	4.4%	-0.5%
2018 YTD Average*	65,678	0.6%	3.6%	-1.2%	155,761,000	1.6%	3.9%	-0.4%
Dec-2017	65,394	-	3.9%	-	153,602,000	-	3.9%	-
Dec-2018	66,038	1.0%	3.1%	-0.8%	156,481,000	1.9%	3.7%	-0.2%

Source: U.S. Bureau of Labor Statistics, March 2019

*2018 data is through December

Prior to the national recession, average employment growth in the MSA generally trailed the nation. Annual job growth in the MSA lagged the nation in all but one year between 2002 and 2007. The effects of the recession were particularly pronounced in the MSA, which suffered a 9.9 percent contraction in employment growth (2003-2010), well below the 4.8 percent contraction reported by the nation as a whole (2007-2010). More recently, average employment growth in the MSA lagged the nation in every year since 2012. As of December 2018, total employment in the MSA is approaching a post-recessionary record, and increasing at an annualized rate of 1.0 percent, compared to 1.9 percent across the overall nation.

The MSA experienced a higher average unemployment rate relative to the overall nation during the years preceding the recession. Unemployment in the MSA reached a historic low in 2006, a year before the overall nation. The effects of the recession were more pronounced in the MSA, which experienced a 6.1 percentage point increase in unemployment, compared to only a 5.0 percentage point increase across the overall nation. Since 2012, the MSA generally experienced a higher unemployment rate compared to the overall nation. According to the most recent labor statistics, the unemployment rate in the MSA is 3.1 percent, lower than the current national unemployment rate of 3.7 percent. Overall, the local economy appears to have fully recovered from the national recession and entered into an expansionary phase.



Employment by Industry

The following table depicts employment by industry in the Primary Market Area (PMA) and the nation.

2018 EMPLOYMENT BY INDUSTRY

Industry	PMA		USA	
	Number Employed	Percent Employed	Number Employed	Percent Employed
Manufacturing	3,189	17.5%	15,694,985	9.9%
Healthcare/Social Assistance	3,025	16.6%	22,154,439	14.0%
Retail Trade	2,506	13.8%	17,381,607	11.0%
Construction	1,550	8.5%	10,333,928	6.5%
Educational Services	1,322	7.3%	14,568,337	9.2%
Accommodation/Food Services	1,289	7.1%	11,958,374	7.6%
Other Services	843	4.6%	7,758,801	4.9%
Transportation/Warehousing	757	4.2%	6,660,099	4.2%
Public Administration	728	4.0%	7,345,537	4.7%
Admin/Support/Waste Mgmt Svcs	666	3.7%	6,943,459	4.4%
Prof/Scientific/Tech Services	608	3.3%	11,673,939	7.4%
Agric/Forestry/Fishing/Hunting	421	2.3%	2,273,158	1.4%
Arts/Entertainment/Recreation	361	2.0%	3,672,444	2.3%
Wholesale Trade	236	1.3%	4,028,405	2.6%
Finance/Insurance	222	1.2%	7,284,572	4.6%
Real Estate/Rental/Leasing	195	1.1%	3,165,171	2.0%
Utilities	130	0.7%	1,433,069	0.9%
Information	113	0.6%	2,881,691	1.8%
Mining	49	0.3%	591,596	0.4%
Mgmt of Companies/Enterprises	0	0.0%	87,511	0.1%
Total Employment	18,210	100.0%	157,891,122	100.0%

Source: Esri Demographics 2018, Novogradac & Company LLP, March 2019

Employment in the PMA is concentrated in the manufacturing, healthcare/social assistance, and retail trade industries, which collectively comprise 47.9 percent of local employment. The large share of PMA employment in manufacturing and retail trade is notable as both industries are historically volatile, and prone to contraction during recessionary periods. However, the PMA also has a significant share of employment in the healthcare industry, which is historically known to exhibit greater stability during recessionary periods. Relative to the overall nation, the PMA features comparatively greater employment in the manufacturing, retail trade, and healthcare/social assistance industries. Conversely, the PMA is underrepresented in the prof/scientific/tech services, finance/insurance, and educational services industries.

Major Employers

The following table illustrates the major employers in the city of Hillsville. It should be noted that we were unable to obtain employee counts for each employer.

MAJOR EMPLOYERS - HILLSVILLE, VA

Employer	Industry	Average Number Employees
Parkdale Magnolia	Spun Yarn	375-400
Parkdale Magnolia	Spun Yarn	41
Carroll County	Government Services	189
Mohawk Industries	Carpet Backing	155-160
Ameripumps	Pump Manufacturing	125
Barker Microfarads	Electrolytic Capacitors	125
Mt. Rogers Industrial	Misc. Textile	50-75
Classic Creations	Screen Printing	50-75
Carter Machinery & Tools (Caterpillar)	Mining Machinery	75
Trinity Mission	Nursing Home	75
Va. Produce Company	Produce Distributor	75
Turman Sawmill	Millwork, Lumber	60

Source: <https://www.townofhillsville.com/business-economy/>, Novogradac and Company, 3/2019

The largest employers in the Hillsville are within the healthcare, manufacturing, and government sectors. The large portion of major employers in the healthcare and government sectors provides a stable employment base for a large portion of the workforce. The major employers in the area provide employment for a broad range of workers.

Employment Contraction/Expansion

We consulted the Virginia Employment Commission's Worker Adjustment and Retraining Notification (WARN) filings to determine the reported contractions within the Western Virginia Region, which includes the counties of Roanoke, Montgomery, Carroll County, Pulaski, Franklin, Wythe, and surrounding areas from 2016 to 2019 YTD. The notices are summarized in the table below.

WARN LISTINGS WESTERN VIRGINIA REGION (2016 - 2019 YTD)

Company	Industry	City	Employees Affected	Layoff Date
Ammar's, Inc.	Retail Trade	Bluefield	97	10/2/2018
Ammar's, Inc.	Retail Trade	Pulaski	28	10/2/2018
Ammar's, Inc.	Retail Trade	Galax	30	10/2/2018
Avante	Healthcare Services	Roanoke	78	5/31/2018
Dish Network	Telecommunications	Christiansburg	570	5/15/2018
Walmart-Roanoke #3618	Retail Trade	Roanoke	72	1/8/2018
Shaw Industries Group, Inc.	Manufacturing	Stuart	166	10/31/2017
Cardinal Logistics Management Corp	Professional Services	Salem	69	12/2/2017
JCPenney	Retail Trade	Roanoke	72	7/31/2017
LSC Communications	Commercial Printing	Salem	140	7/23/2017
FreightCar America, Inc.	Transportation	Roanoke	364	4/24/2017
Volvo Group Trucks Operations	Transportation	Dublin	519	2/13/2016
Chubb	Insurance	Salem	71	12/31/2016
Nordson Corporation	Manufacturing	Pulaski	146	5/1/2017
HSN	Retail Trade	Roanoke	257	8/10/2016
Total			2,679	

Source: Virginia Employment Commission, retrieved January 2019

As illustrated, there have been 15 WARN notices impacting 2,679 workers in the Western Virginia Region area since 2016. Taken in context with the size of the local labor markets and the business expansions outlined below, this is a relatively small number of documented layoffs within the past three years and can be considered an indicator of a generally healthy local economy.

Employment Expansion/Contractions

We attempted to contact the City of Hillsville’s Office of Economic Development regarding any new employment expansions or contractions in the area, but were unsuccessful. Our online research revealed that Blue Ridge Crossroads Economic Development Authority owns and manages Wildwood Commerce Park, which features 100- and 25-acre “pad ready” sites, and expects a growth in employment over the next several years at the site. S&S Transporters recently became the first business to locate its operations at Wildwood Commerce Park, and will create 20 new jobs and generate at least \$5.2 million in new private capital investment over three years.

Wages by Occupation

The following table illustrates the mean hourly and annual wages for various occupations in the SMA; information at the PMA level was not available.

SMA - 2ND QTR 2017 AREA WAGE ESTIMATES

Occupation	Number of Employees	Mean Hourly Wage	Mean Annual Wage
All Occupations	125,060	\$17.66	\$36,730
Management Occupations	3,880	\$41.87	\$87,090
Architecture and Engineering Occupations	1,070	\$33.29	\$69,230
Computer and Mathematical Occupations	2,100	\$32.70	\$68,010
Healthcare Practitioners and Technical Occupations	8,300	\$28.97	\$60,270
Life, Physical, and Social Science Occupations	510	\$28.44	\$59,160
Business and Financial Operations Occupations	3,200	\$28.19	\$58,630
Legal Occupations	550	\$27.57	\$57,350
Education, Training, and Library Occupations	8,890	\$22.30	\$46,390
Construction and Extraction Occupations	6,600	\$18.82	\$39,140
Arts, Design, Entertainment, Sports, and Media Occupations	670	\$18.36	\$38,190
Installation, Maintenance, and Repair Occupations	5,500	\$18.19	\$37,840
Community and Social Service Occupations	2,870	\$17.49	\$36,390
Protective Service Occupations	5,040	\$17.39	\$36,170
Farming, Fishing, and Forestry Occupations	270	\$15.92	\$33,110
Production Occupations	12,690	\$15.58	\$32,400
Sales and Related Occupations	12,790	\$14.30	\$29,740
Office and Administrative Support Occupations	19,730	\$14.06	\$29,240
Transportation and Material Moving Occupations	9,710	\$13.75	\$28,600
Healthcare Support Occupations	3,320	\$12.63	\$26,260
Building and Grounds Cleaning and Maintenance Occupations	3,180	\$10.52	\$21,880
Personal Care and Service Occupations	4,450	\$9.86	\$20,510
Food Preparation and Serving Related Occupations	9,760	\$9.68	\$20,140

Source: Department Of Labor, Occupational Employment Statistics, 5/2017, retrieved 3/2019

The table above shows the average hourly and annual wages by occupation classification. The classification with the lowest average hourly wage is food preparation and serving related occupations at \$9.68 per hour. The highest average hourly wage, of \$41.87, is for those in management occupations. Qualifying income for the Subject's affordable units will range between \$0 and \$40,620 under the proposed scenario. Absent subsidy, qualifying incomes will range from \$22,526 and \$40,620. This encompasses a significant amount of the employment based on wages in the area. An element not reflected in the data is that many positions represent part-time employment, and starting rates are typically

lower than mean wage rates. We expect that part-time employment and entry-level positions will be common amongst the Subject's tenant base.

An element not reflected in the data is that many positions represent part-time employment, and starting rates are typically lower than mean wage rates. We expect that part-time employment and entry-level positions will be common amongst the Subject's tenant base. An element not reflected in the wage rate data is that many positions represent part-time employment, and the starting rates are typically lower than mean wage rates. Household income data shown later in this report demonstrates a significant number of households within the region have earnings of less than \$30,000.

Commuting Patterns

The chart below shows the travel time to work for the PMA according to US Census data.

COMMUTING PATTERNS		
ACS Commuting Time to Work	Number of Commuters	Percentage
Travel Time < 5 min	878	5.2%
Travel Time 5-9 min	1,787	10.6%
Travel Time 10-14 min	2,237	13.2%
Travel Time 15-19 min	2,372	14.0%
Travel Time 20-24 min	2,898	17.1%
Travel Time 25-29 min	1,105	6.5%
Travel Time 30-34 min	1,823	10.8%
Travel Time 35-39 min	594	3.5%
Travel Time 40-44 min	552	3.3%
Travel Time 45-59 min	1,621	9.6%
Travel Time 60-89 min	807	4.8%
Travel Time 90+ min	250	1.5%
Weighted Average	27 minutes	

Source: US Census 2018, Novogradac & Company, LLP March 2019

As shown in the preceding table, the weighted average commute time in the PMA is approximately 27 minutes. More than 60 percent of PMA commuters travel under 24 minutes, indicating many households work in the local area. The average commute time across the overall nation is approximately 28 minutes.

Conclusion

Employment in the PMA is concentrated in the manufacturing, healthcare/social assistance, and retail trade industries, which collectively comprise 47.9 percent of local employment. The large share of PMA employment in manufacturing and retail trade is notable as both industries are historically volatile, and prone to contraction during recessionary periods. However, the PMA also has a significant share of employment in the healthcare industry, which is historically known to exhibit greater stability during recessionary periods. The effects of the recession were more pronounced in the MSA, which suffered a 9.9 percent employment contraction, compared to only 4.8 percent across the overall nation. -As of December 2018, total employment in the MSA is approaching a post-recessionary record, and increasing at an annualized rate of 1.0 percent, compared to 1.9 percent across the overall nation. Overall, the local economy appears to have fully recovered from the national recession and entered into an expansionary phase.

G. DEMOGRAPHIC CHARACTERISTICS

General Population and Household Trends

The following tables illustrate general population and households in the PMA, the SMA and the nation from 2000 through 2023.

POPULATION

Year	PMA		SMA		USA	
	Number	Annual Change	Number	Annual Change	Number	Annual Change
2000	40,643	-	150,006	-	281,038,168	-
2010	41,416	0.2%	150,493	0.0%	308,745,538	1.0%
2018	41,492	0.0%	151,932	0.1%	330,088,686	0.8%
2023	41,088	-0.2%	150,716	-0.2%	343,954,683	0.8%

Source: Esri Demographics 2018, Novogradac & Company LLP, March 2019

HOUSEHOLDS

Year	PMA		SMA		USA	
	Number	Annual Change	Number	Annual Change	Number	Annual Change
2000	17,017	-	62,469	-	105,403,008	-
2010	17,600	0.3%	64,349	0.3%	116,716,296	1.1%
2018	17,406	-0.1%	64,414	0.0%	124,110,017	0.8%
2023	17,350	-0.1%	63,721	-0.2%	128,855,931	0.8%

Source: Esri Demographics 2018, Novogradac & Company LLP, March 2019

Historical population growth in the PMA exceeded the MSA between 2000 and 2010. Both geographic areas experienced growth rates below the overall nation during the same time period. Population growth in the PMA slowed between 2010 and 2018, and grew at a rate similar to the MSA. According to ESRI demographic projections, annualized PMA growth is expected to decrease to negative 0.2 percent through 2023, similar to the MSA and below the nation.

Historical household growth in the PMA remained relatively stable between 2000 and 2010. Household growth in the PMA declined between 2010 and 2018, while the surrounding MSA contracts since 2017. According to ESRI demographic projections, annualized PMA growth is expected to remain relatively stable changing to negative 0.1 percent through 2023, slightly above projected growth in the MSA. However, growth in both geographic areas is expected to trail the nation.

Average Household Size

The following table is a summary of the average household size in the PMA, the MSA and the nation from 2000 through 2023. This table includes households of all ages.

AVERAGE HOUSEHOLD SIZE

Year	PMA		SMA		USA	
	Number	Annual Change	Number	Annual Change	Number	Annual Change
2000	2.35	-	2.34	-	2.59	-
2010	2.32	-0.1%	2.30	-0.2%	2.58	-0.1%
2018	2.34	0.1%	2.30	0.0%	2.59	0.1%
2023	2.33	-0.1%	2.31	0.1%	2.61	0.1%

Source: Esri Demographics 2018, Novogradac & Company LLP, March 2019

The average household size in the PMA is larger than that of the MSA but smaller than of the nation. According to ESRI demographic projections, household sizes in the PMA will remain stable along with the MSA and the nation through 2023.

Median Household Income Levels

The following table illustrates the median household income for all households in the PMA, the SMA, and the nation from 2000 through 2023.

MEDIAN HOUSEHOLD INCOME

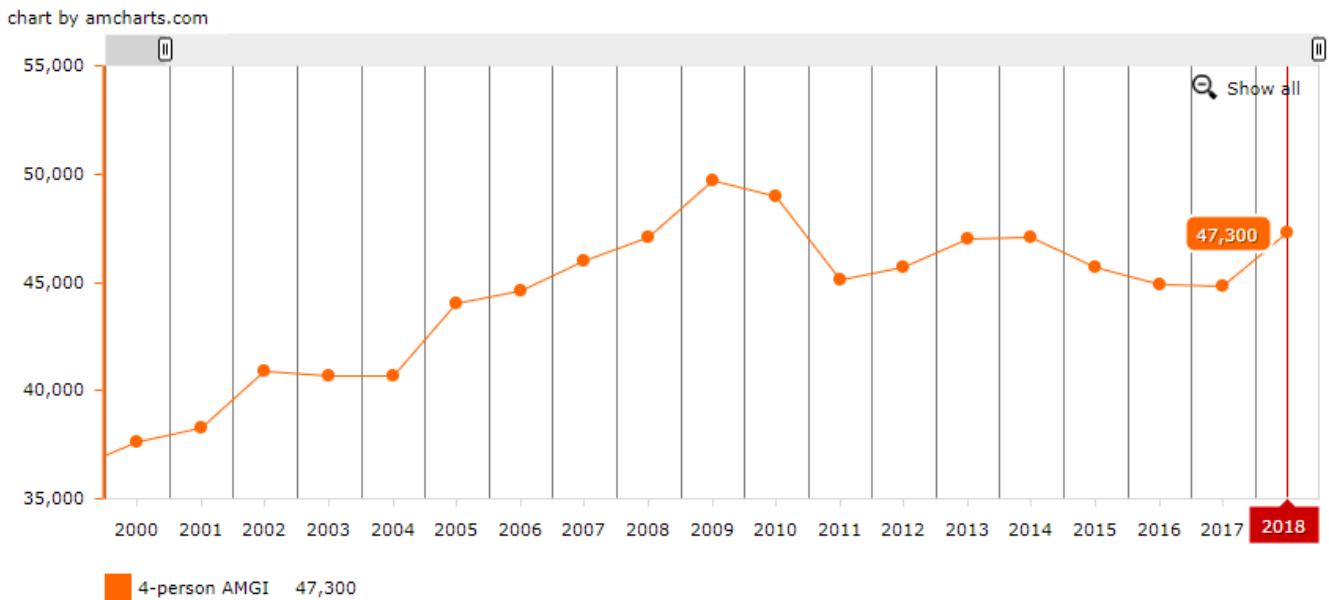
Year	PMA		SMA		USA	
	Amount	Annual Change	Amount	Annual Change	Amount	Annual Change
2000	\$14,568	-	\$15,335	-	\$44,872	-
2018	\$39,666	9.4%	\$41,304	9.3%	\$58,100	1.6%
2023	\$45,361	2.9%	\$47,913	3.2%	\$65,727	2.6%

Source: Esri Demographics 2018, Novogradac & Company LLP, March 2019

As of 2018, the median income in the PMA is similar the surrounding MSA. Median household income growth in the PMA exceeded the MSA between 2000 and 2018. Income growth in both geographic areas exceeded the overall nation during this time period. In particular, median income in the PMA rose from 32 percent of the national median income in 2000 to 68 percent in 2018. The overall rise in median income levels reflects a market where lower income households may be priced out by more affluent households. It also indicates that affordable housing properties should prosper in the future as incomes and, therefore, achievable rents rise. According to ESRI demographic projections, annualized PMA growth is expected to decline significantly to 2.9 percent through 2023, which is below the MSA, but above the overall nation.

Area Household Income Levels

The following chart illustrates the area median gross income (AMGI) of a four-person household in Carroll County between 2007 and 2018.



Display: 4-person AMGI

Average Increase (AMGI): 1.4%/year

Overall, the AMI in Carroll County has increased by an average of 1.4 percent annually between 2000 and 2018. The chart above illustrates that the AMI in Carroll County has generally increased since 2000, with the exception of 2009-2011 and 2014-2017. As of 2018, the AMI in the county is \$47,300. In 2013, the AMI decreased in approximately 84

percent of counties nationwide based on a HUD methodological change. Carroll County was not affected by this methodology change, and instead, increased in 2013. However, these increases were subsequently followed by a slight decreases through 2016. Further, it should be noted that the AMI in Carroll County increased in 2018 and reached its highest AMI level since 2010. The Subject’s proposed rents are set at the 2018 maximum allowable levels; therefore, rent increases will be dependent on AMI growth.

The following tables illustrate the household income distribution for the PMA and SMA for 2018 and 2023.

