Pinnacle Appraisals

Appraisal Report

Corporate Office:
Lexington, KY

Chester Townhouses - Phase I
628 Lancaster Highway
Chester, South Carolina
62-unit apartment complex

Prepared for
Mr. George Baker
CAHEC Development, LLC
7700 Trenholm Road Extension
Columbia, South Carolina 29223

Report Date
May 13, 2026

Prepared by
Pinnacle Appraisals
4876 Pleasant Grove Road
Lexington, Kentucky 40515

PRIVILEGED AND CONFIDENTIAL
This document, and all of the statements, opinions, contents, and all attachments and addendums are privileged and confidential to the client (the addressee), and are not intended to be disclosed to or relied upon by any third party without the express written consent of the appraiser(s).

ADDITIONAL CONSENT AND USE AGREEMENTS ARE IN THE LETTER OF TRANSMITTAL AND WITHIN OTHER PARTS OF THE REPORT.

Pinnacle Appraisals

May 13, 2026

CAHEC Development, LLC
Attn: Mr. George Baker
7700 Trenholm Road Extension
Columbia, South Carolina 29223

Re: Chester Townhouses - Phase I
628 Lancaster Highway
Chester, South Carolina 29706

Dear Mr. Baker:

At your request, we have completed an inspection and analysis of the referenced property for the purpose of developing and reporting an opinion of value for the property. The specific real property interest, real estate, type of report, and type of value are detailed within the body of the accompanying report. The accompanying report has been prepared in conformance with the requirements established by the Appraisal Institute. The appraisal is in conformance with USPAP requirements. Based on discussions with market participants, the marketing period and exposure period for the property is estimated at 12 months. The following summarizes the interest being appraised, types of values, effective dates of values, and value opinions.

Competitive Rent Comparable Unit Conclusions (CRCU)

		1 Bed, 1 Bath Garden	1 Bed, 1 Bath Garden	2 Bed, 1.5 Bath TH
As-is CRCU	QR 4 rents	$850	$865	$1,045
Prospective (Renovated) CRCU	QR 1B rents	$900	$915	$1,095

Value Opinions		Date of Value	Value
QR 1A	- Prospective Market Value, Subject to Restricted Rents within 7 CFR Part 3560.752(b)(1)(i)	April 13, 2027	$3,730,000
QR 1B	- Prospective Market Value within 7 CFR Part 3560.752(b)(1)(ii), Premised Upon a Hypothetical Condition As-If Conventional Housing	April 13, 2027	$5,940,000
QR 3	- Market Value within 7 CFR Part 3560.752(b)(1)(ii) - Based on Restricted Rents	April 13, 2026	$1,760,000
QR 4	- Market Value within 7 CFR Part 3560.752(b)(1)(ii), Premised Upon a Hypothetical Condition As-If Unsubsidized Conventional Housing in compliance with 7 CFR Part 3560.656(c)(1)(i)	April 13, 2026	$5,630,000
Pinnacle Value 5	- Favorable Financing Valuation, Prospective-New Rates and Terms-Balloon at 30 years	April 13, 2027	$452,000
Pinnacle Value 5	- Favorable Financing Valuation, Prospective-New Rates and Terms-Balloon at 30 years	April 13, 2027	$327,000
Pinnacle Value 5	- Favorable Financing Valuation (New 538 Loan)	April 13, 2027	$117,000
Pinnacle Value 6	- LIHTC Value (prospective)	April 13, 2027	$5,087,500
Pinnacle Value 7	- Insurable Value (prospective)	April 13, 2027	$8,881,639
Pinnacle Value 8	- Land Value (current)	April 13, 2026	$170,000

The opinion of value contained in the attached appraisal report is subject to the standard assumptions and limiting conditions found at the end of the report.

The opinion of value contained in the attached appraisal report is subject to the following extraordinary assumptions:

- That the units and other improvements at the property that were viewed during the inspection (identified within the body of the report) are representative of all the units and other improvements at the property.

- The prospective value conclusions incorporate the extraordinary assumptions that the improvements are renovated as described, that the renovation is complete as of the prospective valuation date, and that the property is operating at a stabilized level as of the prospective valuation date.

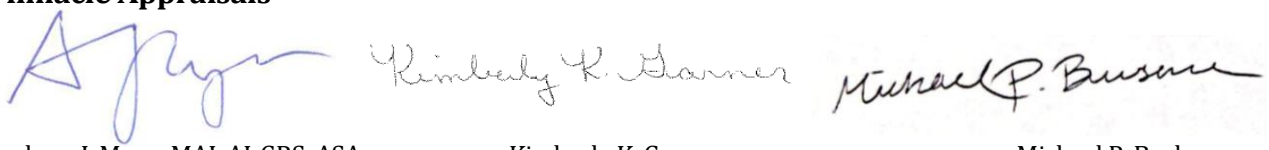
The use of extraordinary assumptions might affect the assignment results.

ACCEPTANCE OF, AND/OR USE OF, THIS APPRAISAL REPORT CONSTITUTES ACCEPTANCE OF THE ABOVE CONDITIONS.

The attached appraisal report contains the results of the investigation and opinion of value. We appreciate this opportunity to serve you and your firm. Should you or anyone authorized to use this report have any questions, contact us at your convenience.

Sincerely,

Pinnacle Appraisals



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Enclosure

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Subject Data
Professional Qualifications

Executive Summary

Property name, address	Chester Townhouses - Phase I 628 Lancaster Hwy Chester County Chester, South Carolina 29706
Size (units)	62
Buildings	9
Size (sf of apartments)	47,510
Unit mix	15 1 Bed, 1 Bath Garden units (600 sf); 3 1 Bed, 1 Bath Garden units (678 sf); and 44 2 Bed, 1.5 Bath TH units (829 sf).
Stories	1 and 2
Year built (original)	1980, R-2006
Current occupancy	98.4%
Current vacancy	1.6%
Site size (acres)	5.100
Existing use of real estate	Apartment (subsidized, non-age restricted)
Highest and best use	Multi-family residential (current use)
Zoning	GC: General Commercial District by Chester
USPAP report option	Appraisal report
Values, interests appraised	see next page
Pertinent dates	
valuation dates	see chart
prospective valuation dates	see chart
inspection date	April 13, 2026
report date	date on letter of transmittal

Competitive Rent Comparable Unit Conclusions (CRCU)

		1 Bed, 1 Bath Garden	1 Bed, 1 Bath Garden	2 Bed, 1.5 Bath TH
As-is CRCU	QR 4 rents	$850	$865	$1,045
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Parameters of Assignment

Purpose, Intended Use

The purpose of this assignment is to arrive at a number of value opinions of the property known as Chester Townhouses - Phase I. Note: The identifier "QR x" (Quick Reference) is from HB-1-3560, Attachment 7-C, Page 4 of 10, Quick Reference of Values to Request. The value opinions, applicable commentary and notes (including discussion about the use of a hypothetical condition) are detailed below:

Chester Townhouses - Phase I
Quick Reference of Values to Request

Replicated from HB-1-3560, Attachment 7-C, Page 4 of 10

	Identified as	Comments
1. NEW FUNDS OR SUBSEQUENT LOANS (by Rural Development or others)		
New construction		
Rehab/repair construction		
REQUEST:		
"Prospective Market Value, Subject to Restricted Rents within 7 CFR Part 3560.752(b)(1)(i)." (The appraiser must consider all restrictions and report the value of intangible assets individually and separately from the real estate.)	QR 1A	restricted rent, historic vacancy, historic expenses, OAR recognizes safeness of RA units
"Prospective Market Value within 7 CFR Part 3560.752(b)(1)(ii), Premised Upon a Hypothetical Condition As-If Conventional Housing."	QR 1B	market - rent, vacancy, operating expenses, capitalization rate
(Optional value used to analyze the affects of restrictions).		
2. EXISTING LOANS		
Transfer		
Loan assumption		
Loan write-down		
Subordination		
REQUEST:		
"Market Value, Subject to Restricted Rents within 7 CFR Part 3560.752(b)(1)(i)." (The appraiser must consider all restrictions and report the value of intangible assets individually and separately from the real estate).	QR 2	restricted rent, historic vacancy, historic expenses, OAR recognizes safeness of RA units
3. VALUE OF PROPERTY (Does NOT qualify for Prepayment Incentives Offers within 7 CFR Part 3650.656 Incentives Offers).		
Validation of sale/marketing price		
Equity determination		
Acquisition of property into program		
REQUEST:		
"Market Value within 7 CFR Part 3560.752(b)(1)(ii)." (All restrictions and prohibitions currently existing must be considered, including Restrictive Use Provisions).	QR 3	restricted rent, historic vacancy, historic expenses, OAR recognizes safeness of RA units, RUPs considered
4. VALUE OF PROPERTY (Qualifies for Prepayment Incentives Offers within 7 CFR Part 3650.656 Incentives Offers).		
Validation of sale/marketing price		
Equity determination		
REQUEST:		
"Market Value within 7 CFR Part 3560.752(b)(1)(ii), Premised Upon a Hypothetical Condition As-If Unsubsidized Conventional Housing in compliance with 7 CFR Part 3560.656(c)(1)(i)."	QR 4	market - rent, vacancy, operating expenses, capitalization rate
(In order to use this value the property must qualify for a prepayment incentives offer within the Code of Federal Regulations).		
5. VALUE FOR SALE - ELIGBLE AS PROGRAM PROPERTY		
Maintain in program, REO's, foreclosure, etc.		
REQUEST:		
"Market Value within 7 CFR Part 3560.752(b)(1)(ii), Premised Upon a Hypothetical Condition As-If Conventional Housing."	QR 5	market - rent, vacancy, operating expenses, capitalization rate
"Market Value, Subject to Restricted Rents within 7 CFR Part 3560.752(b)(1)(i)." (The appraiser must consider all restrictions and report the value of intangible assets individually and separately from the real estate.)	QR 2	restricted rent, historic vacancy, historic expenses, OAR recognizes safeness of RA units
6. VALUE FOR SALE - NON PROGRAM PROPERTY		
Properties leaving program, REO's, etc.		
REQUEST:		
"Market Value within 7 CFR Part 3560.752(b)(1)(ii), Premised Upon a Hypothetical Condition As-If a Conventional Market Property."	QR 5	market - rent, vacancy, operating expenses, capitalization rate
"Liquidation Value Premised Upon a Marketing Period of (enter days) Days." (Optional value, market period prescribed by USDA).	n/a	not used by RD

Compiled By: *HB-1-3560, Pinnacle Appraisals*

The exclusion of an approach to value is due to RD restrictions and the effect on value.