HOUSEHOLD INCOME PMA

Income Cohort	2018		2023		Annual Change 2018 to 2023	
	Number	Percentage	Number	Percentage	Number	Percentage
\$0-9,999	1,620	9.3%	1,504	8.7%	-23	-1.4%
\$10,000-19,999	2,645	15.2%	2,386	13.8%	-52	-2.0%
\$20,000-29,999	2,755	15.8%	2,612	15.1%	-29	-1.0%
\$30,000-39,999	2,226	12.8%	2,200	12.7%	-5	-0.2%
\$40,000-49,999	1,586	9.1%	1,578	9.1%	-2	-0.1%
\$50,000-59,999	1,380	7.9%	1,362	7.9%	-4	-0.3%
\$60,000-74,999	1,701	9.8%	1,684	9.7%	-3	-0.2%
\$75,000-99,999	1,659	9.5%	1,781	10.3%	24	1.5%
\$100,000-124,999	890	5.1%	1,019	5.9%	26	2.9%
\$125,000-149,999	409	2.3%	527	3.0%	24	5.8%
\$150,000-199,999	290	1.7%	374	2.2%	17	5.8%
\$200,000+	245	1.4%	323	1.9%	16	6.4%
Total	17,406	100.0%	17,350	100.0%		

Source: HISTA Data / Ribbon Demographics 2018, Novogradac & Company LLP, March 2019

HOUSEHOLD INCOME SMA

Income Cohort	2018		2023		Annual Change 2018 to 2023	
	Number	Percentage	Number	Percentage	Number	Percentage
\$0-9,999	5,515	8.6%	5,087	8.0%	-86	-1.6%
\$10,000-19,999	9,386	14.6%	8,452	13.3%	-187	-2.0%
\$20,000-29,999	9,061	14.1%	8,601	13.5%	-92	-1.0%
\$30,000-39,999	7,612	11.8%	7,259	11.4%	-71	-0.9%
\$40,000-49,999	6,449	10.0%	6,222	9.8%	-45	-0.7%
\$50,000-59,999	5,269	8.2%	5,182	8.1%	-17	-0.3%
\$60,000-74,999	6,578	10.2%	6,438	10.1%	-28	-0.4%
\$75,000-99,999	6,623	10.3%	6,955	10.9%	66	1.0%
\$100,000-124,999	3,846	6.0%	4,277	6.7%	86	2.2%
\$125,000-149,999	1,864	2.9%	2,339	3.7%	95	5.1%
\$150,000-199,999	1,183	1.8%	1,578	2.5%	79	6.7%
\$200,000+	1,028	1.6%	1,331	2.1%	61	5.9%
Total	64,414	100.0%	63,721	100.0%		

Source: HISTA Data / Ribbon Demographics 2018, Novogradac & Company LLP, March 2019

As of 2018, approximately 40.3 percent of households within the PMA have annual incomes below \$30,000. Through 2023, the percentage of low-income households earning less than \$30,000 annually is projected to decline slightly to 37.5 percent.

Conclusion

The population in the PMA increased by 2.1 percent between 2000 and 2018, compared to the 1.3 percent increase in the regional MSA and 17.5 percent increase across the overall nation. The percentage of renter households in the PMA remained relatively stable between 2000 and 2018, and is estimated to be 24.4 percent as of 2018. This is less than the estimated 33 percent of renter households across the overall nation. As of 2018, the median income in the PMA is similar to the surrounding MSA. Median household income growth in the PMA exceeded the MSA between 2000 and 2018. Income growth in both geographic areas exceeded the overall nation during this time period. In particular, median income in the PMA rose from 32 percent of the national median income in 2000 to 68 percent in 2018. Overall, the combination of rising population and household income levels bodes well for future demand for multifamily housing.

H. COMPETITIVE ENVIRONMENT

SUPPLY ANALYSIS

Tenure Patterns

The table below shows the breakdown of households by tenure within the Subject’s PMA.

Household Tenure

The following table illustrates the breakdown of households by tenure within the Subject’s PMA.

TENURE PATTERNS PMA				
Year	Owner-Occupied Units	Percentage Owner-Occupied	Renter-Occupied Units	Percentage Renter-Occupied
2000	13,539	79.6%	3,478	20.4%
2018	13,156	75.6%	4,250	24.4%
2023	13,175	75.9%	4,175	24.1%

Source: Esri Demographics 2018, Novogradac & Company LLP, March 2019

The preceding table details household tenure patterns in the PMA since 2000. The percentage of renter households in the PMA remained relatively stable between 2000 and 2018, and is estimated to be 24.4 percent as of 2018. This is less than the estimated 33 percent of renter households across the overall nation. According to ESRI demographic projections, the percentage of renter households in the PMA is expected to remain relatively stable through 2023.

Renter Household Size Distribution

The following table illustrates the breakdown of renter households by number of persons in the household within the Subject’s PMA.

Household Size	2000		2018		2023	
	Total	Percent	Total	Percent	Total	Percent
1 persons	1,351	38.8%	1,785	42.0%	1,769	42.4%
2 persons	998	28.7%	1,142	26.9%	1,088	26.1%
3 persons	555	16.0%	634	14.9%	628	15.0%
4 persons	293	8.4%	359	8.4%	367	8.8%
5+ persons	281	8.1%	330	7.8%	323	7.7%
Total	3,478	100.0%	4,250	100.0%	4,175	100.0%

Source: Esri Demographics 2018, Novogradac & Company LLP, March 2019

Historically, the majority of renter households in the PMA have consisted of one and two-person households. The Subject will target two-, three, four, and five-person households. Through 2023, the number of two-, three, four, and five-person renter households is projected to remain relatively stable.

Building Permits

Historical building permit information for Carroll County, obtained from the U.S. Census Bureau, is presented in the following chart.

BUILDING PERMITS: CARROLL COUNTY 2000 - 2017

Year	Single-family and Duplex	Three and Four-Family	Five or More Family	Total Units
2000	136	0	30	166
2001	139	0	10	149
2002	151	0	54	205
2003	169	0	0	169
2004	151	0	0	151
2005	185	0	0	185
2006	190	0	0	190
2007	174	0	0	174
2008	82	0	0	82
2009	97	0	0	97
2010	75	0	0	75
2011	51	0	0	51
2012	63	0	0	63
2013	48	0	0	48
2014	52	0	0	52
2015	53	0	0	53
2016	0	0	0	0
2017	3	0	0	3
Total	1,819	0	94	1,913
Average*	96	0	5	101

Source: US Census Bureau Building Permits, March 2019

As illustrated in the previous table, all building permits for residential units in Hillsville County have been for single-family homes since 2002.

Age of Housing Stock

The age of the area housing stock is presented in the following table:

HOUSING STOCK BY YEAR BUILT

	PMA		SMA		USA	
Built 2005 or later	340	1.6%	1,014	1.3%	2,573,002	1.9%
Built 2000 to 2004	2,472	11.5%	9,573	12.2%	19,705,347	14.8%
Built 1990 to 1999	3,548	16.5%	13,458	17.2%	18,762,073	14.1%
Built 1980 to 1989	2,267	10.6%	10,208	13.0%	18,355,676	13.7%
Built 1970 to 1979	3,799	17.7%	13,988	17.8%	20,901,765	15.7%
Built 1960 to 1969	2,878	13.4%	9,055	11.5%	14,563,783	10.9%
Built 1950 to 1959	2,577	12.0%	7,616	9.7%	14,255,447	10.7%
Built 1940 to 1949	1,441	6.7%	4,738	6.0%	6,954,604	5.2%
Built 1939 or earlier	2,155	10.0%	8,800	11.2%	17,458,151	13.1%
Total Housing Units	21,477	100.0%	78,450	100.0%	133,529,848	100.0%

Source: US Census American Community Estimates, March 2019

Of the housing stock in the PMA, 59.8 percent was constructed before 1970, with the largest percentage built between 1970 and 1979, followed by housing stock built between 1990 and 1999. Overall, the PMA exhibits generally older housing stock. The data does not reflect condition, which oftentimes is well-maintained through ongoing maintenance. The field inspection of the area reflects a varied housing stock, generally in fair to average condition.

Description of Property Types Surveyed

Comparable properties are examined on the basis of physical characteristics; i.e., building type, property age/quality, level of common amenities, and absorption rates, as well as similarity in rent structure. We attempted to compare the Subject to properties from the competing market, in order to provide a picture of the general economic health and available supply in the local rental market.

To evaluate the competitive position of the Subject, we surveyed a total of 971 units in 11 rental properties. The LIHTC data is considered fair. We included five affordable developments located between 22.1 and 38.6 miles from the Subject site. We researched comparable properties within the town of Hillsville and Carroll County, and were unable to contact any comparable market rate multifamily properties. The market rate data in Hillsville is considered average, thus we expanded our search to nearby cities and have included five market rate properties located between 22.0 and 49.0 miles from the Subject site. It should be noted that none of the comparables are located within the PMA. We attempted to contact Melton Run, a LIHTC comparable in the PMA, multiple times, but our calls were not returned. Overall, we believe the availability of data is adequate to support our conclusions.

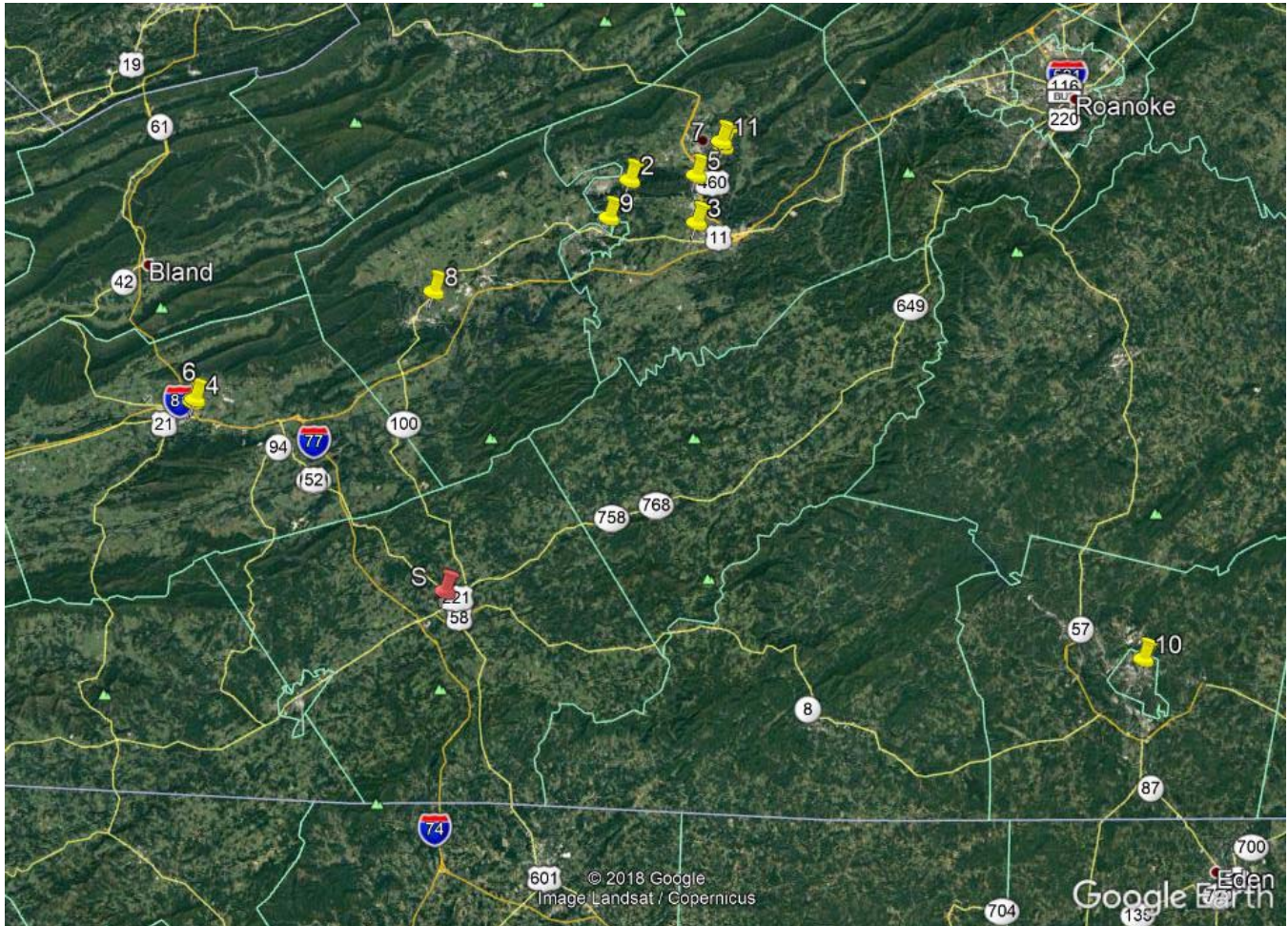
Excluded properties include, but are not limited to the properties located in the following table.

EXCLUDED LIST

Property Name	Rent Structure	Tenancy	Location	Reason for Exclusion
Towne Center Apartments	Market	Family	Pulaski	More similar comparable used (unit types)
200-250 20th & Spring St	Market	Family	Wytheville	More similar comparable used (unit types)
4714 Ararat Hwy	Market	Family	Ararat	Unable to contact (no contact info)
Fairfield Drive & Interstate 81	Market	Family	Wytheville	Unable to contact (no contact info)
Galax Community Apartments	Market	Family	Galax	More similar comparable used (unit types)
Madison Ave	Market	Family	Pulaski	More similar comparable used (unit types)
859 S Main St	Market	Family	Hillsville	Unable to contact (no contact info)
Mark Alan Apartments	Market	Family	Pulaski	Unable to contact (no contact info)
Carriage Hill Apartments	Market	Family	Pulaski	Unable to contact
Briarleigh Court	USDA	Family	Hillsville	Subsidized Rents
Harmony House	USDA	Senior	Galax	Subsidized Rents
Harmony Village	USDA	Family	Galax	Subsidized Rents
Longview Apartments	USDA	Family	Wytheville	Subsidized Rents
Longview Village	USDA	Senior	Wytheville	Subsidized Rents
Rolling Hills Blue Sky	USDA	Family	Wytheville	Subsidized Rents
Westwood Apts	USDA	Family	Wytheville	Subsidized Rents
Landings Apts	USDA	Family	Christiansburg	Subsidized Rents
Sunvalley Apts	USDA	Family	Christiansburg	Subsidized Rents
Char Mae Apts	USDA	Family	Dublin	Subsidized Rents
Maple Garden I	USDA	Family	Dublin	Subsidized Rents
Plaza Apartments	USDA	Family	Dublin	Subsidized Rents
Laurel Wood Apts	USDA	Family	Pulaski	Subsidized Rents
Pulaski Village Apt	USDA	Senior	Pulaski	Subsidized Rents
Carroll House	Section 8	Family	Hillsville	Subsidized Rents
Glendale Apts	Section 8	Family	Galax	Subsidized Rents
Galax Manor	Section 8	Senior	Galax	Subsidized Rents
Northway Apts	Section 8	Family	Galax	Subsidized Rents
Westview Terrace Apartments	Section 8	Family	Hillsville	Subsidized Rents
Melton Run	LIHTC	Family	Galax	Unable to contact
Cassell Pines	LIHTC	Family	Wytheville	Incomparable set asides
Southridge	LIHTC	Family	Wytheville	Unable to Contact

Detailed matrices describing the individual competitive properties, as well as the Subject, are provided in the addenda of this report. A map illustrating the location of the Subject in relation to the comparable properties follows.

Comparable Properties Map



COMPARABLE PROPERTIES

#	Comparable Property	City	Rent Structure	Tenancy	Distance to Subject
S	Laurel Ridge	Hillsville	Unknown	Family	-
1	Fieldstone Apartments*	Blacksburg	LIHTC	Family	38.6 miles
2	Forest Hills At Belview*	Radford	LIHTC	Family	31.4 miles
3	Henley Place*	Christiansburg	LIHTC	Family	31.1 miles
4	High Meadows*	Wytheville	LIHTC	Family	22.1 miles
5	Huckleberry Court Townhomes*	Christiansburg	LIHTC	Family	33.8 miles
6	Birchwood Apartments*	Wytheville	Market	Family	22.0 miles
7	Cedarfield Apartments*	Blacksburg	Market	Family	36.5 miles
8	Greenwood Hills Apartments*	Pulaski	Market	Family	20.8 miles
9	Highland Village*	Radford	Market	Family	28.4 miles
10	The Corner Stone Apartments*	Martinsville	Market	Family	49.0 miles
11	The Mill At Blacksburg*	Blacksburg	Market	Family	36.8 miles

*Located outside PMA

SUMMARY MATRIX

Comp #	Property Name	Distance to Subject	Type / Built / Renovated	Rent Structure	Unit Description	#	%	Size (SF)	Restriction	Rent (Adj)	Max Rent?	Waiting List?	Vacant Units	Vacancy Rate
Subject	Laurel Ridge 620 West Grayson Street Hillsville, VA 24343 Carroll County	-	Various 2-stories 1980 / n/a Family	Section 8	1BR / 1BA	13	23.2%	560	@60% (Section 8)	\$468	N/A	N/A	N/A	N/A
					1BR / 1BA	1	1.8%	560	@60% (Section 8)	\$475	N/A	N/A	N/A	N/A
					2BR / 1.5BA	28	50.0%	1,180	@60% (Section 8)	\$533	N/A	N/A	N/A	N/A
					3BR / 1.5BA	9	16.1%	1,350	@60% (Section 8)	\$653	N/A	N/A	N/A	N/A
					4BR / 2BA	4	7.1%	1,630	@60% (Section 8)	\$685	N/A	N/A	N/A	N/A
					4BR / 2BA	1	1.8%	1,630	@60% (Section 8)	\$711	N/A	N/A	N/A	N/A
					<u>56</u>							N/A	N/A	
1	Fieldstone Apartments 401 Givens Lane Blacksburg, VA 24060 Montgomery County	38.6 miles	Garden 3-stories 2017 / n/a Family	@60%	2BR / 2BA	60	71.4%	1,009	@60%	\$893	N/A	No	3	5.0%
					3BR / 2BA	6	7.1%	1,176	@60%	\$1,028	N/A	No	0	0.0%
					3BR / 2BA	18	21.4%	1,189	@60%	\$1,028	N/A	No	0	0.0%
						<u>84</u>								
2	Forest Hills At Belview 3226 Peppers Ferry Road NW Radford, VA 24141 Montgomery County	31.4 miles	Various 2-stories 2011 / n/a Family	@40%, @50%	1BR / 1BA	7	10.0%	707	@40%	\$454	No	Yes	0	0.0%
					1BR / 1BA	7	10.0%	709	@50%	\$587	No	Yes	1	14.3%
					2BR / 1.5BA	16	22.9%	980	@50%	\$697	No	Yes	0	0.0%
					2BR / 1.5BA	10	14.3%	1,011	@50%	\$697	No	Yes	1	10.0%
					3BR / 2BA	6	8.6%	1,123	@50%	\$757	No	Yes	0	0.0%
					3BR / 2BA	14	20.0%	1,161	@50%	\$757	No	Yes	0	0.0%
					4BR / 2BA	6	8.6%	1,244	@50%	\$870	No	Yes	0	0.0%
					4BR / 2BA	4	5.7%	1,247	@50%	\$870	No	Yes	1	25.0%
	<u>70</u>											3	4.3%	
3	Henley Place 1020-1150 Beaver Drive Christiansburg, VA 24073 Montgomery County	31.1 miles	Townhouse 1-stories 2006 / n/a Family	@50%, @60%	2BR / 2.5BA	9	22.0%	1,656	@50%	\$680	No	Yes	0	0.0%
					3BR / 2.5BA	27	65.9%	2,253	@60%	\$890	No	Yes	1	3.7%
					4BR / 2.5BA	5	12.2%	2,582	@60%	\$1,005	No	Yes	0	0.0%
						<u>41</u>								
4	High Meadows 1550 East Main Street Wytheville, VA 24382 Wythe County	22.1 miles	Townhouse 2-stories 2007 / n/a Family	@50%, @60%	1BR / 1BA	10	16.7%	777	@50%	\$459	No	No	0	0.0%
					2BR / 1.5BA	20	33.3%	1,122	@60%	\$674	No	No	1	5.0%
					3BR / 2BA	10	16.7%	1,320	@50%	\$626	No	No	0	0.0%
					3BR / 2BA	20	33.3%	1,320	@60%	\$769	No	No	1	5.0%
						<u>60</u>								
5	Huckleberry Court Townhomes 501-599 Virginian Drive Christiansburg, VA 24073 Montgomery County	33.8 miles	Townhouse 2-stories 2005 / n/a Family	@50%, @60%	2BR / 2.5BA	12	24.0%	1,185	@50%	\$680	No	Yes	0	0.0%
					3BR / 2.5BA	27	54.0%	1,366	@60%	\$764	No	Yes	1	3.7%
					4BR / 2.5BA	11	22.0%	1,939	@60%	\$834	No	Yes	0	0.0%
						<u>50</u>								
6	Birchwood Apartments 150 Birch Drive Wytheville, VA 24382 Wythe County	22.0 miles	Garden 3-stories 1986 / n/a Family	Market	1BR / 1BA	12	20.0%	650	Market	\$465	N/A	No	1	8.3%
					2BR / 1BA	36	60.0%	800	Market	\$555	N/A	No	1	2.8%
					2BR / 2BA	12	20.0%	1,000	Market	-	N/A	No	0	0.0%
						<u>60</u>								
7	Cedarfield Apartments 200 Old Cedarfield Drive Blacksburg, VA 24060 Montgomery County	36.5 miles	Lowrise 2-stories 1993 / n/a Family	Market	1BR / 1BA	4	3.8%	652	Market	\$913	N/A	Yes	0	0.0%
					1BR / 1BA	16	15.1%	792	Market	\$976	N/A	Yes	0	0.0%
					2BR / 1BA	12	11.3%	869	Market	\$1,032	N/A	Yes	0	0.0%
					2BR / 2BA	36	34.0%	992	Market	\$1,115	N/A	Yes	0	0.0%
					2BR / 2.5BA	6	5.7%	1,280	Market	\$1,365	N/A	Yes	0	0.0%
					3BR / 2.5BA	32	30.2%	1,444	Market	\$1,639	N/A	Yes	0	0.0%
						<u>106</u>								
8	Greenwood Hills Apartments 1110 Aspen Place Pulaski, VA 24301 Pulaski County	20.8 miles	Duplex 1-stories 1940 / n/a Family	Market	1BR / 1BA	20	26.3%	860	Market	\$437	N/A	Yes	0	0.0%
					2BR / 1BA	44	57.9%	900	Market	\$477	N/A	Yes	0	0.0%
					3BR / 1BA	12	15.8%	950	Market	\$516	N/A	Yes	0	0.0%
						<u>76</u>								
9	Highland Village 400 Robey Street Radford, VA 24141 Radford County	28.4 miles	Garden 3-stories 1984 / n/a Family	Market	1BR / 1BA	37	17.1%	340	Market	\$392	N/A	Yes	0	0.0%
					1.5BR / 1BA	60	27.7%	546	Market	\$497	N/A	Yes	0	0.0%
					1.5BR / 1BA	6	2.8%	654	Market	\$632	N/A	Yes	0	0.0%
					2BR / 1BA	34	15.7%	654	Market	\$725	N/A	Yes	0	0.0%
					2.5BR / 1BA	20	9.2%	754	Market	\$765	N/A	Yes	0	0.0%
					2.5BR / 1BA	37	17.1%	860	Market	\$795	N/A	Yes	0	0.0%
					3BR / 2BA	2	0.9%	1,280	Market	\$1,313	N/A	Yes	0	0.0%
					4BR / 2BA	21	9.7%	1,280	Market	\$1,597	N/A	Yes	0	0.0%
	<u>217</u>										0	0.0%		
10	The Corner Stone Apartments 10 Starling Avenue Martinsville, VA 24112 Martinsville County	49.0 miles	Garden 3-stories 1940/1973 / N/A Family	Market	1BR / 1BA	16	34.0%	600	Market	\$487	N/A	No	0	0.0%
					2BR / 2BA	31	66.0%	800	Market	\$677	N/A	No	0	0.0%
						<u>47</u>								
11	The Mill At Blacksburg 1811 Grayland Street Blacksburg, VA 24060 Montgomery County	36.8 miles	Garden 3-stories 1968 / 2013 Family	Market	1BR / 1BA	53	33.1%	535	Market	\$799	N/A	No	0	0.0%
					2BR / 1BA	54	33.8%	780	Market	\$839	N/A	No	1	1.9%
					3BR / 1BA	53	33.1%	1,025	Market	\$1,065	N/A	No	0	0.0%
						<u>160</u>								

RENT AND SQUARE FOOTAGE RANKING – All rents adjusted for utilities and concessions extracted from the market.								
	Units Surveyed:	971	Weighted Occupancy:	98.7%	Weighted Occupancy:	98.7%		
	Market Rate	666	Market Rate	99.5%	Market Rate	99.5%		
	Tax Credit	305	Tax Credit	96.7%	Tax Credit	96.7%		
	One-Bedroom One Bath	Average	Two-Bedroom One and a Half Bath	Average	Three-Bedroom One and a Half Bath	Average		
	Property		Property		Property	Property		
RENT	Cedarfield Apartments (Market)	\$976	Cedarfield Apartments (Market)(2.5BA)	\$1,365	Cedarfield Apartments (Market)(2.5BA)	\$1,639	Highland Village (Market)	\$1,597
	Cedarfield Apartments (Market)	\$913	Cedarfield Apartments (Market)(2BA)	\$1,115	Highland Village (Market)(2BA)	\$1,313	Henley Place (@60%)(2.5BA)	\$1,005
	The Mill At Blacksburg (Market)	\$799	Cedarfield Apartments (Market)(1BA)	\$1,032	The Mill At Blacksburg (Market)(1BA)	\$1,065	Forest Hills At Belview (@50%)	\$870
	Forest Hills At Belview (@50%)	\$587	Fieldstone Apartments (@60%)(2BA)	\$893	Fieldstone Apartments (@60%)(2BA)	\$1,028	Forest Hills At Belview (@50%)	\$870
	The Corner Stone Apartments (Market)	\$487	The Mill At Blacksburg (Market)(1BA)	\$839	Fieldstone Apartments (@60%)(2BA)	\$1,028	Huckleberry Court Townhomes (@60%)(2.5BA)	\$834
	Laurel Ridge (@60%)	\$475	Highland Village (Market)(1BA)	\$725	Henley Place (@60%)(2.5BA)	\$890	Laurel Ridge (@60%)	\$711
	Laurel Ridge (@60%)	\$468	Forest Hills At Belview (@50%)	\$697	High Meadows (@60%)(2BA)	\$769	Laurel Ridge (@60%)	\$685
	Birchwood Apartments (Market)	\$465	Forest Hills At Belview (@50%)	\$697	Huckleberry Court Townhomes (@60%)(2.5BA)	\$764		
	High Meadows (@50%)	\$459	Huckleberry Court Townhomes (@50%)(2.5BA)	\$680	Forest Hills At Belview (@50%)(2BA)	\$757		
	Forest Hills At Belview (@40%)	\$454	Henley Place (@50%)(2.5BA)	\$680	Forest Hills At Belview (@50%)(2BA)	\$757		
	Greenwood Hills Apartments (Market)	\$437	The Corner Stone Apartments (Market)(2BA)	\$677	Laurel Ridge (@60%)	\$653		
	Highland Village (Market)	\$392	High Meadows (@60%)	\$674	High Meadows (@50%)(2BA)	\$626		
			Birchwood Apartments (Market)(1BA)	\$555	Greenwood Hills Apartments (Market)(1BA)	\$516		
			Laurel Ridge (@60%)	\$533				
			Greenwood Hills Apartments (Market)(1BA)	\$477				
SQUARE FOOTAGE	Greenwood Hills Apartments (Market)	860	Henley Place (@50%)(2.5BA)	1,656	Henley Place (@60%)(2.5BA)	2,253	Henley Place (@60%)(2.5BA)	2,582
	Cedarfield Apartments (Market)	792	Cedarfield Apartments (Market)(2.5BA)	1,280	Cedarfield Apartments (Market)(2.5BA)	1,444	Huckleberry Court Townhomes (@60%)(2.5BA)	1,939
	High Meadows (@50%)	777	Huckleberry Court Townhomes (@50%)(2.5BA)	1,185	Huckleberry Court Townhomes (@60%)(2.5BA)	1,366	Laurel Ridge (@60%)	1,630
	Forest Hills At Belview (@50%)	709	Laurel Ridge (@60%)	1,180	Laurel Ridge (@60%)	1,350	Laurel Ridge (@60%)	1,630
	Forest Hills At Belview (@40%)	707	High Meadows (@60%)	1,122	High Meadows (@50%)(2BA)	1,320	Highland Village (Market)	1,280
	Cedarfield Apartments (Market)	652	Forest Hills At Belview (@50%)	1,011	High Meadows (@60%)(2BA)	1,320	Forest Hills At Belview (@50%)	1,247
	Birchwood Apartments (Market)	650	Fieldstone Apartments (@60%)(2BA)	1,009	Highland Village (Market)(2BA)	1,280	Forest Hills At Belview (@50%)	1,244
	The Corner Stone Apartments (Market)	600	Birchwood Apartments (Market)(2BA)	1,000	Fieldstone Apartments (@60%)(2BA)	1,189		
	Laurel Ridge (@60%)	560	Cedarfield Apartments (Market)(2BA)	992	Fieldstone Apartments (@60%)(2BA)	1,176		
	Laurel Ridge (@60%)	560	Forest Hills At Belview (@50%)	980	Forest Hills At Belview (@50%)(2BA)	1,161		
	The Mill At Blacksburg (Market)	535	Greenwood Hills Apartments (Market)(1BA)	900	Forest Hills At Belview (@50%)(2BA)	1,123		
	Highland Village (Market)	340	Cedarfield Apartments (Market)(1BA)	869	The Mill At Blacksburg (Market)(1BA)	1,025		
			The Corner Stone Apartments (Market)(2BA)	800	Greenwood Hills Apartments (Market)(1BA)	950		
			Birchwood Apartments (Market)(1BA)	800				
			The Mill At Blacksburg (Market)(1BA)	780				
		Highland Village (Market)(1BA)	654					
RENT PER SQUARE FOOT	The Mill At Blacksburg (Market)	\$1.49	Cedarfield Apartments (Market)(1BA)	\$1.19	Cedarfield Apartments (Market)(2.5BA)	\$1.14	Highland Village (Market)	\$1.25
	Cedarfield Apartments (Market)	\$1.40	Cedarfield Apartments (Market)(2BA)	\$1.12	The Mill At Blacksburg (Market)(1BA)	\$1.04	Forest Hills At Belview (@50%)	\$0.70
	Cedarfield Apartments (Market)	\$1.23	Highland Village (Market)(1BA)	\$1.11	Highland Village (Market)(2BA)	\$1.03	Forest Hills At Belview (@50%)	\$0.70
	Highland Village (Market)	\$1.15	The Mill At Blacksburg (Market)(1BA)	\$1.08	Fieldstone Apartments (@60%)(2BA)	\$0.87	Laurel Ridge (@60%)	\$0.44
	Laurel Ridge (@60%)	\$0.85	Cedarfield Apartments (Market)(2.5BA)	\$1.07	Fieldstone Apartments (@60%)(2BA)	\$0.86	Huckleberry Court Townhomes (@60%)(2.5BA)	\$0.43
	Laurel Ridge (@60%)	\$0.84	Fieldstone Apartments (@60%)(2BA)	\$0.89	Forest Hills At Belview (@50%)(2BA)	\$0.67	Laurel Ridge (@60%)	\$0.42
	Forest Hills At Belview (@50%)	\$0.83	The Corner Stone Apartments (Market)(2BA)	\$0.85	Forest Hills At Belview (@50%)(2BA)	\$0.65	Henley Place (@60%)(2.5BA)	\$0.39
	The Corner Stone Apartments (Market)	\$0.81	Forest Hills At Belview (@50%)	\$0.71	High Meadows (@60%)(2BA)	\$0.58		
	Birchwood Apartments (Market)	\$0.72	Birchwood Apartments (Market)(1BA)	\$0.69	Huckleberry Court Townhomes (@60%)(2.5BA)	\$0.56		
	Forest Hills At Belview (@40%)	\$0.64	Forest Hills At Belview (@50%)	\$0.69	Greenwood Hills Apartments (Market)(1BA)	\$0.54		
	High Meadows (@50%)	\$0.59	High Meadows (@60%)	\$0.60	Laurel Ridge (@60%)	\$0.48		
	Greenwood Hills Apartments (Market)	\$0.51	Huckleberry Court Townhomes (@50%)(2.5BA)	\$0.57	High Meadows (@50%)(2BA)	\$0.47		
			Greenwood Hills Apartments (Market)(1BA)	\$0.53	Henley Place (@60%)(2.5BA)	\$0.40		
			Laurel Ridge (@60%)	\$0.45				
			Henley Place (@50%)(2.5BA)	\$0.41				

PROPERTY CHARACTERISTICS

Following are relevant characteristics of comparable properties surveyed:

Location

The Subject is located in Hillsville residential neighborhood consisting of single-family residences. The following table compares the Subject to comparable properties.

LOCATION COMPARISON						
No.	Property Name	Zip Code	Median Income	Median Rent	Median Home Value	Rent Differential
S	Laurel Ridge	24343	\$33,670	\$512	\$114,300	-
1	Fieldstone Apartments*	24060	\$40,135	\$905	\$278,500	43.4%
2	Forest Hills At Belview*	24141	\$40,319	\$713	\$158,700	28.2%
3	Henley Place*	24073	\$53,617	\$775	\$180,300	33.9%
4	High Meadows*	24382	\$37,885	\$602	\$148,300	15.0%
5	Huckleberry Court Townhomes	24073	\$53,617	\$775	\$180,300	33.9%
6	Birchwood Apartments*	24382	\$37,885	\$602	\$148,300	15.0%
7	Cedarfield Apartments	24060	\$40,135	\$905	\$278,500	43.4%
8	Greenwood Hills Apartments*	24301	\$40,762	\$557	\$111,100	8.1%
9	Highland Village*	24141	\$40,319	\$713	\$158,700	28.2%
10	The Corner Stone Apartments*	24112	\$32,437	\$583	\$95,400	12.2%
11	The Mill At Blacksburg*	24060	\$40,135	\$905	\$278,500	43.4%

*Located outside of the PMA

Overall, the Subject's location is considered similar to High Meadows, Birchwood Apartments, Greenwood Hills Apartments, and The Corner Stone Apartments, all of which are located in similarly rural areas. The remaining comparables are located in larger cities with superior access to amenities and employment opportunities, and in areas with significantly higher median home values, median rents, and median incomes. Overall, the Subject is considered generally similar to inferior to the comparables.

Size, Age and Condition

The Subject was constructed in 1980, and partially renovated in 1994, with improvements to sidings and roofs, and is considered to be in average condition. Additionally, the Subject is proposing renovations with LIHTC equity in 2019, and will be in good condition post renovation.

The comparable properties were constructed between 1940 and 1993. The Corner Stone was renovated in 1973, and The Mill at Blacksburg was renovated in 2013. Birchwood Apartments, Cedarfield Apartments, The Mill at Blacksburg, and Highland Village each exhibit average condition, and Greenwood Hills Apartments and The Corner Stone Apartments exhibit fair condition. The LIHTC comparables were constructed between 2005 and 2017. Fieldstone Apartments was constructed in 2017, and is in excellent condition. The remaining comparables are in good condition, similar to the Subject post renovation.

Additionally, the market rate comparables range in size from 47 to 217, with an average of 111. The LIHTC properties range in size from 41 to 84 units, with an average development size of 61 units. The Subject falls within the range of development size for LIHTC and market rate properties. However, it should be noted that there is no distinct correlation between property size and rental rates.

Unit Size

The following table illustrates the unit sizes of the Subject and the comparable properties.

UNIT SIZE COMPARISON

Bedroom Type	1BR	2BR	3BR	4BR
Subject	560	1,180	1,350	1,630
Average	652	980	1,301	1,658
Min	340	654	950	1,244
Max	860	1,656	2,253	2,582
Advantage/Disadvantage	-16%	17%	4%	-2%

The Subject's offers one-, two-, three-, and four-bedroom units. Each of the unit types is within the range of the comparables. The one-bedroom units are below the comparable average, while the two-bedroom units are above the comparable average. The three- and four-bedroom units are similar to the comparable average. Overall, the Subject's one-bedroom unit sizes are at a slight competitive disadvantage, while the two-bedroom units offer a competitive advantage. We have considered the Subject's unit sizes in determining our achievable rents.

Unit Amenities

The Subject's units currently offer a balcony/patio, blinds, carpeting, refrigerators, range/oven, central air conditioning, coat closets, and exterior storage. Post renovation, amenities will be upgraded, but no new amenities will be added. For a detailed comparison between the Subject and the comparables, please refer to the amenity matrix at the beginning of this section of the report. Regarding in-unit amenities, the Subject is considered slightly inferior to inferior to the majority of LIHTC comparables, and generally similar to inferior to the market rate comparables. We believe that the unit amenities are at a slight competitive disadvantage among the comparable properties.

Common Area Amenities

The Subject's property features include a central laundry facility, off-street parking, on-site management, and a playground. Post renovation, amenities will be upgraded, but no new amenities will be added. For a detailed comparison between the Subject and the comparables, please refer to the amenity matrix at the beginning of this section of the report. Regarding community amenities, the Subject is considered similar to the majority of LIHTC comparables, and similar to slightly inferior to the market rate comparables. Overall, we believe that the common area amenities are and will remain sufficiently competitive as an affordable property.

Security Features

According to ESRI Demographic data, crime risk indices in the Subject's location are below the national average. The Subject does not offer any security amenities, similar to the majority of the comparables. Additionally, management at the Subject indicated that crime is not a significant issue at the property and in the surrounding neighborhood. Based on the historical performance of the Subject and the demographic data, we believe the Subject will remain competitive.

Utility Structure

Tenants are responsible for all electric expenses, which include general electric, electric cooking, electric water heating, and electric heating. The property covers cold water, sewer and trash expenses. Following the renovations, the utility structure will remain the same. The Subject currently utilizes a project-specific utility allowance of \$95, \$127, \$163, and \$169 for its one-, two-, three-, and four-bedroom units, respectively. There are no proposed changes to the utility structure post-renovation. The utility structure varies among the comparable properties; we have adjusted the comparables' rents in accordance with the utility schedule obtained from the Virginia Housing Development Authority, effective July 1, 2018.

Parking

The Subject offers uncovered off-street parking at no additional cost, similar to all of the comparable properties. One of the LIHTC comparables (Henley Place) offers garage parking at no additional fee, which is considered superior. There are 104 surface parking spaces, which equates to a parking ratio of approximately 1.9 spaces per unit. Overall, the parking offered at the Subject is reasonable. Additionally, our site inspection revealed ample available parking spaces at the Subject. The Subject will be considered similar to the majority of the comparables in terms of parking.

MARKET CHARACTERISTICS

Following are relevant market characteristics for comparable properties surveyed.

Vacancy Levels

The following table details vacancy levels at comparable properties.

OVERALL VACANCY					
Property Name	Rent Structure	Tenancy	Total Units	Vacant Units	Vacancy Rate
Fieldstone Apartments*	LIHTC	Family	84	3	3.6%
Forest Hills At Belview*	LIHTC	Family	70	3	4.3%
Henley Place*	LIHTC	Family	41	1	2.4%
High Meadows*	LIHTC	Family	60	2	3.3%
Huckleberry Court Townhomes*	LIHTC	Family	50	1	2.0%
Birchwood Apartments*	Market	Family	60	2	3.3%
Cedarfield Apartments*	Market	Family	106	0	0.0%
Greenwood Hills Apartments*	Market	Family	76	0	0.0%
Highland Village*	Market	Family	217	0	0.0%
The Corner Stone Apartments*	Market	Family	47	0	0.0%
The Mill At Blacksburg*	Market	Family	160	1	0.6%
Total LIHTC			305	10	3.3%
Total Market Rate			666	3	0.5%
Overall Total			971	13	1.3%

*Located outside of the PMA

The comparables reported vacancy rates ranging from zero to 4.3 percent, with an overall weighted average of 1.3 percent. The average vacancy rate reported by the affordable comparables was 3.3 percent, above the 0.5 percent average reported by the market rate properties. It should be noted that all of the LIHTC properties have three or fewer vacancies, and the smaller sizes of these properties indicates a higher vacancy rate. All of the market rate properties reported vacancy rates of 3.3 percent or lower, and four market rate comparables are fully occupied. Based on the performance of the affordable and market rate comparable properties, we expect the Subject will operate a vacancy rate of approximately three percent in all scenarios.

The following table details vacancy by bedroom type for the comparable properties surveyed:

VACANCY BY BEDROOM TYPE						
Property Name	Rent Structure	Tenancy	1BR	2BR	3BR	4BR
Fieldstone Apartments	LIHTC	Family	-	5.0%	0.0%	-
Forest Hills At Belview	LIHTC	Family	7.1%	3.8%	0.0%	10.0%
Henley Place	LIHTC	Family	-	0.0%	3.7%	0.0%
High Meadows	LIHTC	Family	0.0%	5.0%	3.3%	-
Huckleberry Court Townhomes	LIHTC	Family	-	0.0%	3.7%	0.0%
Birchwood Apartments	Market	Family	8.3%	2.1%	-	-
Cedarfield Apartments	Market	Family	0.0%	0.0%	0.0%	-
Greenwood Hills Apartments	Market	Family	0.0%	0.0%	0.0%	-
Highland Village	Market	Family	0.0%	0.0%	0.0%	0.0%
The Corner Stone Apartments	Market	Family	0.0%	0.0%	-	-
The Mill At Blacksburg	Market	Family	0.0%	1.9%	0.0%	-

As previously discussed, the rent comparables reported vacancy rates ranging from zero to 4.3 percent, with an overall weighted average of 1.3 percent. The following table illustrates the Subject's historical vacancy and collection loss rates as obtained from the audited financial statements:

Concessions

None of the comparables reported offering rent concessions at the time of interview. We do not expect the Subject will need to rely on concessions to maintain a stabilized occupancy.

Turnover

The following table details turnover rates at comparable properties that were able to report data.

TURNOVER			
Property Name	Rent Structure	Tenancy	Annual Turnover
Fieldstone Apartments	LIHTC	Family	N/A
Forest Hills At Belview	LIHTC	Family	25%
Henley Place	LIHTC	Family	10%
High Meadows	LIHTC	Family	N/A
Huckleberry Court Townhomes	LIHTC	Family	10%
Birchwood Apartments	Market	Family	N/A
Cedarfield Apartments	Market	Family	N/A
Greenwood Hills Apartments	Market	Family	10%
Highland Village	Market	Family	24%
The Corner Stone Apartments	Market	Family	10%
The Mill At Blacksburg	Market	Family	N/A
Average Turnover			15%

It should be noted that we were unable to obtain turnover data for five of the 11 surveyed properties (Fieldstone Apartments, High Meadows, Birchwood Apartments, Cedarfield Apartments, and The Mill at Blacksburg). The remaining comparables reported turnover rates ranging from ten to 25 percent, with an overall average of 15 percent. The LIHTC comparables operate with an average turnover rate of 15 percent, which was similar to the 15 percent average reported by the market rate properties. Based on the performance of the LIHTC comparables, we expect the Subject will operate a turnover rate of approximately 15 percent.

Waiting Lists

The following table illustrates the waiting lists offered at the comparable properties included in our survey.