Pinnacle Value 5	Value(s) of the favorable financing.
Pinnacle Value 6	Value of LIHTC (tax credits).
Pinnacle Value 7	Insurable Value.
Pinnacle Value 8	Market Value of Underlying Land.

Hypothetical Condition Discussion

Hypothetical Condition:

That which is contrary to what exists but is supposed for the purpose of analysis.

Source: *Uniform Standards of Professional Appraisal Practice (USPAP)*

For those reports that incorporate a hypothetical condition, USPAP requires that the appraiser provide notice to the user of the report that the use of the hypothetical condition might affect the assignment results. The appraiser(s) is not required to report on the impact of the hypothetical condition on assignment results.

QR 1B - *the hypothetical condition is stated as "as-if conventional housing". This means the value estimate will be based upon a highest and best use analysis as-if not encumbered by USDA program provisions.*

QR 4 – *the hypothetical condition is stated as "as-if unsubsidized conventional housing in compliance with 7 CFR Part 3560.656(c)(1)(i)". This means that when the appraiser develops their highest and best use analysis, they will not recognize any Rural Development restrictions or subsidies and must only consider the property as continued use as housing.*

Per the Quick Reference of Values to Request document that has been previously cited, this value is premised upon a hypothetical condition as-if conventional housing in compliance with 7 CFR Part 3560.656(c)(1)(i).

Definitions (specific to USDA/RD)

Market Value
The 7th edition of The Dictionary of Real Estate Appraisal includes several definitions for *market value*. The following definition from the dictionary is used by the federal agencies that regulate insured financial institutions in the United States.

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

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

Comments from HB-1-3560
Most appraisers and users of Agency Multi-Family Housing appraisals understand the definition of *market value* to mean the value as a conventional or unrestricted or market property. However, to avoid confusion when requesting or reporting this value type, the term "as conventional or unrestricted" should be added to the term *market value* (i.e. "market value, as conventional or unrestricted").

Market Value
A definition of market value within 7 CFR 3560.752(b)(1)(ii), as the term is used by RHS, derived from the definition of market value above, is stated as follows. Market value, within 7 CFR 3560.752(b)(1)(ii): the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

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

Comments from HB-1-3560
It considers any rent limits, rent subsidies, expense abatements, or restrictive-use conditions imposed by any government or non-government financing sources but does not consider any favorable financing involved in the development of the property.

Market value refers only to the value of the subject real estate, as restricted, and excludes the value of any favorable financing. The market value within 7 CFR 3560.752(b)(1)(ii), is based on a pro forma that projects income, vacancy, operating expenses, and reserves for the property under a restricted (subsidized) scenario. This restricted pro forma includes the scheduled restricted rents, a vacancy and collection loss factor that reflects any rental assistance (RA) or Section 8, and operating expenses and reserves projected for the subject as a subsidized property. Subsidized apartments typically experience higher management, auditing, and bookkeeping expenses, relative to similar conventional apartments, but often have lower real estate tax expenses.

Real Property Interest Valued
fee simple estate, subject to short-term leases.

The 7th edition of the Dictionary of Real Estate Appraisal defines fee simple estate as "absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat." Recognition is made that there are leases with tenants that are short-term (no more than one year) in nature for the units in the apartment building improvements.

Prospective Value
The term *prospective value* is defined by the 7th edition of The Dictionary of Real Estate Appraisal as follows. "*Prospective opinion of value: A value opinion effective as of a specified future date. The term does not define a type of value. 150 prospectus Instead, it identifies a value opinion as being effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not yet achieved sellout or a stabilized level of long-term occupancy.*"

Comments from HB-1-3560
As used in Agency regulations and instructions, the term "as-improved value" refers to the value of real property after completion of proposed improvements. The Agency's intended meaning of "as-improved value" is the same as the definition of *prospective value*. However, use of the term "as-improved value" can cause confusion for two reasons, as follows. 1) The term "as improved", as used in a Highest and Best Use analysis, refers to the subject real estate as it has already been improved at the time of the appraisal, not as it is proposed to be improved. Therefore, "as-improved value" could be interpreted to refer to the value of the subject property as it has already been improved at the time of the appraisal. 2) There is a common misconception with the use of the term "as-improved value" that this is a value based on a hypothetical condition; that is, the value of the property as if it were improved, as proposed, as of the date of inspection.

Since this scenario is impossible, an "as-improved value", as of appraisal date (inspection date), is not useful. The term *prospective value* is better understood than the terms as-improved value" and "as-complete value" by appraisers and users of appraisals and has replaced these terms in appraisal literature and common usage. Therefore, the term *prospective value* should be used when requesting or reporting a forecasted value, and the associated date of value should be the projected date of completion of construction.

"As-Is" Value
The 7th edition of the Dictionary of Real Estate Appraisal defines as is market value as follows. "As is market value: The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date. (Interagency Appraisal and Evaluation Guidelines) Note that the use of the "as is" phrase is specific to appraisal regulations pursuant to FIRREA applying to appraisals prepared for regulated lenders in the United States."

Comments from HB-1-3560
HB-1-3560, Attachment 7-A, Page 5 of 8 notes that, "…the term 'As-Is' should not be used with the term *market value* unless the property is a conventional or market property at the time of the appraisal. The term 'As-Is' should precede the term *market value, subject to restricted rents*, when the *market value, subject to restricted rents*, of the project at the time of the appraisal is required." In this assignment, the appraisers have tried to not use of the term "as-is". There are places where the term "current" is used; this is used to indicate that the date to which the value applies is as of a ***current***, rather than a ***prospective***, date.

Insurable Value, Pinnacle Value 7
A definition of *insurable value* acceptable for use in Agency Multi-Family Housing appraisals is as follows: *Insurable value: the value of the destructible portions of a property which determines the amount of insurance that may, or should, be carried to indemnify the insured in the event of loss. The estimate is based on replacement cost new of the physical improvements that are subject to loss from hazards, plus allowances for debris removal or demolition. It should reflect only direct (hard) construction costs, such as construction labor and materials, repair design, engineering, permit fees, and contractor's profit, contingency, and overhead. It should not include indirect (soft) costs, such as administrative costs, professional fees, and financing costs.*

The term "insurable cost" is sometimes used instead of the term *insurable value* because it is based strictly on a cost estimate, not a value concluded in an appraisal. However, the term *insurable value* is more commonly used. Attachment 7-I, *Insurable Value Calculation*, is a worksheet that should be used as a guide by State Appraisers and fee appraisers contracted by the Agency in calculating *insurable value*.

Extraordinary Assumption:

> *An assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusion.*

Source: *Uniform Standards of Professional Appraisal Practice (USPAP)*

For those reports that incorporate an extraordinary assumption, USPAP requires that the appraiser provide notice to the user of the report that the use of the extraordinary assumption might affect the assignment results. The appraiser(s) is not required to report on the impact of the extraordinary assumption on assignment results. The following extraordinary assumptions are incorporated:

- The units and other improvements at the property that were viewed during the inspection (defined within the body of the report) are representative of all the units and other improvements at the property.

- The prospective value conclusions incorporate the extraordinary assumptions that the improvements are renovated as described, that the renovation is complete as of the prospective valuation date, and that the property is operating at a stabilized level as of the prospective valuation date.

Intended Use, User

The intended use for most of the values developed and reported have been shown in the prior section. For those values that do not have an intended use, the use is to assist the client in their understanding and analysis of the property. Unless otherwise identified within this report, the intended use of the report has not been more fully described to the appraiser(s). The client, or intended user, for whom the report is prepared is identified in the letter of transmittal, Mr. George Baker of CAHEC Development, LLC. The only other known intended users are representative from USDA, and South Carolina State Housing Finance and Development Authority. Unless otherwise identified within this report, no other intended users have been identified to the appraiser(s).

The Uniform Standards of Professional Appraisal Practice (USPAP) have a number of rules, comments, advisory opinions, and frequently asked questions relating to control or use of reports. The signatory of this report is bound by USPAP. Therefore, as noted in the letter of transmittal, no party other than the intended user may use this report without receiving written consent from the client and signing appraiser. Further, no part of the report shall be published or made available to the general public, nor shall any part of the report be published or made available for public or private offering memorandum or prospectus, without the written consent of the signing appraiser of this report. While required to disclose prior appraisals to the client, the appraiser is not required to disclose this appraisal or any prior appraisal to other parties. If requested to discuss or disclose this appraisal with parties outside this agreement or who are not an intended user, I am not required to acknowledge or discuss any appraisal.

Scope

The scope of work was focused on reviewing issues considered relevant and appropriate by the appraisers based on their knowledge of the subject's real estate market. The appraisers believe that the scope was sufficient to arrive at an accurate value opinion. A summary of the scope of work is presented below. Additional explanatory comments regarding the scope undertaken can be found throughout the report. The scope included the following:

- Review and analysis of the subject market area, economic and demographic issues.
- Review of existing and planned comparable and/or competitive properties located within the subject area.
- Analysis of economic, demographic and development factors within the subject market area.
- Physical inspection of the real estate; specifically, observation of the above ground attributes of the site was made, observation of representative exterior facades of building(s) on site was made, observation of representative property amenities on site was made, and interior viewing of a sufficient number of representative living units within the building(s) was made in a manner considered sufficient to comprehend and analyze the physical and functional adequacy and appropriateness of the real estate in light of market conditions as of the date of valuation.
- Evaluation of the highest and best use of the property.
- Consideration of all applicable and appropriate valuation approaches.
- Reconciliation of the above opinions to a point value opinion.

Note that:

- Pinnacle Appraisals' employees are not engineers and are not competent to judge matters of an engineering nature.
- Inspection of 100% of the units or other improvements at the real estate was not made.

Comments Regarding Appraisal

A number of comments regarding the subject and appraisal assignment are discussed below:

- **Property.** The subject is known as Chester Townhouses - Phase I and has an address of 628 Lancaster Highway in Chester, South Carolina. The property is a 62-unit apartment complex. The property includes one and two bedroom units. The complex operates as a Class C, restricted income, non-age restricted property. The improvements were built in 1980 and renovated in 2006. Overall, the property is in average physical and functional condition.

  The unit size is based on the best information provided. Tenancy at the subject property is restricted to households with incomes of less than the area median household income. The units at the subject have long maintained a high level of occupancy. Demand for subsidized rental units is high locally.

  Historical operating information for the subject was available for a number of recent years. In general, the information provided indicated that the property is being run in an efficient manner. Historical information will be used when developing expenses and for valuation purposes, while market data will be used as support.

- **Near Term.** The property is part of a portfolio of apartment properties in South Carolina that are to transfer ownership in the near term. There is a letter of intent on the subject property, proposing an option to purchase. The letter of intent was requested but not provided. The transfer is assumed to be between related parties and not one that is considered to be arms-length. The purchase price amount given to the appraisers is $1,659,402. As the transfer is not arms-length no credence is given to this purchase price when determining the said values of the subject property. Subsequent to the sale, ownership plans to renovate the subject with funding from a combination of mortgage monies, sale proceeds of Section 42 Low Income Housing Tax Credits, and equity. Following the acquisition, the existing Section 515 loan will remain at the property. (The loan is expected to be restated under new rates and terms.) Renovations will be extensive and will include interior unit renovation as well as exterior unit renovation. Among the items that will be replaced and/or renovated (depending upon the condition of the individual components) are air conditioning units, windows, roofs, plumbing and electric, parking areas, and kitchens and bathrooms. Furthermore, all Section 504 accessibility issues will be addressed and corrected as appropriate.

- **Property Location.** The property is on the south side of Lancaster Highway in eastern Chester. The property is in Chester County. Chester is in northern South Carolina about 40 miles southwest of the Charlotte CBD. Chester is a relatively small South Carolina town. There are few truly comparable properties in the area.

- **Valuation Naming Convention.** Value opinions are identified as being "QR x" or "Pinnacle Value x". ***QR x*** refers to the chart found in HB-1-3560, Attachment 7-C, Page 4 of 10, entitled Quick Reference of Values to Request; there are a number of values that could be developed and reported within six categories (depending upon the specific program/scenario identified by Rural Development). To aid in communication of the QR x values, summary text is added – either ***current*** or ***prospective***, and either ***subject to restricted rents*** or ***as conventional or unrestricted***. The use of the ***Pinnacle Value*** nomenclature is for consistent identification purposes.

- **Value Opinions Developed and Reported.** There are a number of value opinions developed and reported in the appraisal report. In large part, this is due to the number of intended users – who have similar, but not identical – needs. The values that are not required by a specific intended user should be ignored.

- **Valuation Order.** The values are presented numerically within the report. If a number is skipped, it is because that particular value was not requested. (For example, since QR 5 was not requested, it is skipped.)

Apartment Housing

There is a continual change in the definition and implications of various apartment types. A number of the more prevalent apartment classifications include *luxury, Class A, Class B, conventional, LIHTC, HUD,* and *affordable.* With respect to the senior market, there are classifications such as *independent* or *assisted*. Some terms have specific definitions, while some can be used interchangeably (upscale or luxury, etc.). In some cases, the terms are meant to suggest a specific resident profile or income level (LIHTC or affordable are examples). To minimize confusion, the following definitions and comments are presented:

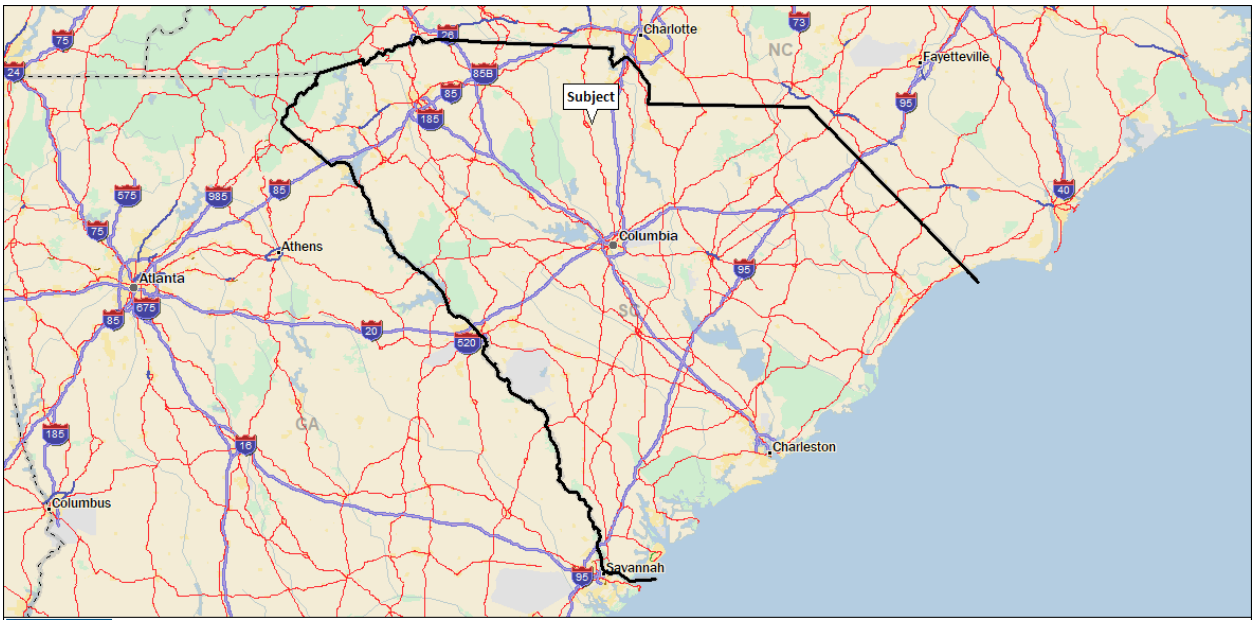
Luxury, Class A, Class B, Class C -	The type of property is designated by the year of construction and the amenities (unit and project). A luxury complex will have more amenities than a Class A property, while a Class A property has more amenities than Class B. A Class C property typically possesses few amenities. An *upscale* property could be either a luxury or a Class A property. A Class B property could be new. A Class B property does not possess all the amenities of a Class A or luxury property.
Market rate, LIHTC, HUD -	Refers to the rent limits, or rent payment structure. A market rate property has no rent constraints (other than the market) while a LIHTC (Low-Income Housing Tax Credit) property is (or could be) constrained by income levels as well as the market. A market rate property is also known as a *conventional* property. Low-income, subsidized, or affordable (such as HUD Section 8 and/or Section 236) are designations used to denote subsidy programs other than the LIHTC program, and refer to the entity (or entities) that make the rent payment to the property owner.
Independent, assisted -	Refers to the level of service offered, particularly with respect to the senior housing/care market. An independent complex has few, if any, services (such as meals, housekeeping). An assisted living facility offers more ADL (Activities of Daily Living) services. This classification also has implications as to the typical design of apartment units within a complex – an independent complex generally has apartments with full kitchens and exterior entries, while the units at an assisted living complex typically have a small kitchenette, many common areas, and interior enclosed hallways.
Elderly Only (Age Restricted) -	Refers to the minimum age of at least one of the residents of a unit. Depending upon the specific nature of a given program, the typical minimum age limit is within the 55 to 65 range.

Based on the above, the complex operates as a Class C, restricted income, non-age restricted property.

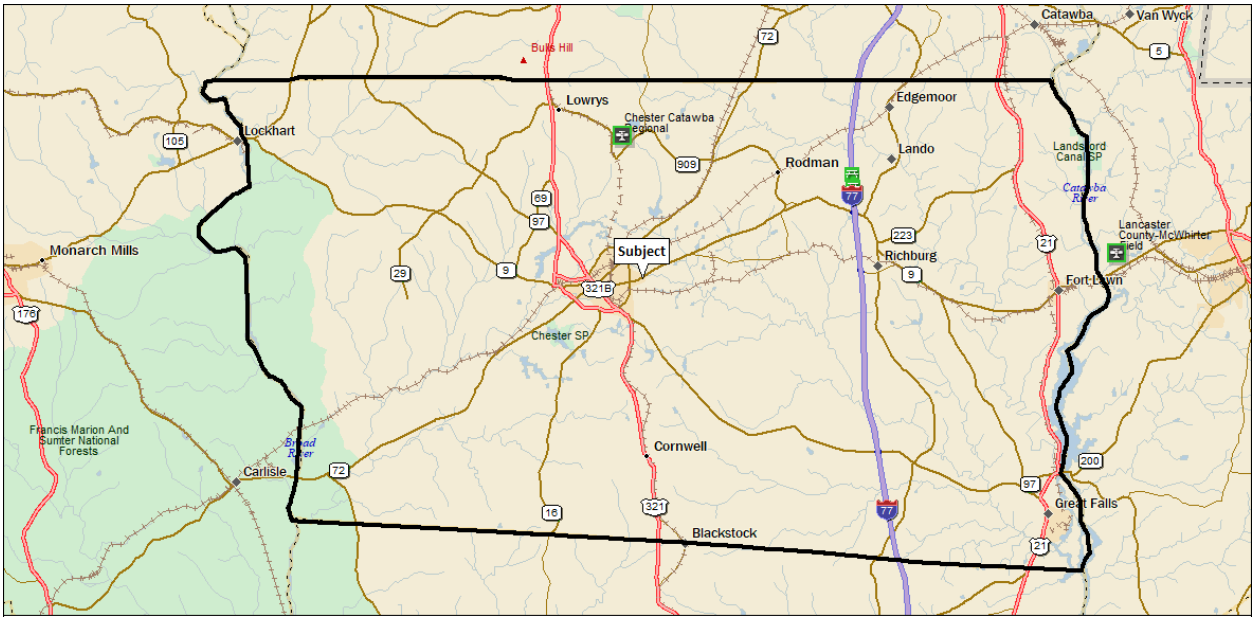
City Overview

The subject property is located in the city of Chester, Chester County, South Carolina. This is within the influence of the Charlotte-Concord-Gastonia MSA (Metropolitan Statistical Area), that is comprised of 8 counties in North Carolina and 3 counties in South Carolina. The city of Chester is ±40 mile southwest of Charlotte, North Carolina; ±50 miles northwest of Columbia, South Carolina (state capital); and ±65 miles east of Greenville. The maps below show the subject's location within the state of South Carolina, Chester County, and Chester. The aerial below locates the property relative to downtown Chester.