WAITING LIST			
Property Name	Rent Structure	Tenancy	Waiting List Length
Fieldstone Apartments	LIHTC	Family	No
Forest Hills At Belview	LIHTC	Family	Yes, 5HH
Henley Place	LIHTC	Family	No
High Meadows	LIHTC	Family	No
Huckleberry Court Townhomes	LIHTC	Family	Yes, 6 months
Birchwood Apartments	Market	Family	No
Cedarfield Apartments	Market	Family	Yes - Undisclosed
Greenwood Hills Apartments	Market	Family	Yes, 6HH
Highland Village	Market	Family	Yes - Undisclosed
The Corner Stone Apartments	Market	Family	No
The Mill At Blacksburg	Market	Family	No

Overall, two affordable properties maintain a waiting list, ranging from five households to approximately six months, indicating unmet demand in the Subject's market for affordable housing. Further, three market rate comparables maintain waiting lists. The Subject currently maintains a waiting list consisting of approximately 40 households. We believe the Subject will be able to continue to maintain a waiting list post-renovation.

Rental Rate Increases

The following table illustrates rent growth at the comparables.

RENT GROWTH			
Property Name	Rent Structure	Tenancy	Rent Growth
Fieldstone Apartments	LIHTC	Family	None
Forest Hills At Belview	LIHTC	Family	None
Henley Place	LIHTC	Family	Increased 2%
High Meadows	LIHTC	Family	None
Huckleberry Court Townhomes	LIHTC	Family	None
Birchwood Apartments	Market	Family	None
Cedarfield Apartments	Market	Family	Increase 1 to 3%
Greenwood Hills Apartments	Market	Family	None
Highland Village	Market	Family	None
The Corner Stone Apartments	Market	Family	Increased 4.3%
The Mill At Blacksburg	Market	Family	Increased 3%-4%

One of the LIHTC comparable properties reported a two percent rental increase, and three of the market rate comparables reported moderate rent growth ranging from one to 4.3 percent over the past year. The remaining comparables indicated no change in rents, and no decreases in rents were reported.

Absorption Estimate

We were able to obtain absorption information from two of the surveyed LIHTC comparable properties. Additionally, we expanded our search for absorption data to the surrounding areas, which is detailed following.

ABSORPTION						
Property Name	Rent	Tenancy	Year	Total Units	Absorption	
Fieldstone Senior Apartments	LIHTC	Senior	2018	60	10	
Fieldstone Apartments*	LIHTC	Family	2017	84	16.8	
Forest Hills At Belview*	LIHTC	Family	2011	70	11	
Dara Heights Apartments	LIHTC	Family	2008	48	16	
Heather Glen	LIHTC	Family	2004	40	2	
Sedona	Market	Family	2013	271	20	
The View At Liberty Center	Market	Family	2014	257	21	
LIHTC Average				60	11	
Market Average				264	21	
Overall Average				119	14	

*Utilized as rental comparable

Based on the information above, we estimate that the Subject would reach a stabilized occupancy within approximately four months, at an absorption rate of approximately 14 units per month, in the event that it needed to reabsorb its tenancy. It should be noted that the Subject is currently operating at a stabilized occupancy; thus, this analysis is hypothetical. Further, the proposed renovations will occur with minimal disruption to tenants. Therefore, we do not believe that there will be a need for any significant reabsorption of units.

Affordable Properties in the PMA

We do not believe the Subject will adversely affect existing affordable housing projects in the PMA. A survey of comparable affordable LIHTC rental housing developments in the area demonstrate strong demand for quality rental units.

AFFORDABLE HOUSING IN THE PMA

Property Name	Program	Total Units	LIHTC Units	Subsidized Units	Tenancy
Carroll House	Section 8	12		12	Family
Glendale Apts	Section 8	68		68	Family
Galax Manor	Section 8	10		10	Senior/Disabled
Laurel Ridge	Section 8	56		56	Family
Northway Apts	Section 8	72		60	Family
Westview Terrace Apartments	Section 8	48		48	Family
Harmony Village	LIHTC/USDA		42	42	
Briarleigh Court	LIHTC/USDA		40	40	
Melton' Run	LIHTC		48		Family
Northway	LIHTC/Section 8		72	72	Family

Reasonability of Rents

The tables below illustrate the Subject’s proposed asking LIHTC rents.

PROPOSED RENTS

Unit Type	Unit Size (SF)	Number of Units	Proposed LIHTC Rent	Utility Allowance (1)	Monthly Gross Rent	2018 LIHTC Maximum Allowable Gross Rent	% of LIHTC Maximum Allowable Gross Rent	2018 Fair Market Rent
				<i>40% AMI</i>				
1BR / 1BA	560	6	\$343	\$95	\$438	\$438	100.00%	\$596
				<i>50% AMI</i>				
1BR / 1BA	560	1	\$452	\$95	\$547	\$547	100.00%	\$596
2BR / 1.5BA	1,180	14	\$530	\$127	\$657	\$657	100.00%	\$684
3BR / 1.5BA	1,350	5	\$596	\$163	\$759	\$759	100.00%	\$966
4BR / 2BA	1,630	2	\$677	\$169	\$846	\$846	100.00%	\$1,073
				<i>60% AMI</i>				
1BR / 1BA	560	6	\$562	\$95	\$657	\$657	100.00%	\$596
1BR / 1BA (HC)	560	1	\$562	\$95	\$657	\$657	100.00%	\$596
2BR / 1.5BA	1,180	14	\$662	\$127	\$789	\$789	100.00%	\$684
3BR / 1.5BA	1,350	4	\$748	\$163	\$911	\$911	100.00%	\$966
4BR / 2BA	1,630	2	\$846	\$169	\$1,015	\$1,015	100.00%	\$1,073
4BR / 2BA (HC)	1,630	1	\$846	\$169	\$1,015	\$1,015	100.00%	\$1,073
Total		56						

Note (1) Utility allowance based on Subject’s HUD Rent Schedule, (eff. 11/1/2018)

Comparable LIHTC Rents

Following rehabilitation and the allocation of Low Income Housing Tax Credits (LIHTCs), all of the Subject units will continue to receive Project-Based Section 8 rental assistance and will also be restricted to households earning 60 percent of AMI, or less. Additionally, the developer has elected to restrict the hypothetical rents at 40, 50 and 60 percent of AMI. The hypothetical proposed LIHTC rents are set at the 2018 maximum allowable rents for all set asides. The following tables illustrate the Subject’s rents compared to the LIHTC rents of the comparable properties surveyed. The rents have been adjusted for variances in utilities.

LIHTC Rent Comparison - @40%

Property Name	1BR
Laurel Ridge (Subject)	\$343
Carroll County (Non-Metro) - 2018 LIHTC Maximum (Net)	\$343
Montgomery County - 2014 LIHTC Maximum (Net)*	\$437
Forest Hills At Belview*	\$454
Average (excluding Subject)	\$454
Achievable LIHTC Rent	\$343

LIHTC Rent Comparison - @50%

Property Name	1BR	2BR	3BR	4BR
Laurel Ridge (Subject)	\$452	\$530	\$596	\$677
Carroll County (Non-Metro) - 2018 LIHTC Maximum (Net)	\$452	\$530	\$596	\$677
Montgomery County - 2014 LIHTC Maximum (Net)*	\$570	\$671	\$758	\$859
Montgomery County - 2018 HERA Special Maximum (Net)**	\$589	\$694	\$786	\$889
Forest Hills At Belview*	\$587	\$697	\$757	\$870
Henley Place**	-	\$680	-	-
High Meadows	\$459	-	\$626	-
Huckleberry Court Townhomes**	-	\$680	-	-
Average (excluding Subject)	\$523	\$686	\$692	\$870
Achievable LIHTC Rent	\$452	\$530	\$596	\$677

LIHTC Rent Comparison - @60%

Property Name	1BR	2BR	3BR	4BR
Laurel Ridge (Subject)	\$562	\$662	\$748	\$846
Carroll County (Non-Metro) - 2018 LIHTC Maximum (Net)	\$562	\$662	\$748	\$846
Montgomery County - 2018 LIHTC Maximum (Net)*	\$691	\$816	\$926	\$1,046
Montgomery County - 2018 HERA Special Maximum (Net)**	\$726	\$858	\$976	\$1,101
Fieldstone Apartments*	-	\$893	-	-
Henley Place**	-	-	\$890	\$1,005
High Meadows	-	\$674	\$769	-
Huckleberry Court Townhomes**	-	-	\$764	\$834
Average (excluding Subject)	-	\$784	\$808	\$920
Achievable LIHTC Rent	\$562	\$662	\$748	\$846

One comparable, Forest Hills at Belview, offers units at 40 percent of AMI. As illustrated above, rents at this property appear to be slightly above the maximum allowable levels. Similarly, this property appears to offer rents slightly above the maximum allowable levels for its units at 50 percent of AMI. This discrepancy is likely due to differences in utility allowances. It should be noted that management at this comparable reported that rents are below maximum allowable levels. Regardless, this property is achieving rents at or near the maximum levels, which are significantly higher in Montgomery County than Carroll County. Based on the performance of this comparable, and the fact that set asides at 40 percent of AMI will be among the lowest in the market, we believe maximum allowable rents at 40 percent of AMI are achievable for all of the Subject's units. Additionally, the Subject will not be income restricted at 50 percent of AMI (only 60 percent of AMI).

Four comparables offer units at 50 percent of AMI. Again, all of the comparables appears to be achieving rents above or near maximum allowable levels. While management at the comparable 50 percent units indicated that rents are below the maximum allowable levels, maximum allowable rents appear to be supported. Thus, we believe that maximum allowable rents are achievable at 50 percent of AMI. Additionally, the Subject will not be income restricted at 50 percent of AMI (only 60 percent of AMI).

For the comparables at 60 percent of AMI, one of the comparable property, Fieldstone Apartments, reported rents at the maximum allowable levels. Again, this comparable appears to be achieving rents above the maximum allowable, which could be due to a project-specific utility allowance. It should be noted that, while management at High Meadows reported rents below maximum allowable levels, this property appears to be achieving rents above maximum allowable levels. Again, this may be due to differing utility allowances. Regardless, this property is achieving rents at or near the maximum levels. The remaining comparables appear to be below the maximum allowable levels.

It should be noted that three of the four LIHTC comparables are located in Montgomery County, and feature significantly higher maximum allowable rents. Thus, while these properties are below the maximum allowable levels, they are achieving rents similar to the maximum allowable rents in Carroll County (Non-Metropolitan).

The most similar comparable is High Meadows, which is located in Wytheville, a rural town similar to Hillsville and roughly 22 miles to the northwest. This property is considered similar in terms of condition (post renovation of the Subject), design, location, and property amenities, and slightly superior in terms of unit amenities. The Subject offers slightly larger unit sizes. Both properties are Subject to the same 2018 Non-Metropolitan maximum allowable rents. Thus, given that this property is 97 percent occupied, we believe the Subject could achieve rents similar to this comparable, and that maximum allowable rents are achievable for the Subject’s two- and three-bedroom units, post renovation.

Additionally, it should be noted that this property offers one-bedroom units at 50 percent of AMI. While the lower set asides are not directly comparable to the Subject, it is worth noting that the one bedroom units are 100 percent occupied, indicating a demand for affordable one-bedroom units in the Subject’s market. Additionally, we surveyed Forest Hills At Belview, a LIHTC that property offers one-, two-, three- and four-bedroom units at 50 percent of AMI. This property (located in Radford) is fully preleased, and provides additional support for one- and four-bedroom demand in the market. As previously indicated, the Subject’s one-bedroom unit sizes are below the average of the comparables, and are at a competitive disadvantage, while the four-bedroom units are similar to the comparable average. Thus, we believe maximum allowable rents are achievable for the four-bedroom units, and rents slightly below the maximum allowable levels are achievable for the one-bedroom units.

ACHIEVABLE LIHTC RENT

Bedroom Type	1BR	2BR	3BR	4BR
Achievable Rent @ 40%	\$343*	-	-	-
Achievable Rent @ 50%	\$452*	\$530*	\$596*	\$677*
Achievable Rent @ 60%	\$525	\$662*	\$748*	\$846*

*Maximum Allowable Rent

Thus, we will utilize these rents in the as proposed restricted LIHTC scenario. Additionally, this scenario is hypothetical given the project-based Section 8 will remain at the Subject, post renovations.

Achievable Market Rent

The maximum achievable market rents were determined by comparing the aesthetic quality, amenities, unit sizes, etc. to that of the market-rate projects in the area. Novogradac & Company concluded that the Subject will be competitive with the market-rate competition and achievable rents are within the market rental range. Achievable rents represent net market-rate rent levels that we believe a project of the Subject’s condition and quality could reasonably achieve.

The following table illustrates the Subject’s achievable LIHTC rents compared to the market:

SUBJECT COMPARISON TO MARKET RENTS - AS RENOVATED

Unit Type	Subject's Achievable LIHTC Rents @ 60% AMI	Surveyed Min	Surveyed Max	Surveyed Average	Achievable Market Rent	Subject Rent Advantage
1BR / 1BA	\$525	\$427	\$690	\$595	\$600	13%
1BR / 1BA	\$535	-	-	-	\$610	12%
2BR / 1.5BA	\$662	\$776	\$1,008	\$895	\$850	22%
3BR / 1.5BA	\$748	\$931	\$1,384	\$1,171	\$1,050	29%
4BR / 2BA	\$846	\$1,137	\$1,702	\$1,418	\$1,300	35%
4BR / 2BA	\$846	-	-	-	\$1,310	35%

We completed rent adjustment grids to conclude to achievable market rents. The grids are found on the following pages:

Subject		Comp #1		Comp #2		Comp #3		Comp #4		Comp #5	
Laurel Ridge 620 West Grayson Street Hillsville, Carroll		Birchwood Apartments 150 Birch Drive Wytheville, Wythe		Cedarfield Apartments 200 Old Cedarfield Drive Blacksburg, Montgomery		Greenwood Hills Apartments 1110 Aspen Place Pulaski, Pulaski		Highland Village 400 Robey Street Radford, Radford		The Corner Stone Apartments 10 Starling Avenue Martinsville, Martinsville	
Subject		Subject		Subject		Subject		Subject		Subject	
A. Rents Charged		Data	\$ Adj	Data	\$ Adj	Data	\$ Adj	Data	\$ Adj	Data	\$ Adj
1	\$ Last Rent / Restricted?	\$465	N	\$863	N	\$375	N	\$435	N	\$425	N
2	Date Last Leased (mo/yr)	Feb-19		Jan-19		Oct-18		Jan-19		Feb-19	
3	Rent Concessions	N		N		N		N		N	
4	Occupancy for Unit Type	91%		100%		100%		100%		100%	
5	Effective Rent & Rent / sq. ft	\$465	\$0.72	\$863	\$1.32	\$375	\$0.44	\$435	\$1.28	\$425	\$0.71
In Parts B thru E, adjust only for differences the subject's market values.											
B. Design, Location, Condition		Data	\$ Adj	Data	\$ Adj	Data	\$ Adj	Data	\$ Adj	Data	\$ Adj
6	Structure / Stories	G/2		WU/2		One-story		G/3		G/3	
7	Yr. Built / Yr. Renovated	1980/1994/2020		1986		1993		1984		1940/1973	
8	Condition / Street Appeal	Good	\$100	Average	\$100	Fair	\$200	Average	\$100	Fair	\$200
9	Neighborhood	Average		Average	(\$350)	Average		Above Average	(\$100)	Above Average	(\$50)
10	Same Market? Miles to Subj.		Yes/21.5		Yes/36.7		Yes/20.6		Yes/28.5		Yes/49
C. Unit Equipment / Amenities		Data	\$ Adj	Data	\$ Adj	Data	\$ Adj	Data	\$ Adj	Data	\$ Adj
11	# Bedrooms	1		1		1		1		1	
12	# Bathrooms	1		1		1		1		1	
13	Unit Interior Sq. Ft.	560	(\$16)	650	(\$30)	860	(\$33)	340	\$70	600	(\$7)
14	Balcony / Patio	Y		N	\$10	Y		N	\$10	N	\$10
15	AC: Central / Wall	C		C		N	\$10	C		C	
16	Range / Refrigerator	R/F		R/F		R/F		R/F		R/F	
17	Microwave / Dishwasher	N	(\$10)	M/D	(\$10)	N		D	(\$10)	D	(\$10)
18	Washer / Dryer	L		WD/HU	(\$25)	HU	(\$5)	WD/L/HU	(\$30)	L	
19	Floor Coverings	Y		Y		Y		Y		Y	
20	Window Coverings	B		B		B		B		B	
21	Cable / Satellite / Internet	N		N		N		N		N	
22	Special Features	None		None		None		Shuttle Service	(\$5)	None	
23											
D. Site Equipment / Amenities		Data	\$ Adj	Data	\$ Adj	Data	\$ Adj	Data	\$ Adj	Data	\$ Adj
24	Parking (\$ Fee)	L		L		L		L		L	
25	Extra Storage	Y	\$10	Y		N	\$10	N	\$10	N	\$10
26	Security	N		Y	(\$5)	N		Y		N	(\$5)
27	Clubhouse / Meeting Rooms	N		C	(\$10)	N		N		N	
28	Pool / Recreation Areas	R	\$5	PER	(\$15)	N	\$5	P/R	(\$10)	N	\$5
29	Business Ctr / Nbrd Network	N		N		N		N		N	
30	Service Coordination	N		N		N		N		N	
31	Non-shelter Services	N		N		N		N		N	
32	Neighborhood Networks										
33											
E. Utilities		Data	\$ Adj	Data	\$ Adj	Data	\$ Adj	Data	\$ Adj	Data	\$ Adj
33	Heat (in rent? / type)	N/E		N/E		N/G		Y/E	(\$26)	N/G	
34	Cooling (in rent? / type)	N/E		N/E		N/E		N/E		N/E	
35	Cooking (in rent? / type)	N/E		N/E		N/E		Y/E	(\$4)	N/E	
36	Hot water (in rent? / type)	N/E		N/E		N/E		Y/E	(\$13)	N/G	
37	Other Electric	N		N		N		N		N	
38	Cold Water / Sewer	Y/Y		N/N	\$50	N/N	\$50	Y/Y		N/N	\$50
39	Trash / Recycling	Y		Y		N	\$12	Y		N	\$12
40											
F. Adjustments Recap		Pos	Neg	Pos	Neg	Pos	Neg	Pos	Neg	Pos	Neg
40	# Adjustments B to D	3	(2)	2	(7)	4	(2)	4	(5)	4	(4)
41	Sum Adjustments B to D	\$115	(\$26)	\$110	(\$445)	\$225	(\$38)	\$190	(\$155)	\$225	(\$72)
42	Sum Utility Adjustments			\$50		\$62		\$62		\$62	
43	Net / Gross Adjustments B to E	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross
		\$89	\$141	(\$285)	\$605	\$249	\$325	(\$8)	\$388	\$215	\$359
G. Adjusted & Market Rents		Adj. Rent		Adj. Rent		Adj. Rent		Adj. Rent		Adj. Rent	
44	Adjusted Rent (5 + 43)	\$554		\$578		\$624		\$427		\$640	
45	Adj Rent / Last rent		119%		67%		166%		98%		151%
46	Estimated Market Rent	\$600		\$1.07 Estimated Market Rent / Sq. Ft.							

Appraiser's Signature ARL K.