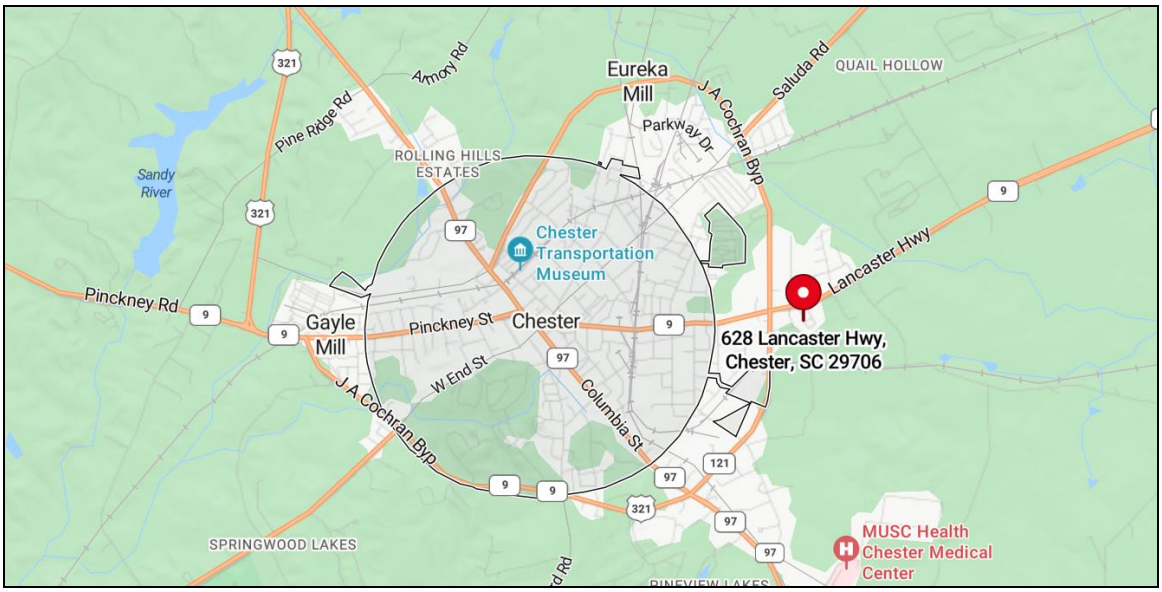
State of South Carolina



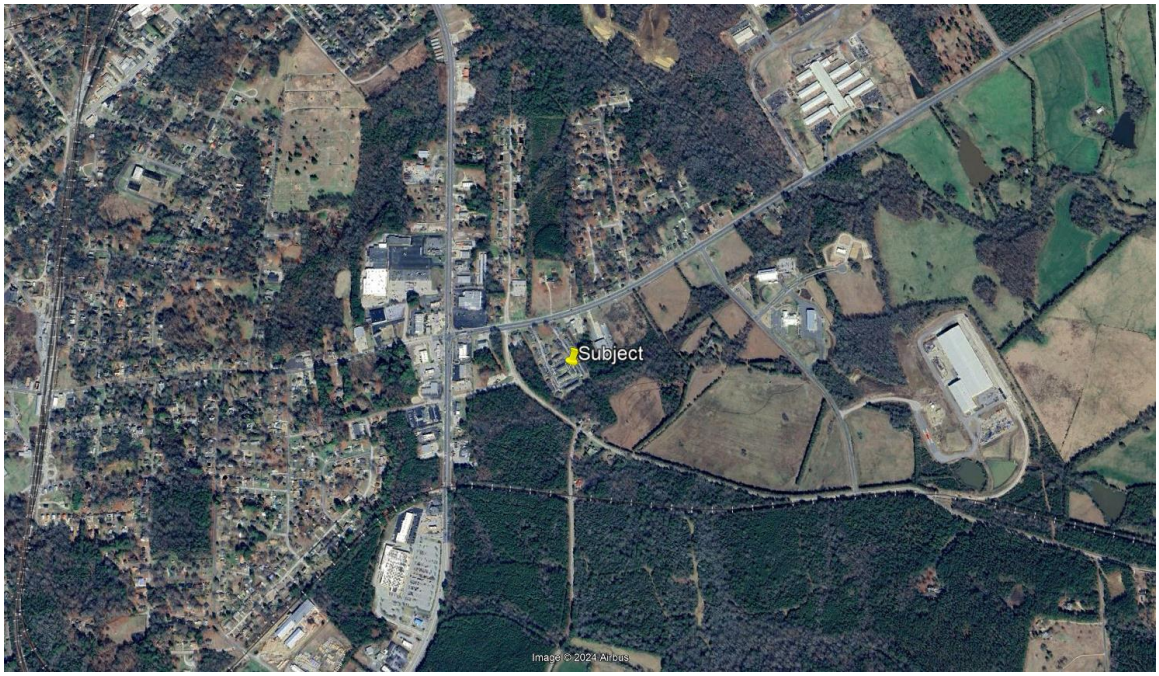
Chester County



Chester



Aerial



Physical Boundaries

Chester is roughly bordered by Dry Fork Creek to the north, Glenn Street to the east, US 321 to the south, and Lee Street to the west.

Road Infrastructure

There are four major roadways that service Chester. These are US 321, US 321 Business, SR 9, and SR 72. US 321 travels in the northeast-southwest direction along the western border of Chester. It connects the area to York to the north and White Oak to the south. US 321 Business travels in a northwest-southeast direction through central Chester and begins on the outside of Chester to the northwest and ends outside of Chester to the southeast. SR 9 travels in an east-west direction through central Chester and connects the area to

Lancaster to the east and Lockhart to the northwest. SR 72 travels in and northeast-southwest direction through central Chester. It connects the area to Rock Hill to the northeast and Carlisle to the southwest.

Population

The Chester population according to the 2010 census was 5,528. In 2020, the population was 5,269 (a decrease of 0.5% compounded annual growth or CAG). The 2026 population estimation is 5,161 (population decrease of 0.3% CAG from 2020). The population is expected to decrease by 0.1% CAG in 2031 to 5,131.

History & Growth

The city of Chester grew as the county seat of government and was founded in 1790. The City of Chester developed as a leading trade center for the surrounding farm communities and grew rapidly after the development of the first railroad in the area in 1851. During the Civil War, Chester County furnished many soldiers for the Confederate cause. Portions of Union General William Tecumseh Sherman's troops moved through the county in the spring of 1865, bringing widespread destruction to many areas of the county. The Civil War and the Reconstruction period which followed brought economic turmoil to the people of Chester County, but the citizens of the county were blessed as well with institutions such as the Brainerd Institute creating educational and religious opportunities for both poor African American and white residents of the county.

Mainly an agricultural community for its first 100 years, Chester County slowly evolved into a manufacturing economy in the late 1800s due to the textile industry. The founding of the Chester Manufacturing Company in 1888 and the Catawba Manufacturing Company in 1892, brought new wealth and jobs to Chester County. Both mills later became part of Springs Industries - one of the world's largest textile companies.

Land Uses and Development

The primary uses in Chester are residential, commercial, industrial, and agricultural. The largest commercial corridor is along US 321 Business and SR 9. This is where a majority of the restaurants and shops are located. Commercial users in the area along US 321 Business include Center Express, Land's Tire Center, Spot Food Store, Ice Cream King, City True Value, Bob's Food Mart, Coin Laundry, Diane's Kitchen, Shell, Dollar General, Keith's Alignment & Auto Services, and Cyclone Drive-In.

Commercial users along SR 9 include Bee's, Chester Express, Bantam Chef, Inn Upon River Moon Plantation Blues Bed & Breakfast, BB&C Copy Express, Hillside Restaurant & Bar, Wild Bees Bottle Shop, Gene's, Ezell Hardware, Broad River Mercantile, Desire Image Spa, Chester Auto Sales & Repair, Shelton's Barber Shop, Wood Shed, Beth's Canine Design, The Blue Cottage, All American City Coin Laundry, Keyless Auto Sales, Clack's Convenience Corner, and Los Magueyes.

Institutional users include churches, parks, schools, police department, fire department and the Post Office.

Immediate (Adjacent) Land Uses

North: To the north of the subject, across Lancaster Highway, is single-family residential.

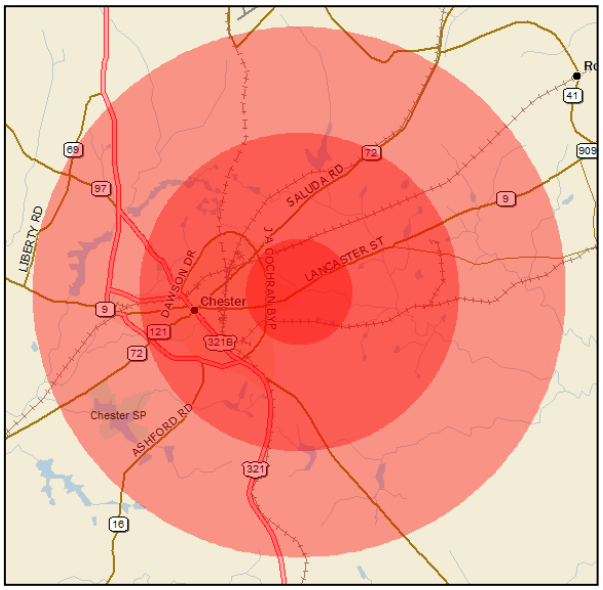
East: To the east of the subject is a Sunoco gas station and wooded land.

South: To the south of the subject Chester Townhouses - Phase II.

West: To the west of the subject is Mante Pediatrics and wooded land.

Demographic Profile

The map and table below provide a demographic profile for a 1, 3, and 5 mile radii from the subject and for the city and county.



Chester Townhouses - Phase I
Demographic Profile

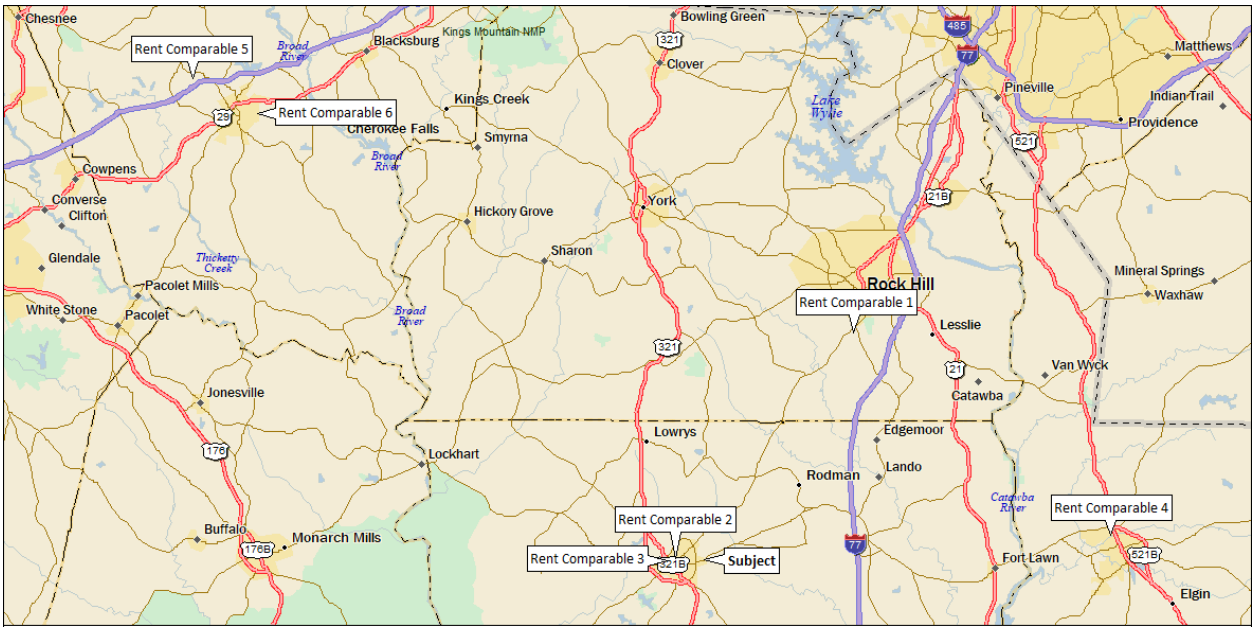
		Radius from subject						City		County	
		1 Mile	CAG[1]	3 Mile	CAG[1]	5 Mile	CAG[1]	City	CAG[1]	County	CAG[1]
Population											
2010		2,469		11,488		14,541		5,528		33,140	
2020		2,323	-0.6%	11,022	-0.4%	14,040	-0.4%	5,269	-0.5%	32,294	-0.3%
2026	est.	2,277	-0.3%	10,845	-0.3%	13,883	-0.2%	5,161	-0.3%	32,338	0.0%
2031	proj.	2,276	0.0%	10,850	0.0%	13,921	0.1%	5,131	-0.1%	32,670	0.2%
2025 Est. Median Age		39.2		40.1		40.8		38.5		42.3	
Households											
2010		970		4,444		5,623		2,161		12,875	
2020		948	-0.2%	4,406	-0.1%	5,600	0.0%	2,146	-0.1%	12,928	0.0%
2026	est.	935	-0.2%	4,365	-0.2%	5,580	-0.1%	2,107	-0.3%	13,100	0.2%
2031	proj	937	0.0%	4,381	0.1%	5,617	0.1%	2,096	-0.1%	13,320	0.3%
Average Household Size											
2010		2.55		2.59		2.59		2.56		2.57	
2020		2.45	-0.4%	2.50	-0.3%	2.51	-0.3%	2.46	-0.4%	2.50	-0.3%
2026	est.	2.44	-0.1%	2.48	-0.1%	2.49	-0.1%	2.45	0.0%	2.47	-0.2%
2031	proj	2.43	-0.1%	2.48	-0.1%	2.48	-0.1%	2.45	0.0%	2.45	-0.1%
2026 Est. Owner Occupied (%)		67.70		62.66		66.76		54.53		74.60	
2026 Est. Renter Occupied (%)		32.30		37.34		33.24		45.47		25.40	
2026 Est. Household Income (%)											
< $15,000		12.19		11.36		10.66		12.39		9.51	
$15,000 - $24,999		16.79		14.75		13.50		13.76		11.76	
$25,000 - $34,999		7.06		9.62		8.96		11.15		7.92	
$35,000 - $49,999		16.69		15.19		14.25		15.00		12.60	
$50,000 - $74,999		22.46		19.47		20.79		19.79		20.18	
$75,000 - $99,999		10.16		13.17		13.17		13.81		13.48	
$100,000 - $124,999		6.95		7.61		8.05		7.12		9.37	
$125,000 - $149,999		4.17		3.62		4.23		2.80		5.57	
$150,000 - $199,999		2.25		2.57		3.21		1.90		4.49	
$200,000 - $249,999		0.64		1.10		1.34		0.85		2.42	
$250,000 - $499,999		0.43		1.01		1.27		0.90		1.89	
$500,000+		0.11		0.50		0.56		0.52		0.79	
2026 Est. Median Household Income		$47,533		$49,020		$52,858		$47,542		$59,658	

[1] Compounded Annual Growth

Source: *Claristas*

Supply Side Analysis - Competitive Properties Survey

A survey of multi-family complexes is detailed on the following pages. The map below shows the locations of the rent comparables and the subject. The appraisers drove the general area of the subject, spoke with management at the subject and the Chamber of Commerce, searched CoStar and other online websites for market rate comparables. Given the relatively small population in the market area, there are few apartment properties, and it was necessary to use properties that are somewhat geographically distant.



Rent Comparable 1

General Data

Property Name:	Country Club Apts
Property Address:	1775 Cedar Post Ln
City:	Rock Hill
County:	York
MSA:	Charlotte-Concord-Gastonia
State:	SC
Zip:	29730
Renter Segmentation:	General
Rent Structure:	Market Rate



Property Data

		Bedrooms	Baths	Type	Size (rsf)	Units	Rent	Rent/rsf
Year Built:	1974	2	1.5	Townhome	950	57	$1,300	$1.37
Size (Number of Units):	80	3	1.5	Townhome	1,050	23	$1,550	$1.48
Rentable Size (rsf):	78,300							
Gross Size (gsf):	80,000							
Site Size (acres):	13.830							
Density (units/acre):	5.8							
Occ. At Time Of Survey:	96.3%							
Floors:	2							
Property Design:	Walk-Up							
Exterior:	Combination							

Landlord Paid Utilities

N Cable	Y Sewer
N Electric	Y Trash
N Heat	Y Water

Tenant Paid Utilities

Y Cable	N Sewer
Y Electric	N Trash
Y Heat	N Water

Unit Amenities

Y Refrigerator	N Fireplace
Y Range	Y Balcony/Patio
N Microwave	N Att. Garage
Y Dishwasher	N Carport
N Garbage Disposal	N Cov. Storage Closet
Y Air Conditioning	Y Ceiling Fans
N Washer/Dryer	N Vaulted Ceilings
Y W/D Hookups	N Security Systems

Complex Amenities

Y Pool	N Laundry
Y Clubhouse	N Det. Garages
N Tennis	N Cov. Storage
N Sports Court	N Pet Park
N Fit. Center	N Car Wash
N Lake	N Elevators
N Gated	Y Playground
Y Bus. Center	N Grill/Picnic Area

Other Comments

The property is on the south side of Saluda Road about 2 miles west of I-77 and about 25 miles southwest of the Charlotte CBD. Additional amenities include a dog park and benches.

Property contact: Jessica (803) 339-1205

Rent Comparable 2

General Data

Property Address:	107 Pine St
City:	Chester
County:	Chester
MSA:	Charlotte-Concord-Gastonia
State:	SC
Zip:	29706
Renter Segmentation:	General
Rent Structure:	Market Rate



Property Data

		Bedrooms	Baths	Type	Size (rsf)	Units	Rent	Rent/rsf
Year Built:	1921, R-2023	1	1.0	Garden	700	2	$895	$1.28
Size (Number of Units):	3	3	2.0	Garden	1,900	1	$1,395	$0.73
Rentable Size (rsf):	3,300							
Site Size (acres):	0.250							
Density (units/acre):	12.0							
Occ. At Time Of Survey:	66.6%							
Floors:	2							
Property Design:	Walk-Up							
Exterior:	Brick							

Landlord Paid Utilities

N Cable	Y Sewer
N Electric	N Trash
N Heat	Y Water

Tenant Paid Utilities

Y Cable	N Sewer
Y Electric	Y Trash
Y Heat	N Water

Unit Amenities

Y Refrigerator	Y Fireplace
Y Range	N Balcony/Patio
N Microwave	N Att. Garage
Y Dishwasher	N Carport
N Garbage Disposal	N Cov. Storage Closet
Y Air Conditioning	Y Ceiling Fans
N Washer/Dryer	N Vaulted Ceilings
N W/D Hookups	N Security Systems

Complex Amenities

N Pool	N Laundry
N Clubhouse	N Det. Garages
N Tennis	N Cov. Storage
N Sports Court	N Pet Park
N Fit. Center	N Car Wash
N Lake	N Elevators
N Gated	N Playground
N Bus. Center	N Grill/Picnic Area

Other Comments

The property was renovated in 2021 and is located on the east side of Pine Street in downtown Chester about 10 miles west of I-77 and 41 miles southwest of the Charlotte CBD. Units are updated as they become available.

Property contact: Manager (803) 985-1231

Rent Comparable 3

General Data

Property Name:	Rosewood Garden Apts
Property Address:	113 Mill St
City:	Chester
County:	Chester
MSA:	Charlotte-Concord-Gastonia
State:	SC
Zip:	29706
Renter Segmentation:	General
Rent Structure:	Market Rate



Property Data

		Bedrooms	Baths	Type	Size (rsf)	Units	Rent	Rent/rsf
Year Built:	1960, R-2023	2	1.0	Garden	700	25	$850	$1.21
Size (Number of Units):	25							
Rentable Size (rsf):	17,500							
Site Size (acres):	2.550							
Density (units/acre):	9.8							
Occ. At Time Of Survey:	92.0%							
Floors:	1							
Property Design:	Single Story							
Exterior:	Brick							

Landlord Paid Utilities

N Cable	N Sewer
N Electric	N Trash
N Heat	N Water

Tenant Paid Utilities

Y Cable	Y Sewer
Y Electric	Y Trash
Y Heat	Y Water

Unit Amenities

Y Refrigerator	N Fireplace
Y Range	N Balcony/Patio
N Microwave	N Att. Garage
N Dishwasher	N Carport
N Garbage Disposal	N Cov. Storage Closet
Y Air Conditioning	Y Ceiling Fans
N Washer/Dryer	N Vaulted Ceilings
N W/D Hookups	N Security Systems

Complex Amenities

N Pool	N Laundry
N Clubhouse	N Det. Garages
N Tennis	N Cov. Storage
N Sports Court	N Pet Park
N Fit. Center	N Car Wash
N Lake	N Elevators
N Gated	N Playground
N Bus. Center	N Grill/Picnic Area

Other Comments

The property was renovated in 2023 and is on the north side of Mill Street about 11 miles west of I-77 and 42 miles southwest of the Charlotte CBD. The units have wall split heat/air units. As units turn over the units are upgraded with new flooring and re-painted. The exterior was updated in 2023.