3/4/2019 Date **Attached are explanations of:**

- a. why & how each adjustment was made
- b. how market rent was derived from adjusted rents
- c. how this analysis was used for a similar unit type

Grid was prepared: [] Manually [X] Using HUD's Excel form

form HUD-92273-S8 (04/2002)

Subject		Comp #1		Comp #2		Comp #3		Comp #4		Comp #5		
Laurel Ridge 620 West Grayson Street Hillsville, Carroll		Birchwood Apartments 150 Birch Drive Wytheville, Wythe		Cedarfield Apartments 200 Old Cedarfield Drive Blacksburg, Montgomery		Greenwood Hills Apartments 1110 Aspen Place Pulaski, Pulaski		Highland Village 400 Robey Street Radford, Radford		The Corner Stone Apartments 10 Starling Avenue Martinsville, Martinsville		
Subject		Subject		Subject		Subject		Subject		Subject		
A. Rents Charged												
1 \$ Last Rent / Restricted?		\$555	N	\$967	N	\$400	N	\$780	N	\$600	N	
2 Date Last Leased (mo/yr)		Feb-19		Jan-19		Oct-18		Jan-19		Feb-19		
3 Rent Concessions		N		N		N		N		N		
4 Occupancy for Unit Type		97%		100%		100%		100%		100%		
5 Effective Rent & Rent / sq. ft		\$555	\$0.69	\$967	\$1.11	\$400	\$0.44	\$780	\$1.19	\$600	\$0.75	
<i>In Parts B thru E, adjust only for differences the subject's market values.</i>												
B. Design, Location, Condition												
6 Structure / Stories		T/2	G/3	\$25	WU/2	\$25	One-story	\$25	G/3	\$25	G/3	\$25
7 Yr. Built / Yr. Renovated		1980/1994/2020	1986		1993		1940		1984		1940/1973	
8 Condition / Street Appeal		Good	Average	\$100	Average	\$100	Fair	\$250	Average	\$100	Fair	\$250
9 Neighborhood		Average	Average		Good	(\$350)	Average		Above Average	(\$100)	Above Average	(\$50)
10 Same Market? Miles to Subj.			Yes/21.5		Yes/36.7		Yes/20.6		Yes/28.5		Yes/49	
C. Unit Equipment / Amenities												
11 # Bedrooms		2	2		2		2		2		2	
12 # Bathrooms		1.5	1	\$25	1	\$25	1	\$25	1	\$25	2	(\$25)
13 Unit Interior Sq. Ft.		1180	800	\$66	869	\$87	900	\$31	654	\$157	800	\$71
14 Balcony / Patio		Y	Y		N	\$10	Y		N	\$10	N	\$10
15 AC: Central / Wall		C	C		C		N	\$10	C		C	
16 Range / Refrigerator		R/F	R/F		R/F		R/F		R/F		R/F	
17 Microwave / Dishwasher		N	D	(\$10)	M/D	(\$10)	N		D	(\$10)	D	(\$10)
18 Washer / Dryer		L	L		WD/HU	(\$25)	HU	(\$5)	WD/L/HU	(\$30)	L	
19 Floor Coverings		Y	Y		Y		Y		Y		Y	
20 Window Coverings		B	B		B		B		B		B	
21 Cable / Satellite / Internet		N	N		N		N		N		N	
22 Special Features		None	None		None		None		Shuttle Service	(\$5)	None	
D. Site Equipment / Amenities												
24 Parking (\$ Fee)		L	L		L		L		L		L	
25 Extra Storage		Y	N	\$10	Y		N	\$10	N	\$10	N	\$10
26 Security		N	N		Y	(\$5)	N		N		Y	(\$5)
27 Clubhouse / Meeting Rooms		N	N		C	(\$10)	N		N		N	
28 Pool / Recreation Areas		R	N	\$5	PER	(\$15)	N	\$5	P/R	(\$10)	N	\$5
29 Business Ctr / Nbh Network		N	N		N		N		N		N	
30 Service Coordination		N	N		N		N		N		N	
31 Non-shelter Services		N	N		N		N		N		N	
32 Neighborhood Networks												
E. Utilities												
33 Heat (in rent? / type)		N/E	N/E		N/E		N/G		Y/E	(\$34)	N/G	
34 Cooling (in rent? / type)		N/E	N/E		N/E		N/E		N/E		N/E	
35 Cooking (in rent? / type)		N/E	N/E		N/E		N/E		Y/E	(\$5)	N/E	
36 Hot water (in rent? / type)		N/E	N/E		N/E		N/E		Y/E	(\$16)	N/G	
37 Other Electric		N	N		N		N		N		N	
38 Cold Water / Sewer		Y/Y	Y/Y		N/N	\$65	N/N	\$65	Y/Y		N/N	\$65
39 Trash / Recycling		Y	Y		Y		N	\$12	Y		N	\$12
F. Adjustments Recap												
40 # Adjustments B to D		6	(1)		5	(6)	7	(1)	6	(5)	6	(4)
41 Sum Adjustments B to D		\$231	(\$10)		\$247	(\$415)	\$356	(\$5)	\$327	(\$155)	\$371	(\$90)
42 Sum Utility Adjustments					\$65		\$77			(\$55)	\$77	
43 Net / Gross Adjustments B to E		\$221	\$241		(\$103)	\$727	\$428	\$438	\$117	\$537	\$358	\$538
G. Adjusted & Market Rents												
44 Adjusted Rent (5 + 43)		\$776			\$864		\$828		\$897		\$958	
45 Adj Rent / Last rent			140%			89%		207%		115%		160%
46 Estimated Market Rent		\$850	\$0.72 Estimated Market Rent / Sq. Ft.									

Appraiser's Signature 
Date 3/4/2019
Grid was prepared: Manually Using HUD's Excel form

Attached are explanations of:
a. why & how each adjustment was made
b. how market rent was derived from adjusted rents
c. how this analysis was used for a similar unit type
form HUD-92273-S8 (04/2002)

Subject		Comp #2		Comp #3		Comp #4		Comp #5		Comp #6	
Laurel Ridge 620 West Grayson Street Hillsville, Carroll		Cedarfield Apartments 200 Old Cedarfield Drive Blacksburg, Montgomery		Greenwood Hills Apartments 1110 Aspen Place Pulaski, Pulaski		Highland Village 400 Robey Street Radford, Radford		The Corner Stone Apartments 10 Starling Avenue Martinsville, Martinsville		The Mill At Blacksburg 1811 Grayland Street Blacksburg, Montgomery	
Subject		Subject		Subject		Subject		Subject		Subject	
A. Rents Charged											
		Data	\$ Adj	Data	\$ Adj	Data	\$ Adj	Data	\$ Adj	Data	\$ Adj
1	\$ Last Rent / Restricted?	\$1,560	N	\$425	N	\$1,380	N	\$600	N	\$1,065	N
2	Date Last Leased (mo/yr)	Jan-19		Oct-18		Jan-19		Feb-19		Jan-19	
3	Rent Concessions	N		N		N		N		N	
4	Occupancy for Unit Type	100%		100%		100%		100%		100%	
5	Effective Rent & Rent / sq. ft	\$1,560	\$1.08	\$425	\$0.45	\$1,380	\$1.08	\$600	\$0.75	\$1,065	\$1.04
<i>In Parts B thru E, adjust only for differences the subject's market values.</i>											
B. Design, Location, Condition											
		Data	\$ Adj	Data	\$ Adj	Data	\$ Adj	Data	\$ Adj	Data	\$ Adj
6	Structure / Stories	T/2	\$25	WU/2	\$25	G/3	\$25	G/3	\$25	G/3	\$25
7	Yr. Built / Yr. Renovated	1980/1994/2020		1993		1984		1940/1973		1968/2013	
8	Condition / Street Appeal	Good	\$100	Average	\$100	Fair	\$300	Fair	\$300	Average	\$100
9	Neighborhood	Average		Good	(\$350)	Average		Above Average	(\$100)	Average	
10	Same Market? Miles to Subj.	Yes/36.7		Yes/20.6		Yes/28.5		Yes/49		Yes/36.9	
C. Unit Equipment / Amenities											
		Data	\$ Adj	Data	\$ Adj	Data	\$ Adj	Data	\$ Adj	Data	\$ Adj
11	# Bedrooms	3		3		3	\$100	2	\$100	3	
12	# Bathrooms	1.5	(\$50)	2.5	(\$50)	1	\$25	2	(\$25)	1	\$25
13	Unit Interior Sq. Ft.	1350	(\$25)	1444	(\$25)	950	\$45	1280	\$19	800	\$103
14	Balcony / Patio	Y	\$10	N		Y		N	\$10	N	\$10
15	AC: Central / Wall	C		C		N	\$10	C		WA	
16	Range / Refrigerator	R/F		R/F		R/F		R/F		R/F	
17	Microwave / Dishwasher	N		M/D	(\$10)	N		D	(\$10)	D	(\$10)
18	Washer / Dryer	L		WD/HU	(\$25)	HU	(\$5)	WD/L/HU	(\$30)	L	
19	Floor Coverings	Y		Y		Y		Y		N	
20	Window Coverings	B		B		B		B		B	
21	Cable / Satellite / Internet	N		N		N		N		N	
22	Special Features	None		None		None		Shuttle Service	(\$5)	None	
23											
D. Site Equipment / Amenities											
		Data	\$ Adj	Data	\$ Adj	Data	\$ Adj	Data	\$ Adj	Data	\$ Adj
24	Parking (\$ Fee)	L		L		L		L		L	
25	Extra Storage	Y		Y		N	\$10	N	\$10	N	\$10
26	Security	N	(\$5)	Y	(\$5)	N		N	(\$5)	N	
27	Clubhouse / Meeting Rooms	N	(\$10)	C	(\$10)	N		N		C	(\$10)
28	Pool / Recreation Areas	R	(\$15)	PER	(\$15)	N	\$5	P/R	(\$10)	N	\$5
29	Business Ctr / Nbd Network	N		N		N		N		N	
30	Service Coordination	N		N		N		N		N	
31	Non-shelter Services	N		N		N		N		N	
32	Neighborhood Networks										
E. Utilities											
		Data	\$ Adj	Data	\$ Adj	Data	\$ Adj	Data	\$ Adj	Data	\$ Adj
33	Heat (in rent? / type)	N/E		N/E		N/G	(\$41)	Y/E	(\$41)	N/G	
34	Cooling (in rent? / type)	N/E		N/E		N/E		N/E		N/E	
35	Cooking (in rent? / type)	N/E		N/E		N/E	(\$6)	Y/E	(\$6)	N/E	
36	Hot water (in rent? / type)	N/E		N/E		N/E	(\$20)	Y/E	(\$20)	N/G	
37	Other Electric	N		N		N		N		N	
38	Cold Water / Sewer	Y/Y	\$79	N/N	\$79	N/N	\$79	Y/Y	\$79	N/N	\$79
39	Trash / Recycling	Y		Y		N	\$12	Y		N	\$12
F. Adjustments Recap											
		Pos	Neg	Pos	Neg	Pos	Neg	Pos	Neg	Pos	Neg
40	# Adjustments B to D	3	(8)	7	(1)	5	(6)	7	(3)	6	(4)
41	Sum Adjustments B to D	\$135	(\$490)	\$420	(\$5)	\$164	(\$180)	\$553	(\$40)	\$254	(\$380)
42	Sum Utility Adjustments	\$79		\$91		\$67		\$91		\$91	
		Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross
43	Net / Gross Adjustments B to E	(\$276)	\$704	\$506	\$516	(\$83)	\$411	\$604	\$684	(\$126)	\$634
G. Adjusted & Market Rents											
		Adj. Rent		Adj. Rent		Adj. Rent		Adj. Rent		Adj. Rent	
44	Adjusted Rent (5 + 43)	\$1,284		\$931		\$1,297		\$1,204		\$939	
45	Adj Rent / Last rent		82%		219%		94%		201%		88%
46	Estimated Market Rent	\$1,050		\$0.78 Estimated Market Rent / Sq. Ft.							

Appraiser's Signature  Date 3/4/2019

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- c. how this analysis was used for a similar unit type

Grid was prepared: Manually Using HUD's Excel form

form HUD-92273-S8 (04/2002)

Subject		Comp #2		Comp #3		Comp #4		Comp #5		Comp #6	
Laurel Ridge		Cedarfield Apartments		Greenwood Hills Apartments		Highland Village		The Corner Stone Apartments		The Mill At Blacksburg	
620 West Grayson Street		200 Old Cedarfield Drive		1110 Aspen Place		400 Robey Street		10 Starling Avenue		1811 Grayland Street	
Hillsville, Carroll		Blacksburg, Montgomery		Pulaski, Pulaski		Radford, Radford		Martinsville, Martinsville		Blacksburg, Montgomery	
Subject		Subject		Subject		Subject		Subject		Subject	
A. Rents Charged											
		Data	\$ Adj	Data	\$ Adj	Data	\$ Adj	Data	\$ Adj	Data	\$ Adj
1	\$ Last Rent / Restricted?	\$1,560	N	\$425	N	\$1,680	N	\$600	N	\$1,065	N
2	Date Last Leased (mo/yr)	Jan-19		Oct-18		Jan-19		Feb-19		Jan-19	
3	Rent Concessions	N		N		N		N		N	
4	Occupancy for Unit Type	100%		100%		100%		100%		100%	
5	Effective Rent & Rent / sq. ft	\$1,560	\$1.08	\$425	\$0.45	\$1,680	\$1.31	\$600	\$0.75	\$1,065	\$1.04
<i>In Parts B thru E, adjust only for differences the subject's market values.</i>											
B. Design, Location, Condition											
		Data	\$ Adj	Data	\$ Adj	Data	\$ Adj	Data	\$ Adj	Data	\$ Adj
6	Structure / Stories	T/2	\$25	One-story	\$25	G/3	\$25	G/3	\$25	G/3	\$25
7	Yr. Built / Yr. Renovated	1980/1994/2020		1993		1984		1940/1973		1968/2013	
8	Condition / Street Appeal	Good	\$100	Fair	\$350	Average	\$100	Fair	\$350	Average	\$100
9	Neighborhood	Average	(\$350)	Good	(\$350)	Average	(\$100)	Average	(\$100)	Good	(\$350)
10	Same Market? Miles to Subj.	Yes/36.7		Yes/20.6		Yes/28.5		Yes/49		Yes/36.9	
C. Unit Equipment / Amenities											
		Data	\$ Adj	Data	\$ Adj	Data	\$ Adj	Data	\$ Adj	Data	\$ Adj
11	# Bedrooms	4	\$100	3	\$100	4	\$200	2	\$200	3	\$100
12	# Bathrooms	2	(\$25)	1	\$50	2		2		1	\$50
13	Unit Interior Sq. Ft.	1630	\$50	950	\$76	1280	\$115	800	\$156	1025	\$157
14	Balcony / Patio	Y	\$10	Y		N	\$10	N	\$10	N	\$10
15	AC: Central / Wall	C		N	\$10	C		C		WA	
16	Range / Refrigerator	R/F		R/F		R/F		R/F		R/F	
17	Microwave / Dishwasher	N	(\$10)	N		D	(\$10)	D	(\$10)	M/D	(\$10)
18	Washer / Dryer	L	(\$25)	HU	(\$5)	WD/L/HU	(\$30)	L		L	
19	Floor Coverings	Y		Y		Y		Y		N	
20	Window Coverings	B		B		B		B		B	
21	Cable / Satellite / Internet	N		N		N		N		N	
22	Special Features	None		None		Shuttle Service	(\$5)	None		None	
23											
D. Site Equipment / Amenities											
		Data	\$ Adj	Data	\$ Adj	Data	\$ Adj	Data	\$ Adj	Data	\$ Adj
24	Parking (\$ Fee)	L		L		L		L		L	
25	Extra Storage	Y		N	\$10	N	\$10	N	\$10	N	\$10
26	Security	N	(\$5)	N		N		Y	(\$5)	N	
27	Clubhouse / Meeting Rooms	N	(\$10)	N		N		N		C	(\$10)
28	Pool / Recreation Areas	R	(\$15)	PER	\$5	P/R	(\$10)	N	\$5	P/R	(\$10)
29	Business Ctr / Nbhd Network	N		N		N		N		N	
30	Service Coordination	N		N		N		N		N	
31	Non-shelter Services	N		N		N		N		N	
32	Neighborhood Networks										
E. Utilities											
		Data	\$ Adj	Data	\$ Adj	Data	\$ Adj	Data	\$ Adj	Data	\$ Adj
33	Heat (in rent? / type)	N/E		N/G		Y/E	(\$51)	N/G		N/G	
34	Cooling (in rent? / type)	N/E		N/E		N/E		N/E		N/E	
35	Cooking (in rent? / type)	N/E		N/E		Y/E	(\$7)	N/E		N/E	
36	Hot water (in rent? / type)	N/E		N/E		Y/E	(\$25)	N/G		N/G	
37	Other Electric	N		N		N		N		N	
38	Cold Water / Sewer	Y/Y	\$79	N/N	\$79	Y/Y		N/N	\$79	Y/Y	
39	Trash / Recycling	Y		Y	\$12	Y		N	\$12	Y	
F. Adjustments Recap											
		Pos	Neg	Pos	Neg	Pos	Neg	Pos	Neg	Pos	Neg
40	# Adjustments B to D	5	(7)	8	(1)	5	(5)	7	(2)	7	(4)
41	Sum Adjustments B to D	\$285	(\$440)	\$626	(\$5)	\$260	(\$155)	\$756	(\$15)	\$452	(\$380)
42	Sum Utility Adjustments	\$79		\$91		\$83		\$91			
		Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross
43	Net / Gross Adjustments B to E	(\$76)	\$804	\$712	\$722	\$22	\$498	\$832	\$862	\$72	\$832
G. Adjusted & Market Rents											
		Adj. Rent		Adj. Rent		Adj. Rent		Adj. Rent		Adj. Rent	
44	Adjusted Rent (5 + 43)	\$1,484		\$1,137		\$1,702		\$1,432		\$1,137	
45	Adj Rent / Last rent		95%		268%		101%		239%		107%
46	Estimated Market Rent	\$1,300	\$0.80 Estimated Market Rent / Sq. Ft.								

Appraiser's Signature *ARL K.*

3/4/2019 Date **Attached are explanations of:**

- a. why & how each adjustment was made
- b. how market rent was derived from adjusted rents
- c. how this analysis was used for a similar unit type

Grid was prepared: Manually Using HUD's Excel form

form HUD-92273-S8 (04/2002)

More significant adjustments are explained as follows:

Structure

The Subject offers townhome design for its two- three- and four-bedroom units, which is considered superior to all of the comparables. Based on conversations with property managers in the Subject’s market area, a positive \$25 adjustment was applied to all of the comparables.

Condition Adjustment

The Subject exhibits average condition as is and will be in good condition, post renovations. Cedarfield Apartments, Mill at Blacksburg and Highland Village each exhibit average condition, and Greenwood Hills Apartments and The Corner Stone Apartments exhibit fair condition. The following table and analysis details the methods used to calculate the adjustments for differences in condition.

CONDITION ADJUSTMENTS

Property	Condition	Rent Adjustments			
		1BR	2BR	3BR	4BR
Birchwood Apartments	Average	\$454	\$676		
Cedarfield Apartments	Average	\$578	\$864	\$1,284	\$1,559
Greenwood Hills Apartments	Fair	\$424	\$578	\$631	\$862
Highland Village	Average	\$398	\$797	\$1,197	\$1,577
The Corner Stone	Fair	\$490	\$758	\$904	\$1,157
The Mill at Blacksburg	Average			\$939	\$1,212
Fair to Average		\$19	\$111	\$373	\$440

Thus, we relied on the range of differences of the comparable units in making our adjustments. This is a small sample size and likely does not illustrate the true market premium for developments in excellent and good condition. Thus, we supplemented this analysis with conversations with local property managers.

Based on the information above, larger adjustments are supported for the larger unit types. Thus, we applied a positive adjustments of \$100 (one-bedroom), \$150 (two-bedroom) \$200 (three-bedroom) and \$250 (four-bedroom) to the comparables in fair condition in the as is grids.

The table below illustrates the effect of renovations on market rate properties located in the central Virginia area.

RENOVATED UNIT PRICE INCREASED

Property Name	City	Rent Increase	Notes
Fairfield Crossing	Falls Church, VA	\$75	Renovations include new flooring, paint, finishes, kitchens, and lighting.
Banbury Lake Village Apartments	Virginia Beach, VA	\$100	Renovations include new cabinets, appliances, new in-unit flooring.
The Ashby at McLean	McLean, VA	\$85 - \$175	Updated kitchen appliances, new bathroom fixtures, new flooring.
The Birches	Chesapeake, VA	\$94	Renovations include new kitchen cabinetry, new countertops, replaced appliances, new in-unit flooring.

As seen in the table above, post-rehabilitation rents increased \$75 to \$175 among recently renovated properties. According to information provided by the owner, the proposed renovations are budgeted at \$1,680,360 or approximately \$42,000 per unit in hard costs. According to property managers we have interviewed, the amount of increase is dependent on the scope of work with the most significant increases occurring when amenities are added, and improvements are made to the unit interiors and common areas that the residents use on a daily basis. Thus, it is clear that improved condition commands a significant premium. Therefore, a rent differential of \$100 is reasonable and conservative for the Subject for

condition, as renovated. Thus, we applied a positive \$100 adjustment to the comparables in average condition, and a positive \$200 adjustment to the comparable in fair condition.

Bedroom Adjustment

In the three-bedroom grids, four of the comparable properties offer three-bedroom units, similar to the Subject. The remaining comparable offers two-bedrooms. In the four-bedroom grids, one of the comparable properties offers four-bedroom units, similar to the Subject. Thus, no adjustment is necessary for this comparable. The remaining comparables offer two- or three-bedrooms. Based on conversations with local property managers, the value of an additional bathroom is estimated at \$100. Thus, we applied positive \$100 adjustments per bedroom. Additionally, we analyzed the value of an additional bathroom at one of the comparables in this report, as illustrated below.

Value of Bedroom			
The Corner Stone Apartments			
Unit Type	Asking Rent	SF	Rent/SF
1BR/1BA	\$425	600	\$0.71
2BR/2BA	\$600	800	\$0.75
<i>Calculation of Value</i>			
1. Diff. in SF of 1BR/1BA and 2BR/2BA / 4	=	50	
2. Additional SF x RPSF of larger unit	=	\$38	
3. Diff. in rent for 1BR/1BA and 2BR/2BA - SF value	=	\$138	
Value of additional bedroom		\$138	

Bathroom Adjustment

The Subject's two and three-bedroom units feature 1.5 bathrooms, and its four-bedroom units offer two bathrooms. The comparables offer a range of bathrooms from one to 2.5 for their comparable units. According to property managers, the value of an additional full bathroom is \$50, and a half bath is \$25, and we have applied these adjustments accordingly in the grids. Our conclusions are supported by the following table, which analyzes the value of an additional bathroom at one the comparables.

Value of Bathroom			
Cedarfield Apartments			
Unit Type	Asking Rent	SF	Rent/SF
2BR/1BA	\$967	869	\$1.11
2BR/2BA	\$1,050	992	\$1.06
<i>Calculation of Value</i>			
1. Diff. in SF of 2BR/1BA and 2BR/2BA / 4	=	30.75	
2. Additional SF x RPSF of larger unit	=	\$33	
3. Diff. in rent for 2BR/1BA and 2BR/2BA - SF value	=	\$50	
Value of additional bedroom		\$50	

Square Footage Adjustment

The Subject and the comparable properties vary in square footage. Most market observers agree that with all other variables being equal, a larger unit is more desirable than a smaller unit. However, typically the value of the additional square footage is mitigated to some degree by the similarity in perceived unit function (i.e. a 600 square foot two-bedroom functions similarly to a 700 square foot two-bedroom) reflective of economies of scale. In other words, there is a diminishing return of value for additional square footage, as each additional square foot does not necessarily equal additional functional utility. Matched pairs are the preferred methods to use for derivation of an adjustment. However, no matched pairs were available in the market. Therefore, we have applied a market standard that has been observed in

similar markets as follows: the square foot difference between the Comparable and the Subject is divided by four and then multiplied by the rent per square foot of the Comparable. In other words, we estimate that the additional square footage is worth approximately 25 percent of the rent per square foot in comparison to the base square footage.

Washer/Dryer

The Subject offers central laundry facilities and in-unit washer and dryer hookups. Two of the comparables offer in-unit washer/dryer appliances, one offers washer/dryer hookups only, and three offer central laundry only. The Mill At Blacksburg offers central laundry only. We have used a cost/benefit methodology to determine the level of adjustment for in-unit washers and dryers. If a household does three loads of laundry a week, for \$3.00 per load, the cost would be approximately \$36 per month. This indicates approximately a \$35 value to in-unit washer and dryer appliances. We have valued central laundry and washer/dryer hookups at \$10 each and applied adjustments to all of the comparables based on the respective amenities offered.

Pool/Recreation Areas

The Subject offers a playground. Three comparables offer none of these amenities. Cedarfield Apartments offers recreation areas, exercise facilities, and a swimming pool. Highland Village and Mill at Blacksburg offer a pool and recreation area. We valued a pool at \$10 and the remaining amenities at \$5 each and have applied adjustments accordingly.

Conclusions and Recommendations

The Subject will be newly renovated, and upon completion, will exhibit good condition. The surveyed properties exhibit inferior to slightly superior condition relative to the proposed Subject. The market exhibits stable demand for affordable housing, with limited vacancy and strong absorption rates at LIHTC properties that have opened in the past three to four years. As a stabilized property, we expect the Subject to operate with an annual vacancy and collection loss of five percent, or less. As detailed in our analysis of LIHTC rents at 60 percent of AMI, we believe that maximum allowable rents are achievable for the two- three- and four-bedroom unit, and rents slightly below the maximum allowable levels are achievable for the one-bedroom units. Our estimated achievable market rents for the Subject are illustrated below.

Unit Type	Surveyed Minimum	Surveyed Maximum	Surveyed Average	Subject's Achievable Market Rent "As Renovated"
1BR/1BA	\$427	\$640	\$565	\$600
1BR/1BA (HC)	-	-	-	\$610
2BR/1.5BA	\$776	\$958	\$865	\$850
3BR/1.5BA	\$931	\$1,297	\$1,131	\$1,050
4BR/2BA	\$1,137	\$1,702	\$1,378	\$1,300
4BR/2BA (HC)	-	-	-	\$1,310

I. AFFORDABILITY ANALYSIS/DEMAND ANALYSIS

DEMAND ANALYSIS

Introduction

The Subject will be a newly renovated 56-unit LIHTC and Section 8 development. The Subject consists of 14 one-bedroom units, 28 two-bedroom units, nine three-bedroom units, and five four-bedroom units rent and income restricted to 60 percent of AMI. We calculated the number of income-eligible residents in this section of the analysis. LIHTC rents are based upon a percentage of the AMI, adjusted for household size and utilities. HUD estimates the relevant income levels, with annual updates. Rents are calculated assuming that the maximum net rent a household will pay is 35 percent of its income at the appropriate AMI levels. Household size for developments is assumed to be 1.5 person per bedroom for LIHTC rent calculation purposes. To assess the likely number of tenants in the market area eligible to live in the Subject, we used Census information as provided by ESRI Business Information Solutions.

Primary Market Area Defined

For the purpose of this study, it is necessary to define the competitive primary market area (PMA), or the area from which potential tenants for the project are likely to be drawn. In some areas, residents are very much “neighborhood oriented” and are generally very reluctant to move from the area where they have grown up. In other areas, residents are much more mobile and will relocate to a completely new area, especially if there is an attraction such as affordable housing at below market rents.

The Subject property is located in Hillsville, Virginia. The PMA is defined by Interstate 81, Highway 672, Highway 693, and Simpkinstown Road to the north, Highway 619, Highway 787, and Highway 799 and Highway 614 to the east, Blue Ridge Parkway, Highway 97, and Highway 94 to the south, and Highway 94 to the west. The PMA was determined based on input from area property managers, including the manager at the Subject property.

Income-Eligible Calculations

To establish the number of income-eligible potential tenants for the Subject, the calculations are as follows:

First, we estimate the Subject’s minimum and maximum income levels for the LIHTC project. HUD determines maximum income guidelines for tax credit properties, based on the AMI. For Carroll County, the 2018 AMI is \$47,300 for a four-person household. Maximum incomes are set at the maximum 60 percent of AMI level(s). Minimum income levels were calculated based on the assumption that lower-income households should pay no more than 35 percent of their income towards rent. The minimum income levels absent subsidy, are calculated from the gross achievable LIHTC rents.

FAMILY INCOME LIMITS - AS PROPOSED

Unit Type	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum
	Allowable Income	Allowable Income	Allowable Income	Allowable Income	Allowable Income	Allowable Income
	@40% (Section 8)		@50% (Section 8)		@60% (Section 8)	
1BR	\$0	\$28,020	\$0	\$28,020	\$0	\$28,020
2BR	-	-	\$0	\$31,560	\$0	\$31,560
3BR	-	-	\$0	\$37,860	\$0	\$37,860
4BR	-	-	\$0	\$40,620	\$0	\$40,620

FAMILY INCOME LIMITS - ABSENT SUBSIDY

Unit Type	Minimum Allowable Income		Maximum Allowable Income		Minimum Allowable Income		Maximum Allowable Income	
	@40%		@50%		@60%			
1BR	\$11,760	\$28,020	\$15,497	\$28,020	\$19,269	\$28,020		
2BR	-	-	\$18,171	\$31,560	\$22,697	\$31,560		
3BR	-	-	\$20,434	\$37,860	\$25,646	\$37,860		
4BR	-	-	\$23,211	\$40,620	\$29,006	\$40,620		

Often, lower-income households pay a higher percentage of gross income toward housing costs. Therefore, we used 35 percent for LIHTC calculations in the LIHTC scenario. Secondly, we illustrate the household population segregated by income band in order to determine those who are income-qualified to reside in the Subject site.

RENTER HOUSEHOLD INCOME

Income Cohort	PMA					
	2018		2023		Annual Change 2018 to 2023	
	Number	Percentage	Number	Percentage	Number	Percentage
\$0-9,999	793	18.7%	728	17.4%	-13	-1.6%
\$10,000-19,999	897	21.1%	820	19.6%	-15	-1.7%
\$20,000-29,999	716	16.8%	661	15.8%	-11	-1.5%
\$30,000-39,999	494	11.6%	500	12.0%	1	0.2%
\$40,000-49,999	434	10.2%	434	10.4%	0	0.0%
\$50,000-59,999	289	6.8%	268	6.4%	-4	-1.5%
\$60,000-74,999	173	4.1%	200	4.8%	5	3.1%
\$75,000-99,999	137	3.2%	158	3.8%	4	3.1%
\$100,000-124,999	122	2.9%	147	3.5%	5	4.1%
\$125,000-149,999	84	2.0%	96	2.3%	2	2.9%
\$150,000-199,999	56	1.3%	89	2.1%	7	11.8%
\$200,000+	55	1.3%	74	1.8%	4	6.9%
Total	4,250	100.0%	4,175	100.0%		

Source: HISTA Data / Ribbon Demographics 2018, Novogradac & Company LLP, March 2019

Third, we combine the allowable income range with the income distribution analysis in order to determine the number of potential income-qualified households. In some cases, the LIHTC income-eligible band overlaps with more than one census income range. In those cases, the prorated share of more than one census range will be calculated. This provides an estimate of the total number of households that are income-eligible. This also derives an estimate of the percentage of the households that are income-eligible, illustrated by AMI threshold.

FAMILY INCOME DISTRIBUTION 2018 - AS PROPOSED

Income Cohort	Total Renter Households	@40% (Section 8)			@50% (Section 8)			@60% (Section 8)			All Units		
		cohort overlap	% in cohort	# in cohort	cohort overlap	% in cohort	# in cohort	cohort overlap	% in cohort	# in cohort	cohort overlap	% in cohort	# in cohort
\$0-9,999	793	9,999	100.0%	793	9,999	100.0%	793	9,999	100.0%	793	9,999	100.0%	793
\$10,000-19,999	897	9,999	100.0%	897	9,999	100.0%	897	9,999	100.0%	897	9,999	100.0%	897
\$20,000-29,999	716	8,020	80.2%	574	9,999	100.0%	716	9,999	100.0%	716	9,999	100.0%	716
\$30,000-39,999	494				9,999	100.0%	494	9,999	100.0%	494	9,999	100.0%	494
\$40,000-49,999	434				620	6.2%	27	620	6.2%	27	621	6.2%	27
\$50,000-59,999	289												
\$60,000-74,999	173												
\$75,000-99,999	137												
\$100,000-124,999	122												
\$125,000-149,999	84												
\$150,000-199,999	56												
\$200,000+	55												
Total	4,250		53.3%	2,264		68.9%	2,927		68.9%	2,927		68.87%	2,927

FAMILY INCOME DISTRIBUTION 2018 - ABSENT SUBSIDY

Income Cohort	Total Renter Households	@40%			@50%			@60%			All Units		
		cohort overlap	% in cohort	# in cohort	cohort overlap	% in cohort	# in cohort	cohort overlap	% in cohort	# in cohort	cohort overlap	% in cohort	# in cohort
\$0-9,999	793												
\$10,000-19,999	897	8,239	82.4%	739	4,502	45.0%	404	730	7.3%	65	8,239	82.4%	739
\$20,000-29,999	716	8,020	80.2%	574	9,999	100.0%	716	9,999	100.0%	716	9,999	100.0%	716
\$30,000-39,999	494				9,999	100.0%	494	9,999	100.0%	494	9,999	100.0%	494
\$40,000-49,999	434				620	6.2%	27	620	6.2%	27	620	6.2%	27
\$50,000-59,999	289												
\$60,000-74,999	173												
\$75,000-99,999	137												
\$100,000-124,999	122												
\$125,000-149,999	84												
\$150,000-199,999	56												
\$200,000+	55												
Total	4,250		30.9%	1,313		38.6%	1,641		30.6%	1,302		46.5%	1,976

Demand Analysis One - Capture Rate Analysis by Unit Type

In order to determine demand for the proposed unit mix, we also analyzed the demand capture rates expected at the Subject by bedroom type. This analysis illustrates demand for the 60 percent of AMI level.

The by-unit-type breakdown illustrates an adequate demand, when considered on a by-bedroom-type basis. We added a 10 percent adjustment factor to compensate for a potential tenancy originating from outside the PMA.

The distribution of households by unit type is dependent on the following assumptions.

HOUSEHOLD DISTRIBUTION

HOUSEHOLD DISTRIBUTION		
1 BR	90%	Of one-person households in 1BR units
	20%	Of two-person households in 1BR units
2 BR	10%	Of one-person households in 2BR units
	80%	Of two-person households in 2BR units
	60%	Of three-person households in 2BR units
3 BR	30%	Of four-person households in 2BR units
	40%	Of three-person households in 3BR units
	40%	Of four-person households in 3BR units
	50%	Of five-person households in 3BR units
4 BR	30%	Of four-person households in 4BR units
	50%	Of five-person households in 4BR units

40 Percent of AMI Demand-Section 8

PROJECTED RENTER HOUSEHOLD DEMAND BY BEDROOM TYPE

Renter Household Distribution 2018

	Renter Household Size Distribution	Total Number of Renter Households
1 person	42.0%	1,785
2 persons	26.9%	1,142
3 persons	14.9%	634
4 persons	8.4%	359
5+ persons	7.8%	330
Total	100.0%	4,250

Income-Qualified Renter Demand

	Total Number of Renter Households	% Income-Qualified Renter Households	Number Qualified Renter Households
1 person	1,785	x	951
2 persons	1,142	x	608
3 persons	634	x	338
4 persons	359	x	191
5+ persons	330	x	176
Total	4,250		2,264

Projected Renter Household Demand by Bedroom Size

	Number of Qualified Renter Households
1BR	978
2BR	842
3BR	300
4BR	145
Total	2,264

Capture Rate Analysis - @40% (Section 8) - As Proposed

	Developer's Unit Mix	Capture Rate
1BR	6	0.61%
2BR	0	0.00%
3BR	0	0.00%
4BR	0	0.00%
Total/Overall	6	0.26%

Adjusted for Leakage from Outside of the PMA

10%

1BR	6	0.55%
2BR	0	0.00%
3BR	0	0.00%
4BR	0	0.00%
Total/Overall	6	0.24%

40 Percent of AMI Demand-Absent Subsidy

PROJECTED RENTER HOUSEHOLD DEMAND BY BEDROOM TYPE

Renter Household Distribution 2018

	Renter Household Size Distribution	Total Number of Renter Households
1 person	42.0%	1,785
2 persons	26.9%	1,142
3 persons	14.9%	634
4 persons	8.4%	359
5+ persons	7.8%	330
Total	100.0%	4,250

Income-Qualified Renter Demand

	Total Number of Renter Households	% Income-Qualified Renter Households	Number Qualified Renter Households
1 person	1,785	x 30.9%	552
2 persons	1,142	x 30.9%	353
3 persons	634	x 30.9%	196
4 persons	359	x 30.9%	111
5+ persons	330	x 30.9%	102
Total	4,250		1,313

Projected Renter Household Demand by Bedroom Size

	Number of Qualified Renter Households
1BR	567
2BR	488
3BR	174
4BR	84
Total	1,313

Capture Rate Analysis - @40% Absent Subsidy

	Developer's Unit Mix	Capture Rate
1BR	6	1.06%
2BR	0	0.00%
3BR	0	0.00%
4BR	0	0.00%
Total/Overall	6	0.46%

Adjusted for Leakage from Outside of the PMA

10%

1BR	6	0.95%
2BR	0	0.00%
3BR	0	0.00%
4BR	0	0.00%
Total/Overall	6	0.41%

50 Percent of AMI Demand-Section 8

PROJECTED RENTER HOUSEHOLD DEMAND BY BEDROOM TYPE

Renter Household Distribution 2018

	Renter Household Size Distribution	Total Number of Renter Households
1 person	42.0%	1,785
2 persons	26.9%	1,142
3 persons	14.9%	634
4 persons	8.4%	359
5+ persons	7.8%	330
Total	100.0%	4,250

Income-Qualified Renter Demand

	Total Number of Renter Households		% Income-Qualified Renter Households	Number Qualified Renter Households
1 person	1,785	x	68.9%	1,229
2 persons	1,142	x	68.9%	786
3 persons	634	x	68.9%	437
4 persons	359	x	68.9%	247
5+ persons	330	x	68.9%	227
Total	4,250			2,927

Projected Renter Household Demand by Bedroom Size

	Number of Qualified Renter Households
1BR	1,264
2BR	1,088
3BR	387
4BR	188
Total	2,927

Capture Rate Analysis - @50% (Section 8) - As Proposed

	Developer's Unit Mix	Capture Rate
1BR	1	0.08%
2BR	14	1.29%
3BR	5	1.29%
4BR	2	1.06%
Total/Overall	22	0.75%

Adjusted for Leakage from Outside of the PMA

10%

1BR	1	0.07%
2BR	14	1.16%
3BR	5	1.16%
4BR	2	0.96%
Total/Overall	22	0.68%

50 Percent of AMI Demand-Absent Subsidy

PROJECTED RENTER HOUSEHOLD DEMAND BY BEDROOM TYPE

Renter Household Distribution 2018

	Renter Household Size Distribution	Total Number of Renter Households
1 person	42.0%	1,785
2 persons	26.9%	1,142
3 persons	14.9%	634
4 persons	8.4%	359
5+ persons	7.8%	330
Total	100.0%	4,250

Income-Qualified Renter Demand

	Total Number of Renter Households	% Income-Qualified Renter Households	Number Qualified Renter Households
1 person	1,785	x	689
2 persons	1,142	x	441
3 persons	634	x	245
4 persons	359	x	139
5+ persons	330	x	127
Total	4,250		1,641

Projected Renter Household Demand by Bedroom Size

	Number of Qualified Renter Households
1BR	708
2BR	610
3BR	217
4BR	105
Total	1,641

Capture Rate Analysis - @50% Absent Subsidy

	Developer's Unit Mix	Capture Rate
1BR	1	0.14%
2BR	14	2.29%
3BR	5	2.30%
4BR	2	1.90%
Total/Overall	22	1.34%

Adjusted for Leakage from Outside of the PMA

10%

1BR	1	0.13%
2BR	14	2.07%
3BR	5	2.07%
4BR	2	1.71%
Total/Overall	22	1.21%

60 Percent of AMI Demand-Section 8

PROJECTED RENTER HOUSEHOLD DEMAND BY BEDROOM TYPE

Renter Household Distribution 2018

	Renter Household Size Distribution	Total Number of Renter Households
1 person	42.0%	1,785
2 persons	26.9%	1,142
3 persons	14.9%	634
4 persons	8.4%	359
5+ persons	7.8%	330
Total	100.0%	4,250

Income-Qualified Renter Demand

	Total Number of Renter Households		% Income-Qualified Renter Households	Number Qualified Renter Households
1 person	1,785	x	68.9%	1,229
2 persons	1,142	x	68.9%	786
3 persons	634	x	68.9%	437
4 persons	359	x	68.9%	247
5+ persons	330	x	68.9%	227
Total	4,250			2,927

Projected Renter Household Demand by Bedroom Size

	Number of Qualified Renter Households
1BR	1,264
2BR	1,088
3BR	387
4BR	188
Total	2,927

Capture Rate Analysis - @60% (Section 8) - As Proposed

	Developer's Unit Mix	Capture Rate
1BR	7	0.55%
2BR	14	1.29%
3BR	4	1.03%
4BR	3	1.60%
Total/Overall	28	0.96%

Adjusted for Leakage from Outside of the PMA

10%

1BR	7	0.50%
2BR	14	1.16%
3BR	4	0.93%
4BR	3	1.44%
Total/Overall	28	0.86%

60 Percent of AMI Demand-Absent Subsidy

PROJECTED RENTER HOUSEHOLD DEMAND BY BEDROOM TYPE

Renter Household Distribution 2018

	Renter Household Size Distribution	Total Number of Renter Households
1 person	42.0%	1,785
2 persons	26.9%	1,142
3 persons	14.9%	634
4 persons	8.4%	359
5+ persons	7.8%	330
Total	100.0%	4,250

Income-Qualified Renter Demand

	Total Number of Renter Households	% Income-Qualified Renter Households	Number Qualified Renter Households
1 person	1,785	x	547
2 persons	1,142	x	350
3 persons	634	x	194
4 persons	359	x	110
5+ persons	330	x	101
Total	4,250		1,302

Projected Renter Household Demand by Bedroom Size

	Number of Qualified Renter Households
1BR	562
2BR	484
3BR	172
4BR	84
Total	1,302

Capture Rate Analysis - @60% Absent Subsidy

	Developer's Unit Mix	Capture Rate
1BR	7	1.24%
2BR	14	2.89%
3BR	4	2.32%
4BR	3	3.59%
Total/Overall	28	2.15%

Adjusted for Leakage from Outside of the PMA

10%

1BR	7	1.12%
2BR	14	2.60%
3BR	4	2.09%
4BR	3	3.23%
Total/Overall	28	1.93%

All Units Demand-Section 8

PROJECTED RENTER HOUSEHOLD DEMAND BY BEDROOM TYPE

Renter Household Distribution 2018

	Renter Household Size Distribution	Total Number of Renter Households
1 person	42.0%	1,785
2 persons	26.9%	1,142
3 persons	14.9%	634
4 persons	8.4%	359
5+ persons	7.8%	330
Total	100.0%	4,250

Income-Qualified Renter Demand

	Total Number of Renter Households		% Income-Qualified Renter Households	Number Qualified Renter Households
1 person	1,785	x	68.9%	1,229
2 persons	1,142	x	68.9%	786
3 persons	634	x	68.9%	437
4 persons	359	x	68.9%	247
5+ persons	330	x	68.9%	227
Total	4,250			2,927

Projected Renter Household Demand by Bedroom Size

	Number of Qualified Renter Households
1BR	1,264
2BR	1,088
3BR	387
4BR	188
Total	2,927

Capture Rate Analysis - All Units As Proposed

	Developer's Unit Mix	Capture Rate
1BR	14	1.11%
2BR	28	2.57%
3BR	9	2.32%
4BR	5	2.66%
Total/Overall	56	1.91%