Property contact: Manager (803) 329-3285

Rent Comparable 4

General Data

Property Name:	Oakhaven Apts
Property Address:	456 Colonial Ave
City:	Lancaster
County:	Lancaster
MSA:	Charlotte-Concord-Gastonia
State:	SC
Zip:	29720
Renter Segmentation:	General
Rent Structure:	Market Rate



Property Data

		Bedrooms	Baths	Type	Size (rsf)	Units	Rent	Rent/rsf
Year Built:	1987	1	1.0	Garden	1,080	22	$860	$0.80
Size (Number of Units):	68	2	2.0	Garden	1,260	23	$1,020	$0.81
Rentable Size (rsf):	71,000	3	3.0	Garden	1,780	23	$1,175	$0.66
Site Size (acres):	13.200							
Density (units/acre):	5.2							
Occ. At Time Of Survey:	100.0%							
Floors:	1-2							
Property Design:	Walk-Up							
Exterior:	Combination							

Landlord Paid Utilities

N	Cable	N	Sewer
N	Electric	N	Trash
N	Heat	N	Water

Tenant Paid Utilities

Y	Cable	Y	Sewer
Y	Electric	Y	Trash
Y	Heat	Y	Water

Unit Amenities

Y	Refrigerator	Y	Fireplace
Y	Range	Y	Balcony/Patio
Y	Microwave	N	Att. Garage
Y	Dishwasher	N	Carport
Y	Garbage Disposal	N	Cov. Storage Closet
Y	Air Conditioning	N	Ceiling Fans
N	Washer/Dryer	N	Vaulted Ceilings
Y	W/D Hookups	N	Security Systems

Complex Amenities

Y	Pool	Y	Laundry
Y	Clubhouse	N	Det. Garages
Y	Tennis	N	Cov. Storage
Y	Sports Court	N	Pet Park
Y	Fit. Center	N	Car Wash
N	Lake	N	Elevators
N	Gated	N	Playground
N	Bus. Center	N	Grill/Picnic Area

Other Comments

The property is on the south side of Colonial Avenue about 14 miles east of I-77 and 34 miles south of the Charlotte CBD. Additional amentities include a sauna.

Property contact: Patty (803) 286-2185

Rent Comparable 5

General Data

Property Name:	Stonecrest Apts
Property Address:	102 Stonecrest Ln
City:	Gaffney
County:	Cherokee
MSA:	Not in a MSA
State:	SC
Zip:	29341
Renter Segmentation:	General
Rent Structure:	Market Rate



Property Data

		Bedrooms	Baths	Type	Size (rsf)	Units	Rent	Rent/rsf
Year Built:	2008	1	1.0	Garden	833	64	$875	$1.05
Size (Number of Units):	308	2	2.0	Garden	904	104	$1,075	$1.19
Rentable Size (rsf):	303,876	2	2.0	Garden	1,029	112	$1,100	$1.07
		3	2.0	Garden	1,475	28	$1,245	$0.84
Site Size (acres):	9.270							
Density (units/acre):	33.2							
Occ. At Time Of Survey:	97.7%							
Floors:	3							
Property Design:	Walk-Up							
Exterior:	Combination							

Landlord Paid Utilities

N Cable	N Sewer
N Electric	Y Trash
N Heat	N Water

Tenant Paid Utilities

Y Cable	Y Sewer
Y Electric	N Trash
Y Heat	Y Water

Unit Amenities

Y Refrigerator	N Fireplace
Y Range	N Balcony/Patio
N Microwave	N Att. Garage
Y Dishwasher	N Carport
Y Garbage Disposal	N Cov. Storage Closet
Y Air Conditioning	N Ceiling Fans
N Washer/Dryer	N Vaulted Ceilings
N W/D Hookups	N Security Systems

Complex Amenities

Y Pool	Y Laundry
Y Clubhouse	Y Det. Garages
N Tennis	Y Cov. Storage
N Sports Court	N Pet Park
Y Fit. Center	Y Car Wash
N Lake	N Elevators
N Gated	N Playground
N Bus. Center	N Grill/Picnic Area

Other Comments

The property is on the east side of Whelchel Road just north of I-85 in northwest Gaffney. Detached garages are $80/month and covered storage is $40/month. Additional amenities include a grill/picnic area. Select units have a balcony/patio.

Property contact: Manager (864) 488-2224

Rent Comparable 6

General Data

Property Name:	Magnolia Ridge Apts
Property Address:	266 Goldmine Springs Rd
City:	Gaffney
County:	Cherokee
MSA:	Not in a MSA
State:	SC
Zip:	29340
Renter Segmentation:	General
Rent Structure:	Market Rate



Property Data

		Bedrooms	Baths	Type	Size (rsf)	Units	Rent	Rent/rsf
Year Built:	1971	Efficiency	1.0	Garden	600	12	$849	$1.42
Size (Number of Units):	84	1	1.0	Garden	720	16	$949	$1.32
Rentable Size (rsf):	70,880	2	1.0	Garden	860	32	$1,099	$1.28
Gross Size (gsf):	182,720	3	1.0	Garden	1,000	20	$1,199	$1.20
Site Size (acres):	7.000	4	2.0	Garden	1,160	4	$1,409	$1.21
Density (units/acre):	12.0							
Occ. At Time Of Survey:	91.6%							
Floors:	2							
Property Design:	Walk-Up							
Exterior:	Combination							

Landlord Paid Utilities

N Cable	N Sewer
N Electric	Y Trash
N Heat	N Water

Tenant Paid Utilities

Y Cable	Y Sewer
Y Electric	N Trash
Y Heat	Y Water

Unit Amenities

Y Refrigerator	N Fireplace
Y Range	N Balcony/Patio
Y Microwave	N Att. Garage
Y Dishwasher	N Carport
N Garbage Disposal	N Cov. Storage Closet
Y Air Conditioning	N Ceiling Fans
N Washer/Dryer	N Vaulted Ceilings
N W/D Hookups	N Security Systems

Complex Amenities

N Pool	Y Laundry
N Clubhouse	N Det. Garages
N Tennis	N Cov. Storage
N Sports Court	N Pet Park
N Fit. Center	N Car Wash
N Lake	N Elevators
N Gated	Y Playground
Y Bus. Center	N Grill/Picnic Area

Other Comments

The property is on the south side of Goldmine Springs Road about 2 miles south of I-85 in eastern Gaffney. Select units have microwaves and dishwashers. Additional amenities inclue a grill/picnic area.

Property contact: Manager (864) 489-0692

Analysis

Chester Townhouses - Phase I: The subject is more fully described and discussed in the Property Description section of the report. It is summarized below.

Chester Townhouses - Phase I
Property and Unit Amenity Summary

Street Address	628 Lancaster Hwy				Year Built	1980, R-2006			Floors	1 and 2	
City	Chester				Total Units	62			Occupancy	98.4%	
Unit Types	# units	Size (sf)			Utilities (L-landlord, T-tenant, na-not applicable)						
				Water	Sewer	Electric	Gas		Trash	Cable	
1 Bed, 1 Bath Garden	15	600									
1 Bed, 1 Bath Garden	3	678		T	T	T	T		L	T	
2 Bed, 1.5 Bath TH	44	829									
				Complex Amenities (Y/N)							
				Comm. Room	N	Bus. Ctr.	N		Lake	N	
				On-site off.	N	Laundry	Y		Gated	N	
				Grill/Picnic Area	N	Det. Garages	N		Car Wash	N	
				Sports Court	N	Cov. Storage	N		Elevators	N	
				Fit. Ctr	N	Pet Park	N		Playground	N	
Unit Amenities (Y/N)											
Refrigerator	Y	Disposal	N	Fireplace	N	Central A/C	Y		Ceil. Fans	Y	
Range	Y	Double Sink	Y	Patio	Y	Wall A/C	N		Vlt Ceiling	N	
Microwave	N	Fan Hood	Y	Balcony	N	W/D hk ups	Y		Sec Sys	N	
Dishwasher	N	Att Garage	N	Basement	N	W/D	N		Cov. Storage Closet	Y	

Additional complex amenities include benches. The complex amenities shown in the chart above are in Phase II of the complex but are only used by the tenants within Phase I.

Market Rent Conclusions

Apartment Survey Conclusions
Chester Townhouses - Phase I

	Subject		Comparable properties	
	Rent	Size (sf)	Adjusted Rent	Size (sf)
1 Bed, 1 Bath Garden				
Unrenovated	***$850***	600	$749 - $970	700 - 1,080
Prospective, as renovated	***$900***	600	$799 - $1,020	700 - 1,080
1 Bed, 1 Bath Garden				
Unrenovated	***$865***	678	$765 - $986	700 - 1,080
Prospective, as renovated	***$915***	678	$815 - $1,036	700 - 1,080
2 Bed, 1.5 Bath TH				
Unrenovated	***$1,045***	829	$904 - $1,221	700 - 1,260
Prospective, as renovated	***$1,095***	829	$954 - $1,271	700 - 1,260

Compiled By: *Pinnacle Appraisals*

The chart above details the current (not renovated) and the prospective, as renovated market-derived rents for the subject as well as the range of rents offered at the comparable properties.

Adjustments are made to the comparables for perceived, material differences. (For example, while a given comparable unit might be 3 square feet larger than a given subject unit, there is no material difference in the unit size, so no adjustment is warranted, nor made.) Adjustments are considered for property attributes such as location (specific or general), condition/street appeal, or complex amenities, as well as unit attributes such as unit size, configuration (number of bedrooms or bathrooms, style), utility payment structure, unit amenities, and any concessions. If no adjustment is made, it is because there is no perceived difference between the comparable and the subject.

Location adjustments are based on median rents in the area. Square footage adjustments are based on $0.20 per square foot. A half bath adjustment of $15 and a full bathroom adjustment of $30 are used. Unit and complex amenities are adjusted based on the number of amenities they provide. Typically, adjustments of $5 per amenity are used for comparison purposes. These adjustments are based on conversations with managers at the rent comparable and market participants. Median rent was provided from City-Data.com.