Adjusted for Leakage from Outside of the PMA

10%

1BR	14	1.00%
2BR	28	2.32%
3BR	9	2.09%
4BR	5	2.40%
Total/Overall	56	1.72%

All Units Demand-Absent Subsidy

PROJECTED RENTER HOUSEHOLD DEMAND BY BEDROOM TYPE

Renter Household Distribution 2018

	Renter Household Size Distribution	Total Number of Renter Households
1 person	42.0%	1,785
2 persons	26.9%	1,142
3 persons	14.9%	634
4 persons	8.4%	359
5+ persons	7.8%	330
Total	100.0%	4,250

Income-Qualified Renter Demand

	Total Number of Renter Households	% Income-Qualified Renter Households	Number Qualified Renter Households
1 person	1,785	x	830
2 persons	1,142	x	531
3 persons	634	x	295
4 persons	359	x	167
5+ persons	330	x	153
Total	4,250		1,976

Projected Renter Household Demand by Bedroom Size

	Number of Qualified Renter Households
1BR	853
2BR	735
3BR	261
4BR	127
Total	1,976

Capture Rate Analysis - All Units Absent Subsidy

	Developer's Unit Mix	Capture Rate
1BR	14	1.64%
2BR	28	3.81%
3BR	9	3.44%
4BR	5	3.94%
Total/Overall	56	2.83%

Adjusted for Leakage from Outside of the PMA

10%

1BR	14	1.48%
2BR	28	3.43%
3BR	9	3.10%
4BR	5	3.55%
Total/Overall	56	2.55%

Annual Demand Table

ANNUAL DEMAND - AS PROPOSED

Calculation	PMA
Number of Renter Households in 2018	4,250
Increase in Number of Renter Households	(75)
Number of Renter Households in 2023	4,175
<i>Existing Demand</i>	
Percentage of Total Households that are Renter	24.4%
Percentage of Income-Qualified Renter Households	68.9%
Number of Income-Qualified Renter Households	2,927
Percentage of Rent-Overburdened	24.0%
Existing Income-Qualified Renter Household Turnover	704
<i>New Income-Qualified Demand, Stated Annually</i>	
Increase in Renter Households per Annum	(15)
Percentage of Income-Qualified Renter Households	68.9%
New Rental Income Qualified Households	(10)
<i>Capture Rate Analysis</i>	
Number of Units in Subject	56
Occupied Units at Subject With Vacancy of: 5%	53
Units Pre-Leased	0
Total Demand (Turnover and Growth) from within PMA	694
Portion Originating within PMA	90%
Total Demand (Turnover and Growth) from within PMA	771
Less: Existing LIHTC Projects in Absorption Process (Number of Units)	51
Total Demand after Competition (Turnover and Growth)	720
Yielded Annual Capture Rate of Available Demand in 2019	7.4%

Annual Demand Table

ANNUAL DEMAND - ABSENT SUBSIDY		
Calculation		PMA
Number of Renter Households in 2018		4,250
Increase in Number of Renter Households		(75)
Number of Renter Households in 2023		4,175
<i>Existing Demand</i>		
Percentage of Total Households that are Renter		24.4%
Percentage of Income-Qualified Renter Households		46.5%
Number of Income-Qualified Renter Households		1,976
Percentage of Rent-Overburdened		24.0%
Existing Income-Qualified Renter Household Turnover		475
<i>New Income-Qualified Demand, Stated Annually</i>		
Increase in Renter Households per Annum		(15)
Percentage of Income-Qualified Renter Households		46.5%
New Rental Income Qualified Households		(7)
<i>Capture Rate Analysis</i>		
Number of Units in Subject		56
Occupied Units at Subject With Vacancy of:	5%	53
Units Pre-Leased		0
Total Demand (Turnover and Growth) from within PMA		468
Portion Originating within PMA		90%
Total Demand (Turnover and Growth) from within PMA		520
Less: Existing LIHTC Projects in Absorption Process (Number of Units)	51	
Total Demand after Competition (Turnover and Growth)		469
Yielded Annual Capture Rate of Available Demand in 2019		11.3%

VHDA Demand Table

We also included the required demand table from the VHDA market study guidelines. The following table illustrates the total demand, the net demand, and the absorption period for the Subject site. The supply illustrates all proposed or under construction units in the PMA.

We determined that there are no proposed competitive LIHTC units in the PMA.

The table below illustrates the resulting capture rates for demand currently proposed in PMA.

Income Restrictions	Up to 40% -		Up to 50% -		Up to 60% -		Project Total - Section 8	Project Total - Absent Subsidy
	Up to 40% - Section 8 (\$0 - -\$28,020)	Absent Subsidy (\$11,760 - \$28,020)	Up to 50% - Section 8 (\$0 - \$40,620)	Absent Subsidy (\$15,497 - \$40,620)	Up to 60% - Section 8 (\$0 - -\$40,620)	Absent Subsidy (\$19,269 - \$40,620)		
New Rental Households	-40	-23	-52	-29	-52	-23	-52	-35
+ Existing Households - Overburdened	545	316	704	395	704	313	704	475
+ Existing Households - Substandard Housing	57	33	73	41	73	33	73	49
+ Senior Households - Likely to Covert to Rental Housing	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
+ Qualified Tenants- To Remain After Renovation	6	6	22	22	28	28	56	56
TOTAL DEMAND	567	332	747	429	753	351	781	546
- Supply (includes directly comparable vacant units or in pipeline in PMA)	0	0	0	0	51	51	51	51
NET DEMAND	567	332	747	429	702	300	730	495
PROPOSED UNITS	6	6	22	22	28	28	56	56
CAPTURE RATE	1.1%	1.8%	2.9%	5.1%	4.0%	9.3%	7.7%	11.3%
ABSORPTION PERIOD	4 months	4 months	4 months	4 months	4 months	4 months	4 months	4 months

We believe there is adequate demand for the Subject as proposed. Our concluded capture rates and absorption are shown in the table below.

Project Wide Capture Rate - LIHTC/Sec 8 Units	7.7%
Project Wide Capture Rate - LIHTC Units	11.3%
Project Wide Absorption Period	4 months

Conclusion

The Novoco demand analysis illustrates demand for the Subject based on capture rates of income-eligible renter households. In terms of total income-eligible renter households, the calculation illustrates capture rates of 7.7 percent and 11.3 percent, with and without the subsidy respectively.

To provide another level of analysis, we removed the households from the income-eligible renter demand pool that are currently suitably housed elsewhere in the PMA. We conducted an *annual demand analysis*, which is based on new income-eligible renter households moving into the area (in the Subject’s first year of operation only) and those income-eligible renter households that are rent-overburdened (paying over 35 percent of income to living costs). This is a subset of the income-eligible renter households used previously and yields a far more conservative annual capture rate. This annual Novoco capture rate is 7.4 percent and 11.3 percent for the first year of operation as a Section 8 and LIHTC property, respectively. This suggests that the Subject will need to capture only a fraction of the available demand in its first year of operation in order to stabilize, if vacant. This implies that no demand will be accommodated that is currently suitably housed elsewhere.

This calculation illustrates there are approximately 720 units and 469 of net demand for the two scenarios in the first year of the Subject’s operation following renovation. The Subject’s units will need to accommodate 53 total units of demand in order to stabilize at 95 percent occupancy. Any unaccommodated households will most likely leave the PMA or remain severely rent-overburdened. The lack of available units will force many to look elsewhere.

The VHDA net demand and capture rate table illustrates demand for the Subject based on capture rates of income-eligible renter households. The following table illustrates the conclusions from this table.

Project Wide Capture Rate - LIHTC/Sec 8 Units	7.7%
Project Wide Capture Rate - LIHTC Units	11.3%
Project Wide Absorption Period	4 months

This is a low capture rate and indicative of adequate demand for the Subject. We do not believe the additional supply will harm other VHDA properties as the capture rates are low and the vacancy is low.

Penetration Rate Analysis

Per VHDA guidelines, we also performed a penetration rate analysis for the Subject’s units, as seen in the following table.

PENETRATION RATE - Methodology Two (Market Focus - NCHMA)	
Number of Proposed Competitive Affordable Units in the PMA	51
	+
Number of Existing Competitive Family Affordable Units in the PMA	468
	+
Number of Proposed Affordable Units at the Subject	56
	=
Total	575
	/
Income Eligible Households - All AMI Levels	2,927
	=
Overall Penetration Rate - Market Focus (NCHMA)	19.6%

PENETRATION RATE - Methodology Two (Market Focus - NCHMA)	
Number of Proposed Competitive <i>LIHTC</i> Units in the PMA	51
	+
Number of Existing Competitive Family <i>LIHTC</i> Units in the PMA	202
	+
Number of Proposed <i>LIHTC</i> Units at the Subject	56
	=
Total	309
	/
Income Eligible Households - All AMI Levels	1,976
	=
Overall Penetration Rate - Market Focus (NCHMA)	15.6%

The overall penetration rate is derived by taking the number of affordable units proposed or under construction within the PMA, combined with the number of proposed *LIHTC* units, and the number of the Subject’s units divided by the number of income eligible households. As detailed in the supply analysis, there are no proposed *LIHTC* developments within the PMA to remove from the previous calculations. The following table illustrates the existing affordable properties in the PMA.

AFFORDABLE HOUSING IN THE PMA

Property Name	Program	Total Units	LIHTC Units	Subsidized Units	Tenancy
Carroll House	Section 8	12		12	Family
Glendale Apts	Section 8	68		68	Family
Galax Manor	Section 8	10		10	Senior/Disabled
Laurel Ridge	Section 8	56		56	Family
Northway Apts	Section 8	72		60	Family
Westview Terrace Apartments	Section 8	48		48	Family
Harmony Village	LIHTC/USDA	42	42	42	
Briarleigh Court	LIHTC/USDA	40	40	40	
Melton' Run	LIHTC	48	48		Family
Northway	LIHTC/Section 8	72	72	72	Family
Total		468	202	408	

The overall penetration rate for the market is 17.9 percent and 24.4 percent with and without subsidy, respectively. The penetration rate analysis we presented is conservative because it does not account for leakage (i.e. tenants originating outside of the PMA). This penetration rate is considered reasonable.

Absorption Estimate

We were able to obtain absorption information from two of the surveyed LIHTC comparable properties. Additionally, we expanded our search for absorption data to the surrounding areas, which is detailed following.

ABSORPTION

Property Name	Rent	Tenancy	Year	Total Units	Absorption
Fieldstone Senior Apartments	LIHTC	Senior	2018	60	10
Fieldstone Apartments*	LIHTC	Family	2017	84	16.8
Forest Hills At Belview*	LIHTC	Family	2011	70	11
Dara Heights Apartments	LIHTC	Family	2008	48	16
Heather Glen	LIHTC	Family	2004	40	2
Sedona	Market	Family	2013	271	20
The View At Liberty Center	Market	Family	2014	257	21
LIHTC Average				60	11
Market Average				264	21
Overall Average				119	14

*Utilized as rental comparable

Based on the information above, we estimate that the Subject would reach a stabilized occupancy within approximately four months, at an absorption rate of approximately 14 units per month, in the event that it needed to reabsorb its tenancy. It should be noted that the Subject is currently operating at a stabilized occupancy; thus, this analysis is hypothetical. Further, the proposed renovations will occur with minimal disruption to tenants. Therefore, we do not believe that there will be a need for any significant reabsorption of units.

Rent conclusions were provided in Section F.

We do not anticipate any future changes in the housing stock or risks in the market area that would adversely affect the Subject.

J. LOCAL PERSPECTIVE OF RENTAL HOUSING AND HOUSING ALTERNATIVES

INTERVIEWS/DISCUSSION

In order to ascertain the need for housing in the Subject’s area, interviews were conducted with various local officials.

Local Housing Authority

We attempted to contact the local housing authority, but were unsuccessful. Payment standards for Carroll County as illustrated in the following table, which are available from VHDA.

Unit Type	Payment Standard	Subject's Current Rents	Subject's Proposed LIHTC Rents
1BR / 1BA	\$655	\$468	\$562
1BR / 1BA (HC)	\$655	\$475	\$562
2BR / 1.5BA	\$752	\$533	\$662
3BR / 1.5BA	\$1,062	\$653	\$748
4BR / 2BA	\$1,180	\$685	\$846
4BR / 2BA (HC)	\$1,180	\$711	\$846

The Subject’s current and proposed gross rents are below the current payment standards, indicating residents will not need to pay additional rent out of pocket to reside in the Subject’s units. As of the date of our inspection, the Subject was 96.4 percent occupied and maintains a waiting list of 40 households.

Planning and Development Department

According to the Carroll County Planning Department, there are no multifamily developments under construction or proposed at this time.

LIHTC Competition / Recent and Proposed Construction

According to the Virginia Housing Development Authority (VHDA), there have been two LIHTC allocations within the PMA within the past three years. In 2018, LIHTC funding was awarded for Woodlawn School Apartments, which will be an adaptive reuse project of a former school located in Woodlawn, roughly five miles from the Subject, that will offer 51 affordable one-, two-, and three-bedroom units. Once complete, this development will directly compete with the Subject’s units. Work is anticipated to begin in early-to-mid 2019 with a planned completion in mid-2020. In 2016, Harmony Village, a USDA property located in Galax roughly 12 miles from the Subject, was awarded LIHTC for renovations of existing units. Thus, no new supply was added to the market from this rehabilitation.

K. ANALYSIS/CONCLUSIONS

ANALYSIS/CONCLUSIONS

In general, we believe there is demand in the marketplace for the Subject as conceived. However, based on the comparable data, and given the Subject will be renovated, we believe that rents slightly below the maximum allowable levels are attainable and supported by the market. Thus, we have concluded to the following rents.

ACHIEVABLE LIHTC RENT

Bedroom Type	1BR	2BR	3BR	4BR
Achievable Rent @ 40%	\$343*	-	-	-
Achievable Rent @ 50%	\$452*	\$530*	\$596*	\$677*
Achievable Rent @ 60%	\$525	\$662*	\$748*	\$846*

*Maximum Allowable Rent

Strengths

- As a newly renovated property, the Subject will exhibit superior condition relative to the majority of the comparable properties.
- The Subject's projected LIHTC rents represent a discount to the achievable market rents.
- The LIHTC vacancy at the comparable properties is 3.3 percent, which suggests a stable market for affordable housing.
- The Subject primarily offers a townhouse design for a majority of its units, which will offer appeal to family renters.

Weaknesses

- The Subject's amenities package offers a market disadvantage relative to several of the comparables.

Capture Rates - VHDA:

- The VHDA net demand and capture rate table illustrates demand for the Subject based on capture rates of income-eligible renter households. The following table illustrates the conclusions from this table.

Project Wide Capture Rate - LIHTC/Sec 8 Units	7.7%
Project Wide Capture Rate - LIHTC Units	11.3%
Project Wide Absorption Period	4 months

These are low capture rates and are indicative of adequate demand for the Subject.

Conclusions/Recommendations

- In general, we believe there is demand in the marketplace for the Subject as proposed. Additionally, the market has reported strong occupancy rates and waiting lists. The Subject will be well-positioned in the market. As a newly renovated property, the Subject will be in generally superior condition to most of the comparable properties. The market exhibits strong demand for affordable housing, with limited vacancy and strong absorption rates at LIHTC properties that have opened in the past three to four years. Further, the comparable LIHTC properties reported an overall average vacancy rate of 3.3 percent. Based on the performance of the comparable properties, we expect the Subject to operate with an annual vacancy and collection loss of five percent, or less. Based on the comparable data, we have concluded to achievable LIHTC rents as illustrated in following table:

ACHIEVABLE LIHTC RENT

Bedroom Type	1BR	2BR	3BR	4BR
Achievable Rent @ 40%	\$343*	-	-	-
Achievable Rent @ 50%	\$452*	\$530*	\$596*	\$677*
Achievable Rent @ 60%	\$525	\$662*	\$748*	\$846*

*Maximum Allowable Rent

The Subject's rents offer significant market rent advantages. Overall, we believe there is demand for the Subject.

L. OTHER REQUIREMENTS

I affirm the following:

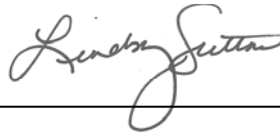
1. I (Erik Johnson) have made a physical inspection of the site and market area.
2. The appropriate information has been used in the comprehensive evaluation of the need and demand for the proposed rental units.
3. To the best of my knowledge the market can support the demand shown in this study. I understand that any misrepresentation in this statement may result in the denial of participation in the Low Income Housing Tax Credit Program in Virginia as administered by VHDA.
4. Neither I nor anyone at my firm has any interest in the proposed development or a relationship with the ownership entity.
5. Neither I nor anyone at my firm nor anyone acting on behalf of my firm in connection with the preparation of this report has communicated to others that my firm is representing VHDA or in any way acting for, at the request of, or on behalf of VHDA.
6. Compensation for my services is not contingent upon this development receiving a LIHTC reservation or allocation.

This report was written according to the 2019 VHDA market study guidelines. The recommendations and conclusions are based solely on professional opinion and best efforts.

Respectfully submitted,
Novogradac & Company LLP



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Partner
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ASSUMPTIONS AND LIMITING CONDITIONS

ASSUMPTIONS AND LIMITING CONDITIONS

1. In the event that the client provided a legal description, building plans, title policy and/or survey, etc., the appraiser has relied extensively upon such data in the formulation of all analyses.
2. The legal description as supplied by the client is assumed to be correct and the author assumes no responsibility for legal matters, and renders no opinion of property title, which is assumed to be good and merchantable.
3. All encumbrances, including mortgages, liens, leases, and servitudes, were disregarded in this valuation unless specified in the report. It was recognized, however, that the typical purchaser would likely take advantage of the best available financing, and the effects of such financing on property value were considered.
4. All information contained in the report, which others furnished, was assumed to be true, correct, and reliable. A reasonable effort was made to verify such information, but the author assumes no responsibility for its accuracy.
5. The report was made assuming responsible ownership and capable management of the property.
6. The sketches, photographs, and other exhibits in this report are solely for the purpose of assisting the reader in visualizing the property. The author made no property survey and assumes no liability in connection with such matters. It was also assumed there is no property encroachment or trespass unless noted in the report.
7. The author of this report assumes no responsibility for hidden or unapparent conditions of the property, subsoil, or structures, or the correction of any defects now proposed or that may develop in the future. Equipment components were assumed in good working condition unless otherwise stated in this report.
8. It is assumed that there are no hidden or unapparent conditions for the property, subsoil, or structures, which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering, which may be required to discover such factors.
9. The investigation made it reasonable to assume, for report purposes, that no insulation or other product banned by the Consumer Product Safety Commission has been introduced into the Subject premises. Visual inspection by the appraiser did not indicate the presence of any hazardous waste. It is suggested the client obtain a professional environmental hazard survey to further define the condition of the Subject soil if they deem necessary.
10. Any distribution of total property value between land and improvements applies only under the proposed or specified program of property utilization. Separate valuations for land and buildings must not be used in conjunction with any other study or appraisal and are invalid if so used.
11. Possession of the report, or a copy thereof, does not carry with it the right of publication, nor may it be reproduced in whole or in part, in any manner, by any person, without the prior written consent of the author particularly as to value conclusions, the identity of the author or the firm with which he or she is connected. Neither all nor any part of the report or copy thereof shall be disseminated to the general public by the use of advertising, public relations, news, sales, or other media for public communication without the prior written consent and approval of the appraiser. Nor shall the appraiser, firm, or professional organizations of which the appraiser is a member be identified without written consent of the appraiser.
12. Disclosure of the contents of this report is governed by the Bylaws and Regulations of the professional appraisal organization with which the appraiser is affiliated: specifically, the Appraisal Institute.

13. The author of this report is not required to give testimony or attendance in legal or other proceedings relative to this report or to the Subject site unless satisfactory additional arrangements are made prior to the need for such services.
14. The opinions contained in this report are those of the author and no responsibility is accepted by the author for the results of actions taken by others based on information contained herein.
15. Opinions of value contained herein are estimates. There is no guarantee, written or implied, that the Subject site will sell or lease for the indicated amounts.
16. All applicable zoning and use regulations and restrictions are assumed to have been complied with, unless nonconformity has been stated, defined, and considered in the appraisal report.
17. It is assumed that all required licenses, permits, covenants or other legislative or administrative authority from any local, state, or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
18. On all studies, Subject to satisfactory completion, repairs, or alterations, the report and conclusions are contingent upon completion of the improvements in a workmanlike manner and in a reasonable period of time.
19. All general codes, ordinances, regulations or statutes affecting the property have been and will be enforced and the property is not Subject to flood plain or utility restrictions or moratoriums, except as reported to the appraiser and contained in this report.
20. The party for whom this report is prepared has reported to the appraiser there are no original proposed condition or development plans that would Subject this property to the regulations of the Securities and Exchange Commission or similar agencies on the state or local level.
21. Unless stated otherwise, no percolation tests have been performed on this property. In making the appraisal, it has been assumed the property is capable of passing such tests so as to be developable to its highest and best use, as detailed in this report.
22. No in-depth inspection was made of proposed plumbing (including well and septic), electrical, or heating systems. The appraiser does not warrant the condition or adequacy of such systems.
23. No in-depth inspection of proposed insulation was made. It is specifically assumed no Urea Formaldehyde Foam Insulation (UFFI), or any other product banned or discouraged by the Consumer Product Safety Commission has been introduced into the appraised property. The appraiser reserves the right to review and/or modify this appraisal if said insulation exists on the Subject site.
24. Estimates presented in this report are assignable to parties to the development's financial structure.