The charts that follow detail the analysis, and show the adjustments considered appropriate.

Market Rent, 1 br-1 ba, not renovated, as-is

Comparable properties from the area are used to develop the rent conclusion.

1 Bed, 1 Bath Garden
Not renovated - as-is

	Subject	**Rent 2**	**Rent 4**	**Rent 5**	**Rent 6**
Name	Chester Townhouses - Phase I		Oakhaven Apts	Stonecrest Apts	Magnolia Ridge Apts
Address	628 Lancaster Hwy	107 Pine St	456 Colonial Ave	102 Stonecrest Ln	266 Goldmine Springs Rd
Unadjusted Rent		$895	$860	$875	$949
Location					
Address	628 Lancaster Hwy	107 Pine St	456 Colonial Ave	102 Stonecrest Ln	266 Goldmine Springs Rd
City	Chester	Chester	Lancaster	Gaffney	Gaffney
Median Rent	$972	$972	$1,144	$956	$956
		Similar	*Superior*	*Similar*	*Similar*
		$0	-$15	$0	$0
Year Built	1980, R-2006	*1921, R-2023*	*1987*	*2008*	*1971*
Condition/Street Appeal		*Superior*	*Inferior*	*Similar*	*Inferior*
		-$15	$20	$0	$35
Unit Size (sf)	600	700	1,080	833	720
		Superior	*Superior*	*Superior*	*Superior*
		-$20	-$96	-$47	-$24
Bedrooms	1	1	1	1	1
		Similar	*Similar*	*Similar*	*Similar*
		$0	$0	$0	$0
Bathrooms	1.0	1.0	1.0	1.0	1.0
		Similar	*Similar*	*Similar*	*Similar*
		$0	$0	$0	$0
Utilities (who pays?)					
Heat	Tenant	Tenant	Tenant	Tenant	Tenant
Electric	Tenant	Tenant	Tenant	Tenant	Tenant
Water	Tenant	Landlord	Tenant	Tenant	Tenant
Sewer	Tenant	Landlord	Tenant	Tenant	Tenant
Trash	Landlord	Tenant	Tenant	Landlord	Landlord
Cable	Tenant	Tenant	Tenant	Tenant	Tenant
		Superior	*Inferior*	*Similar*	*Similar*
		-$15	$5	$0	$0
Unit Amenities	*Ref, Range, Central A/C, W/D HU, Ceil Fan, Pat, Cov Stor*	*Ref, Range, DW, Central A/C, FP, Ceil Fan*	*Ref, Range, Micro, DW, Disp, Central A/C, W/D HU, FP, Pat*	*Ref, Range, DW, Disp, Central A/C*	*Ref, Range, Micro, DW, Central A/C*
		Inferior	*Superior*	*Inferior*	*Inferior*
		$5	-$10	$10	$10
Complex Amenities	*Laundry Fac, Playground, Benches (on Phase II used by Phase I)*	*None*	*Pool, CH, Tennis Ct, Sports Crt, Fit Ctr, Laundry Fac, Sauna*	*Pool, CH, Fit Ctr, Laundry Fac, Car Wash, Grill/Picnic Area*	*Bus Ctr, Laundry, Playground*
		Inferior	*Superior*	*Superior*	*Similar*
		$15	-$15	-$15	$0
Concessions	*None*	*None*	*None*	*None*	*None*
		$0	$0	$0	$0
Net Adjustment		-$30	-$111	-$52	$21
Adjusted Rent		**$865**	**$749**	**$823**	**$970**
Market Rent Conclusion	***$850***				

Complied By: *Pinnacle Appraisals*

The comparables range in size from 700 sf to 1,080 sf. After making the adjustments considered appropriate, the rent range is $749 to $970. Central tendencies are $852 (average) and $844 (median). No one property stands out as being more comparable than another – no one comparable is physically close, and all were adjusted. A point value near the mid-point is reasonable. An as-is market rent of $850/month is concluded to be appropriate.

As Renovated Market Rent, 1 br-1 ba

Comparable properties from the area are used to develop the prospective, as renovated rent conclusion.

1 Bed, 1 Bath Garden
Prospective - As Renovated

	Subject	**Rent 2**	**Rent 4**	**Rent 5**	**Rent 6**
Name	Chester Townhouses - Phase I	107 Pine St	Oakhaven Apts	Stonecrest Apts	Magnolia Ridge Apts
Address	628 Lancaster Hwy	107 Pine St	456 Colonial Ave	102 Stonecrest Ln	266 Goldmine Springs Rd
Unadjusted Rent		$895	$860	$875	$949
Location					
Address	628 Lancaster Hwy	107 Pine St	456 Colonial Ave	102 Stonecrest Ln	266 Goldmine Springs Rd
City	Chester	Chester	Lancaster	Gaffney	Gaffney
Median Rent	$972	$972	$1,144	$956	$956
		Similar	*Superior*	*Similar*	*Similar*
		$0	-$15	$0	$0
Year Built	1980, 2006 & 2027R	*1921, R-2023*	*1987*	*2008*	*1971*
Condition/Street Appeal		*Inferior*	*Inferior*	*Inferior*	*Inferior*
		$35	$70	$50	$85
Unit Size (sf)	678	700	1,080	833	720
		Superior	*Superior*	*Superior*	*Superior*
		-$20	-$96	-$47	-$24
Bedrooms	1	1	1	1	1
		Similar	*Similar*	*Similar*	*Similar*
		$0	$0	$0	$0
Bathrooms	1.0	1.0	1.0	1.0	1.0
		Similar	*Similar*	*Similar*	*Similar*
		$0	$0	$0	$0
Utilities (who pays?)					
Heat	Tenant	Tenant	Tenant	Tenant	Tenant
Electric	Tenant	Tenant	Tenant	Tenant	Tenant
Water	Tenant	Landlord	Tenant	Tenant	Tenant
Sewer	Tenant	Landlord	Tenant	Tenant	Tenant
Trash	Landlord	Tenant	Tenant	Landlord	Landlord
Cable	Tenant	Tenant	Tenant	Tenant	Tenant
		Superior	*Inferior*	*Similar*	*Similar*
		-$15	$5	$0	$0
Unit Amenities	*Ref, Range, Central A/C, W/D HU, Ceil Fan, Pat, Cov Stor*	*Ref, Range, DW, Central A/C, FP, Ceil Fan*	*Ref, Range, Micro, DW, Disp, Central A/C, W/D HU, FP, Pat*	*Ref, Range, DW, Disp, Central A/C*	*Ref, Range, Micro, DW, Central A/C*
		Inferior	*Superior*	*Inferior*	*Inferior*
		$5	-$10	$10	$10
Complex Amenities	*Laundry Fac, Playground, Benches (on Phase II used by Phase I)*	*None*	*Pool, CH, Tennis Ct, Sports Crt, Fit Ctr, Laundry Fac, Sauna*	*Pool, CH, Fit Ctr, Laundry Fac, Car Wash, Grill/Picnic Area*	*Bus Ctr, Laundry, Playground*
		Inferior	*Superior*	*Superior*	*Similar*
		$15	-$15	-$15	$0
Concessions	*None*	*None*	*None*	*None*	*None*
		$0	$0	$0	$0
Net Adjustment		$20	-$61	-$2	$71
Adjusted Rent		**$915**	**$799**	**$873**	**$1,020**
Market Rent Conclusion	***$900***				

Compiled By: *Pinnacle Appraisals*

The comparables range in size from 700 sf to 1,080 sf. After making the adjustments considered appropriate, the rent range is $799 to $1,020. Central tendencies are $902 (average) and $894 (median). No one property stands out as being more comparable than another – no one comparable is physically close, and all were adjusted. A point value near the mid-point is reasonable. An as-renovated market rent of $900/month is concluded to be appropriate.

Market Rent, 1 br-1 ba, not renovated, as-is

Comparable properties from the area are used to develop the rent conclusion.

1 Bed, 1 Bath Garden
Not renovated - as-is

	Subject	**Rent 2**	**Rent 4**	**Rent 5**	**Rent 6**
Name	Chester Townhouses - Phase I		Oakhaven Apts	Stonecrest Apts	Magnolia Ridge Apts
Address	628 Lancaster Hwy	107 Pine St	456 Colonial Ave	102 Stonecrest Ln	266 Goldmine Springs Rd
Unadjusted Rent		$895	$860	$875	$949
Location					
Address	628 Lancaster Hwy	107 Pine St	456 Colonial Ave	102 Stonecrest Ln	266 Goldmine Springs Rd
City	Chester	Chester	Lancaster	Gaffney	Gaffney
Median Rent	$972	$972	$1,144	$956	$956
		Similar	*Superior*	*Similar*	*Similar*
		$0	-$15	$0	$0
Year Built	1980, R-2006	*1921, R-2023*	*1987*	*2008*	*1971*
Condition/Street Appeal		*Superior*	*Inferior*	*Similar*	*Inferior*
		-$15	$20	$0	$35
Unit Size (sf)	678	700	1,080	833	720
		Superior	*Superior*	*Superior*	*Superior*
		-$4	-$80	-$31	-$8
Bedrooms	1	1	1	1	1
		Similar	*Similar*	*Similar*	*Similar*
		$0	$0	$0	$0
Bathrooms	1.0	1.0	1.0	1.0	1.0
		Similar	*Similar*	*Similar*	*Similar*
		$0	$0	$0	$0
Utilities (who pays?)					
Heat	Tenant	Tenant	Tenant	Tenant	Tenant
Electric	Tenant	Tenant	Tenant	Tenant	Tenant
Water	Tenant	Landlord	Tenant	Tenant	Tenant
Sewer	Tenant	Landlord	Tenant	Tenant	Tenant
Trash	Landlord	Tenant	Tenant	Landlord	Landlord
Cable	Tenant	Tenant	Tenant	Tenant	Tenant
		Superior	*Inferior*	*Similar*	*Similar*
		-$15	$5	$0	$0
Unit Amenities	*Ref, Range, Central A/C, W/D HU, Ceil Fan, Pat, Cov Stor*	*Ref, Range, DW, Central A/C, FP, Ceil Fan*	*Ref, Range, Micro, DW, Disp, Central A/C, W/D HU, FP, Pat*	*Ref, Range, DW, Disp, Central A/C*	*Ref, Range, Micro, DW, Central A/C*
		Inferior	*Superior*	*Inferior*	*Inferior*
		$5	-$10	$10	$10
Complex Amenities	*Laundry Fac, Playground, Benches (on Phase II used by Phase I)*	*None*	*Pool, CH, Tennis Ct, Sports Crt, Fit Ctr, Laundry Fac, Sauna*	*Pool, CH, Fit Ctr, Laundry Fac, Car Wash, Grill/Picnic Area*	*Bus Ctr, Laundry, Playground*
		Inferior	*Superior*	*Superior*	*Similar*
		$15	-$15	-$15	$0
Concessions	*None*	*None*	*None*	*None*	*None*
		$0	$0	$0	$0
Net Adjustment		-$14	-$95	-$36	$37
Adjusted Rent		**$881**	**$765**	**$839**	**$986**
Market Rent Conclusion	***$865***				

Complied By: *Pinnacle Appraisals*

The comparables range in size from 700 sf to 1,080 sf. After making the adjustments considered appropriate, the rent range is $765 to $986. Central tendencies are $867 (average) and $860 (median). No one property stands out as being more comparable than another – no one comparable is physically close, and all were adjusted. A point value near the mid-point is reasonable. An as-is market rent of $865/month is concluded to be appropriate.