ADDENDUM A

Statement of Qualifications

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@B8G9MGI HCB'

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DFC: 9GG-€B5@HF 5-B-B; '

BU]cbU'I GD5D'UbX'I GD5D'I dXUH'g'
; YbYfU'5ddfU]gYf'FYdcbhK f]h]b['UbX'7UgY'Gh X]Yg'
; YbYfU'5ddfU]gYf'GU'Yg'7ca dUf]gcb'5ddfcUW'
; YbYfU'5ddfU]gYf'G]h'JU'i Uh]cb'UbX'7cgh'5ddfcUW'
9l dYfhK]hYgg'Zcf'7ca a YfV]U'5ddfU]gYfg'
7ca a YfV]U'5ddfU]gU'FYj]Yk'
FYU'9ghUH':]bUbW'GHUH]h]m]UbX'JU'i Uh]cb'A cXY']b['
; YbYfU'5ddfU]gYf' bV]ta Y'5ddfcUW' Dufh=
; YbYfU'5ddfU]gYf' bV]ta Y'5ddfcUW' Dufh=
; YbYfU'5ddfU]gYf'A Uf_Yh5bU'ng]g'UbX'<][\Ygh/ '6Yghl' gY'
6Ug]W5ddfU]gU' DfcW]Xi fYg'
6Ug]W5ddfU]gU' Df]bV]d'Yg'

F95@9GH5H9'5GG# BA 9BHG'

5'fydfYgYbU]h]j Y'gUa d'Y'cZk cf'_cb]j Uf]ci g'hmlYg'cZdfc'YV]h]g'
#Á A UbU[YX' UbX' V]ta d'YHYX' \i bXfYXg'cZ a Uf_Yh'gh] X]Yg' UbX' UddfU]gU'g' Zcf' d'fcdcgYX'
bYk' V]tbgf] V]h]cb' UbX' Yl]gh]b[' @ck' bV]ta Y' <ci g]b[' HUI' 7fYX]hž I G85' Fi fU'
8Yj Y'cda Ybhž GYV]h]cb' ; UbX' a Uf_Yh' fUH' a i 'h]ZJa]m UbX' U[Y!fYghf]V]h]X'
XYj Y'cda Ybhg' H.]g']bW] XYX' d'fcdYf]m]gV]h]Yb]b[gž a Uf_Yh'UbX'XYa c[fUd\]WUbU'ng]gž
V]ta dUfUV'Y' fYbh' gi f] Yngž gi dd'm UbX' XYa UbX' UbU'ng]gž XYh]fa]bU]cb' cZ a Uf_Yh'
fYbhgž Yl dYbgY' V]ta dUfUV']]m]UbU'ng]gž UbX' chYf' [YbYfU' a Uf_Yh'UbU'ng]g' D'fcdYf]m'
hmlYg']bW] XY' d'fcdcgYX' a i 'h]ZJa]nž U]ei]g]h]cb' k]h' fY\UV']]h]h]cbž \]ghcf]W
fY\UV']]h]h]cbž U]Udh]j Y'fyi gYž UbX'g]b['Y!ZJa]mXYj Y'cda Ybh'
#Á 7cbXi V]h' d\ng]W]]bgdYV]h]cbg' cZ gi VYV]h' d'fcdYf]h]Yg' UbX' V]ta dUfUV'Yg' hc' XYh]fa]bY'
V]tbX]h]cb' UbX' Yj U'i U]h']bXYdYbXYbh]d\ng]W] V]tbX]h]cb' UggYgga Ybhg''
#Á 7ca d'YHY' U[YbV]h]UbX' <I 8' UddfU]gU'g'i g]b['hY V]tgh'UddfU]gU'ž]bV]ta Y' W]d]h]U]nUh]cb'
UddfU]gU'ž UbX'gU'Yg' V]ta dUf]gcb' UddfU]gU' Zcf' @ck' bV]ta Y' <ci g]b[' HUI' 7fYX]hž I G85'
Fi fU' 8Yj Y'cda Ybhž UbX' GYV]h]cb' , ' d'fcdYf]h]Yg' 5XX]h]cbU' Ugg][ba Ybhg' U'gc']bW] XY'
dUf]h]Yf]g\]d]j U'i Uh]cbg'UbX' V]ta a YfV]U' UbX'j U'i Uh]cb''
#Á DfydUfYX' <I 8' A Uf_Yh]hc! A Uf_Yh'fYbhV]ta dUfUV']]m]gh] X]Yg' Zcf' GYV]h]cb' , ' a i 'h]ZJa]m
XYj Y'cda Ybhg''

€Á DYfZcfa`j U`i Uhjcbg`cZ; YbYfU`UbX#cf`@a]hYX`DUfthYfg\,d`bhfYfgh`Jb`U`fYU`YghUHY`
hfUbgUW]cbžUg`kY`Ug`@<H7`MUF`%`j U`i Uhjcb`UbU`ng]g`"

€Á DfYdUFY` : U]f`A`Uf`_Yh`J`U`i`Y`UbU`ngYg`Zcf`gc`Uf`dUbY` `]bghU`Uhjcbg`]b`VtbbYV]cb`k`]h`
Z]bUbV]b[`UbX`gfi`Vh`f]b[`UbU`ngYg`dYfZcfa`YX`Zcf`j`Uf]ci`g`W]Ybng`" H`Y`fYdcfhg`UfY`
i`gYX`VmW]Ybng`hc`Yj`U`i`UhY`k`]h`h`Y]f`Uxj`]gcf`g`WfthU]b`hU`VtbgYei`YbWg`Udd`]WV`Y`hc`
ck`bYfg\,d`"5XX]h]cbU`nž`h`YgY`fYdcfhg`W]b`VY`i`gYX`]b`VtbbYV]cb`k`]h`Udd`]W]h]cb`Zcf`
h`Y` : YXYfU`[`fUbh]XYbh]ZYX`Ug`GYV]cb`%`\$` `5a`Yf]W]b`FYVtj`YfmY`FY]bj`Ygha`Ybh5Vh`
cZ&\$\$-`UbX`h`Y`#7`ž`bX]b[`dfcWgg`"

€Á DYfZcfa` `a`Uf`_Yh`gh`X]Yg`UbX`UddfU]gU`g`Zcf`dfcdcgYX`UbX`YI`]gh]b[`a`i`h]Z]a`]m`
dfcdYfh]Yg`i`bXYf`h`Y`<I`8`A`5D`dfc[`fUa`" H`YgY`fYdcfhg`a`YYh`h`Y`fYei`]fYa`Ybng`
ci`h]bYX`]b`7`UdhYf`+`cZ`h`Y`<I`8`A`5D`;`i`]XY`Zcf`h`Y`&&%fXt(ž&&`f]ž`UbX`h`Y`@<H7`
D]`chDfc[`fUa`"

€Á 7cbgi`h`k`]h` `YbXYfg`UbX`XYj`Y`cdYfg`UbX`Vta`d`YHY`j`U`i`Uhjcb`Ugg][`ba`Ybng`Zcf`
XYj`Y`cda`Ybng`Vtbj`Yfh]b[`i`bXYf`h`Y`F58`dfc[`fUa`"

STATEMENT OF PROFESSIONAL QUALIFICATIONS

H. BLAIR KINCER, MAI, CRE

I. Education

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

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

II. Licensing and Professional Affiliation

Member of the Appraisal Institute (MAI)
Member, The Counselors of Real Estate (CRE)
LEED Green Associate
Member, National Council of Housing Market Analysts (NCHMA)
Past Member Frostburg Housing Authority

Certified General Real Estate Appraiser, No. RCG1046 – State of Connecticut
Certified General Real Estate Appraiser, No 4206 – State of Kentucky
Certified General Real Estate Appraiser, No. 1326 – State of Maryland
Certified General Real Estate Appraiser, No. 103789 – State of Massachusetts
Certified General Real Estate Appraiser, No. GA-805 – State of Mississippi
Certified General Real Estate Appraiser, No. 46000039124 – State of New York
Certified General Real Estate Appraiser, No. A6765 – State of North Carolina
Certified General Real Estate Appraiser, No. GA001407L – Commonwealth of Pennsylvania
Certified General Real Estate Appraiser, No. 5930 – State of South Carolina
Certified General Real Estate Appraiser, No. 3918 – State of Tennessee
Certified General Real Estate Appraiser, No. 4001004822 – Commonwealth of Virginia
Certified General Real Estate Appraiser, No. 1101008 – State of Washington
Certified General Real Estate Appraiser, No. CG360 – State of West Virginia
Certified General Real Estate Appraiser, No. 1081 – State of Wyoming

III. Professional Experience

Partner, Novogradac & Company LLP
Vice President, Capital Realty Advisors, Inc.
Vice President - Acquisitions, The Community Partners Development Group, LLC
Commercial Loan Officer/Work-Out Specialist, First Federal Savings Bank of Western MD
Manager - Real Estate Valuation Services, Ernst & Young LLP
Senior Associate, Joseph J. Blake and Associates, Inc.
Senior Appraiser, Chevy Chase, F.S.B.
Senior Consultant, Pannell Kerr Forster

IV. Professional Training

Have presented at and attended various IPED and Novogradac conferences regarding the affordable housing industry. Have done presentations on the appraisal and market analysis of Section 8 and 42 properties. Have spoken regarding general market analysis topics.

Obtained the MAI designation in 1998 and maintained continuing education requirements since. Completed additional professional development programs administered by the Appraisal Institute in the following topic areas:

- 1) Valuation of the Components of a Business Enterprise
- 2) Valuation of Sustainable Buildings

V. Real Estate Assignments – Examples

In general, have managed and conducted numerous market analyses and appraisals for all types of commercial real estate since 1988.

- Performed numerous appraisals for the US Army Corps of Engineers US Geological Survey and the GSA. Property types included Office, Hotel, Residential, Land, Gymnasium, warehouse space, border patrol office. Properties located in varied locations such as the Washington, DC area, Yuma, AZ, Moscow, ID, Blaine, WA, Lakewood, CO, Seattle, WA
- Performed appraisals of commercial properties such as hotels, retail strip centers, grocery stores, shopping centers etc for properties in various locations throughout Pennsylvania, New Jersey, Maryland, New York for Holiday, Fenoglio, Fowler, LP and Three Rivers Bank.
- Have managed and conducted numerous market and feasibility studies for affordable housing. Properties are generally Section 42 Low Income Housing Tax Credit Properties. Local housing authorities, developers, syndicators and lenders have used these studies to assist in the financial underwriting and design of LIHTC properties. Analysis typically includes; unit mix determination, demand projections, rental rate analysis, competitive property surveying and overall market analysis. An area of special concentration has been the category of Senior Independent living properties. Work has been national in scope.
- Provided appraisal and market studies for a large portfolio of properties located throughout the United States. The reports provided included a variety of property types including vacant land, office buildings, multifamily rental properties, gas stations, hotels, retail buildings, industrial and warehouse space, country clubs and golf courses, etc. The portfolio included more than 150 assets and the work was performed for the SBA through Metec Asset Management LLP.
- Have managed and conducted numerous appraisals of affordable housing (primarily LIHTC developments). Appraisal assignments typically involved determining the as is, as if complete and the as if complete and stabilized values. Additionally, encumbered (LIHTC) and unencumbered values were typically derived. The three traditional approaches to value

H. Blair Kincer

Qualifications

Page 3

are developed with special methodologies included to value tax credit equity, below market financing and Pilot agreements.

- Performed numerous appraisals in 17 states of proposed new construction and existing properties under the HUD Multifamily Accelerated Processing program. These appraisals meet the requirements outlined in HUD Handbook 4465.1 and Chapter 7 of the HUD MAP Guide.
- Performed numerous market study/appraisals assignments for USDA RD properties in several states in conjunction with acquisition rehabilitation redevelopments. Documents are used by states, FannieMae, USDA and the developer in the underwriting process. Market studies are compliant to State, FannieMae and USDA requirements. Appraisals are compliant to FannieMae and USDA HB-1-3560 Chapter 7 and Attachments.
- Completed numerous FannieMae appraisals of affordable and market rate multi-family properties for Fannie DUS Lenders. Currently have ongoing assignment relationships with several DUS Lenders.
- In accordance with HUD's Section 8 Renewal Policy and Chapter 9, Mr. Kincer has completed numerous Rent Comparability Studies for various property owners and local housing authorities. The properties were typically undergoing recertification under HUD's Mark to Market Program.
- Completed Fair Market Value analyses for solar panel installations, wind turbine installations, and other renewable energy assets in connection with financing and structuring analyses performed by various clients. The clients include lenders, investors, and developers. The reports are used by clients and their advisors to evaluate certain tax consequences applicable to ownership. Additionally, the reports have been used in the ITC funding process and in connection with the application for the federal grant identified as Section 1603 American Recovery & Reinvestment Act of 2009.

COMMONWEALTH of VIRGINIA

Department of Professional and Occupational Regulation

9960 Mayland Drive, Suite 400, Richmond, VA 23233

Telephone: (804) 367-8500

EXPIRES ON

04-30-2019

NUMBER

4001004822

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CERTIFIED GENERAL REAL ESTATE APPRAISER



HOWARD BLAIR KINCER
4520 EAST-WEST HIGHWAY
SUITE 615
BETHESDA, MD 20814-0000



Jay W. DeBoer
Jay W. DeBoer, Director

Status can be verified at <http://www.dpor.virginia.gov>

(SEE REVERSE SIDE FOR PRIVILEGES AND INSTRUCTIONS)

DPOR-LIC (02/2017)

(DETACH HERE)



COMMONWEALTH of VIRGINIA
Department of Professional and Occupational Regulation

REAL ESTATE APPRAISER BOARD
CERTIFIED GENERAL REAL ESTATE APPRAISER
NUMBER: 4001004822 EXPIRES: 04-30-2019

HOWARD BLAIR KINCER
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BETHESDA, MD 20814-0000



(FOLD)

Status can be verified at <http://www.dpor.virginia.gov>

DPOR-PC (02/2017)

ADDENDUM B

Data Sources

DATA SOURCES

Sources used in this study include data that is both written and oral, published and unpublished, and proprietary and non-proprietary. Real estate developers, housing officials, local housing, and planning authority employees, property managers and other housing industry participants were interviewed. In addition, we conducted a survey of proposed, comparable properties.

This report incorporates published data supplied by various agencies and organizations including:

- U.S. Census Bureau
- Hillsville Economic Development Department
- New River Valley Regional Commission
- Carroll County Planning and Development Department
- Virginia Employment Commission
- Virginia Workforce Network
- ESRI, Business Information Solutions
- Ribbon Demographics
- CoStar Rental Market Report
- US Department of Commerce, Bureau of Labor Statistics
- Department of Housing and Urban Development (HUD)
- Virginia Housing Development Authority Utility Allowance
- VHDA Market Study Requirements, 2019

ADDENDUM C

NCHMA Certification and Checklist



Formerly known as
National Council of Affordable
Housing Market Analysts

NCHMA MEMBER CERTIFICATION

This market study has been prepared by **Novogradac & Company LLP**, a member in good standing of the National Council of Housing Market Analysts (NCHMA). This study has been prepared in conformance with the standards adopted by NCHMA for the market analysts' industry. These standards include the *Standard Definitions of Key Terms Used in Market Studies*, and *Model Content Standards for the Content of Market Studies*. 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 National Council of Housing Market Analysts.

Novogradac & Company LLP is duly qualified and experienced in providing market analysis for Affordable Housing. The company's principals participate in the National Council of Housing Market Analysts (NCHMA) educational and information sharing programs to maintain the highest professional standards and state-of-the-art knowledge. **Novogradac & Company LLP** is an independent market analyst. No principal or employee of **Novogradac & Company LLP** has any financial interest whatsoever in the development for which this analysis has been undertaken.

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ADDENDUM D

Utility Allowance Schedule



Virginia Housing Development Authority
Housing Choice Voucher Program

**Allowances for
Tenant-Furnished Utilities
and Other Services**

Family Name: _____ Unit Address: _____ _____ Voucher Size*: _____ Unit Bedroom Size*: _____ <i>*Use smaller size to calculate tenant-supplied utilities and appliances.</i>

		Unit Type: 2 Exposed Walls				Effective Date: 07/01/2018			
Utility	Usage	Monthly Dollar Amount							
		0 BR	1 BR	2BR	3BR	4BR	5 BR	6 BR	7BR
Appliance	Range/Microwave	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00
	Refrigerator	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00
Bottled Gas	Cooking	\$8.00	\$11.00	\$14.00	\$18.00	\$22.00	\$26.00	\$29.00	\$32.00
	Home Heating	\$49.00	\$68.00	\$88.00	\$107.00	\$137.00	\$156.00	\$175.00	\$195.00
	Water Heating	\$20.00	\$28.00	\$36.00	\$44.00	\$56.00	\$64.00	\$72.00	\$80.00
Electricity	Cooking	\$3.00	\$4.00	\$5.00	\$6.00	\$7.00	\$8.00	\$9.00	\$10.00
	Cooling (A/C)	\$5.00	\$7.00	\$9.00	\$12.00	\$15.00	\$17.00	\$19.00	\$21.00
	Home Heating	\$19.00	\$26.00	\$34.00	\$41.00	\$51.00	\$59.00	\$66.00	\$74.00
	Other Electric	\$10.00	\$14.00	\$18.00	\$22.00	\$28.00	\$32.00	\$36.00	\$40.00
	Water Heating	\$9.00	\$13.00	\$16.00	\$20.00	\$25.00	\$29.00	\$32.00	\$36.00
Natural Gas	Cooking	\$2.00	\$2.00	\$3.00	\$3.00	\$4.00	\$5.00	\$5.00	\$6.00
	Home Heating	\$11.00	\$14.00	\$18.00	\$22.00	\$28.00	\$32.00	\$36.00	\$40.00
	Water Heating	\$4.00	\$6.00	\$7.00	\$9.00	\$11.00	\$13.00	\$14.00	\$16.00
Oil	Home Heating	\$38.00	\$53.00	\$67.00	\$82.00	\$104.00	\$120.00	\$134.00	\$149.00
	Water Heating	\$16.00	\$22.00	\$28.00	\$34.00	\$43.00	\$50.00	\$56.00	\$62.00
Sewer	Other	\$20.00	\$27.00	\$35.00	\$43.00	\$55.00	\$62.00	\$70.00	\$78.00
Trash Collection	Other	\$12.00	\$12.00	\$12.00	\$12.00	\$12.00	\$12.00	\$12.00	\$12.00
Water	Other	\$17.00	\$23.00	\$30.00	\$36.00	\$46.00	\$53.00	\$59.00	\$66.00
UTILITY ALLOWANCE TOTAL:		\$	\$	\$	\$	\$	\$	\$	\$

ADDENDUM E

Subject and Neighborhood Photographs

PHOTOGRAPHS OF SUBJECT AND NEIGHBORHOOD



SUBJECT SIGNAGE



SUBJECT OFFICE



SUBJECT EXTERIOR



SUBJECT EXTERIOR



SUBJECT EXTERIOR



SUBJECT EXTERIOR



SUBJECT EXTERIOR



OFFICE



MAILBOXES



SUBJECT PARKING



SUBJECT PARKING



TRASH BIN



CENTRAL LAUNDRY



PLAYGROUND



TYPICAL BEDROOM



TYPICAL BEDROOM



TYPICAL BEDROOM



TYPICAL LIVING ROOM



TYPICAL LIVING ROOM



TYPICAL LIVING ROOM



TYPICAL DINING AREA



TYPICAL KITCHEN



TYPICAL KITCHEN



TYPICAL KITCHEN



TYPICAL BATHROOM



TYPICAL BATHROOM



TYPICAL BATHROOM



TYPICAL WATER HEATER



TYPICAL EXTERIOR STORAGE



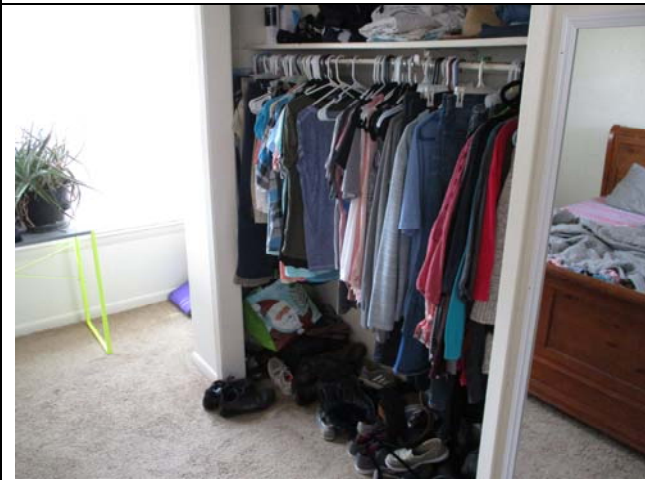
TYPICAL EXTERIOR STORAGE



TYPICAL PATIO



TYPICAL CLOSET



TYPICAL CLOSET



STREET VIEW



STREET VIEW



STREET VIEW



TYPICAL SINGLE-FAMILY HOME



TYPICAL SINGLE-FAMILY HOME



TYPICAL SINGLE-FAMILY HOME



ENTRANCE TO LANDFILL



NEARBY COMMERCIAL



NEARBY COMMERCIAL



NEARBY COMMERCIAL



NEARBY COMMERCIAL