As Renovated Market Rent, 1 br-1 ba

Comparable properties from the area are used to develop the prospective, as renovated rent conclusion.

1 Bed, 1 Bath Garden
Prospective - As Renovated

	Subject	Rent 2	Rent 4	Rent 5	Rent 6
Name	Chester Townhouses - Phase I	107 Pine St	Oakhaven Apts	Stonecrest Apts	Magnolia Ridge Apts
Address	628 Lancaster Hwy	107 Pine St	456 Colonial Ave	102 Stonecrest Ln	266 Goldmine Springs Rd
Unadjusted Rent		$895	$860	$875	$949
Location					
Address	628 Lancaster Hwy	107 Pine St	456 Colonial Ave	102 Stonecrest Ln	266 Goldmine Springs Rd
City	Chester	Chester	Lancaster	Gaffney	Gaffney
Median Rent	$972	$972	$1,144	$956	$956
		Similar	*Superior*	*Similar*	*Similar*
		$0	-$15	$0	$0
Year Built	1980, 2006 & 2027R	*1921, R-2023*	*1987*	*2008*	*1971*
Condition/Street Appeal		*Inferior*	*Inferior*	*Inferior*	*Inferior*
		$35	$70	$50	$85
Unit Size (sf)	600	700	1,080	833	720
		Superior	*Superior*	*Superior*	*Superior*
		-$4	-$80	-$31	-$8
Bedrooms	1	1	1	1	1
		Similar	*Similar*	*Similar*	*Similar*
		$0	$0	$0	$0
Bathrooms	1.0	1.0	1.0	1.0	1.0
		Similar	*Similar*	*Similar*	*Similar*
		$0	$0	$0	$0
Utilities (who pays?)					
Heat	Tenant	Tenant	Tenant	Tenant	Tenant
Electric	Tenant	Tenant	Tenant	Tenant	Tenant
Water	Tenant	Landlord	Tenant	Tenant	Tenant
Sewer	Tenant	Landlord	Tenant	Tenant	Tenant
Trash	Landlord	Tenant	Tenant	Landlord	Landlord
Cable	Tenant	Tenant	Tenant	Tenant	Tenant
		Superior	*Inferior*	*Similar*	*Similar*
		-$15	$5	$0	$0
Unit Amenities	*Ref, Range, Central A/C, W/D HU, Ceil Fan, Pat, Cov Stor*	*Ref, Range, DW, Central A/C, FP, Ceil Fan*	*Ref, Range, Micro, DW, Disp, Central A/C, W/D HU, FP, Pat*	*Ref, Range, DW, Disp, Central A/C*	*Ref, Range, Micro, DW, Central A/C*
		Inferior	*Superior*	*Inferior*	*Inferior*
		$5	-$10	$10	$10
Complex Amenities	*Laundry Fac, Playground, Benches (on Phase II used by Phase I)*	*None*	*Pool, CH, Tennis Ct, Sports Crt, Fit Ctr, Laundry Fac, Sauna*	*Pool, CH, Fit Ctr, Laundry Fac, Car Wash, Grill/Picnic Area*	*Bus Ctr, Laundry, Playground*
		Inferior	*Superior*	*Superior*	*Similar*
		$15	-$15	-$15	$0
Concessions	*None*	*None*	*None*	*None*	*None*
		$0	$0	$0	$0
Net Adjustment		$36	-$45	$14	$87
Adjusted Rent		**$931**	**$815**	**$889**	**$1,036**
Market Rent Conclusion	***$915***				

Compiled By: *Pinnacle Appraisals*

The comparables range in size from 700 sf to 1,080 sf. After making the adjustments considered appropriate, the rent range is $815 to $1,036. Central tendencies are $917 (average) and $910 (median). No one property stands out as being more comparable than another – no one comparable is physically close, and all were adjusted. A point value near the mid-point is reasonable. An as-renovated market rent of $915/month is concluded to be appropriate.

Market Rent, 2 br-1.5 ba, not renovated, as-is

Comparable properties from the area are used to develop the unrenovated rent conclusion.

2 Bed, 1.5 Bath TH
Not renovated - as-is

	Subject	**Rent 1**	**Rent 3**	**Rent 4**	**Rent 5**	**Rent 6**
Name	Chester Townhouses - Phase I	Country Club Apts	Rosewood Garden Apts	Oakhaven Apts	Stonecrest Apts	Magnolia Ridge Apts
Address	628 Lancaster Hwy	1775 Cedar Post Ln	113 Mill St	456 Colonial Ave	102 Stonecrest Ln	266 Goldmine Springs Rd
Unadjusted Rent		$1,300	$850	$1,020	$1,075	$1,099
Location						
Address	628 Lancaster Hwy	1775 Cedar Post Ln	113 Mill St	456 Colonial Ave	102 Stonecrest Ln	266 Goldmine Springs Rd
City	Chester	Rock Hill	Chester	Lancaster	Gaffney	Gaffney
Median Rent	$972	$1,421	$972	$1,144	$956	$956
		Superior	*Similar*	*Superior*	*Similar*	*Similar*
		-$45	$0	-$15	$0	$0
Year Built	1980, R-2006	*1974*	*1960, R-2023*	*1987*	*2008*	*1971*
Condition/Street Appeal		*Inferior*	*Superior*	*Inferior*	*Similar*	*Inferior*
		$30	-$15	$20	$0	$35
Unit Size (sf)	829	950	700	1,260	904	860
		Superior	*Inferior*	*Superior*	*Superior*	*Superior*
		-$24	$26	-$86	-$15	-$6
Bedrooms	2	2	2	2	2	2
		Similar	*Similar*	*Similar*	*Similar*	*Similar*
		$0	$0	$0	$0	$0
Bathrooms	1.5	1.5	1.0	2.0	2.0	1.0
		Similar	*Inferior*	*Superior*	*Superior*	*Inferior*
		$0	$15	-$15	-$15	$15
Utilities (who pays?)						
Heat	Tenant	Tenant	Tenant	Tenant	Tenant	Tenant
Electric	Tenant	Tenant	Tenant	Tenant	Tenant	Tenant
Water	Tenant	Landlord	Tenant	Tenant	Tenant	Tenant
Sewer	Tenant	Landlord	Tenant	Tenant	Tenant	Tenant
Trash	Landlord	Landlord	Tenant	Tenant	Landlord	Landlord
Cable	Tenant	Tenant	Tenant	Tenant	Tenant	Tenant
		Superior	*Inferior*	*Inferior*	*Similar*	*Similar*
		-$25	$5	$5	$0	$0
Unit Amenities	*Ref, Range, Central A/C, W/D HU, Ceil Fan, Pat, Cov Stor*	*Ref, Range, DW, Central A/C, W/D HU, Pat, Ceil Fan*	*Ref, Range, Wall A/C, Ceil Fan*	*Ref, Range, Micro, DW, Disp, Central A/C, W/D HU, FP, Pat*	*Ref, Range, DW, Disp, Central A/C*	*Ref, Range, Micro, DW, Central A/C*
		Similar	*Inferior*	*Superior*	*Inferior*	*Inferior*
		$0	$20	-$10	$10	$10
Complex Amenities	*Laundry Fac, Playground, Benches (on Phase II used by Phase I)*	*Pool, CH, Bus Ctr, Playground, Dog Park, Benches*	*None*	*Pool, CH, Tennis Ct, Sports Crt, Fit Ctr, Laundry Fac, Sauna*	*Pool, CH, Fit Ctr, Laundry Fac, Car Wash, Grill/Picnic Area*	*Bus Ctr, Laundry, Playground*
		Superior	*Inferior*	*Superior*	*Superior*	*Similar*
		-$15	$15	-$15	-$15	$0
Concessions	*None*	*None*	*None*	*None*	*None*	*None*
		$0	$0	$0	$0	$0
Net Adjustment		-$79	$66	-$116	-$35	$54
Adjusted Rent		**$1,221**	**$916**	**$904**	**$1,040**	**$1,153**
Market Rent Conclusion	***$1,045***					

Compiled By: *Pinnacle Appraisals*

The comparables range in size from 700 sf to 1,260 sf. After making the adjustments considered appropriate, the rent range is $904 to $1,221. Central tendencies are $1,047 (average) and $1,040 (median). No one property stands out as being more comparable than another – no one comparable is physically close, and all were adjusted. A point value near the mid-point is reasonable. An as-is market rent of $1,045/month is concluded to be appropriate.

As Renovated Market Rent, 2 br-1.5 ba

Comparable properties from the area are used to develop the prospective, as renovated rent conclusion.

2 Bed, 1.5 Bath TH
Prospective - As Renovated

	Subject	**Rent 1**	**Rent 3**	**Rent 4**	**Rent 5**	**Rent 6**
Name	Chester Townhouses - Phase I	Country Club Apts	Rosewood Garden Apts	Oakhaven Apts	Stonecrest Apts	Magnolia Ridge Apts
Address	628 Lancaster Hwy	1775 Cedar Post Ln	113 Mill St	456 Colonial Ave	102 Stonecrest Ln	266 Goldmine Springs Rd
Unadjusted Rent		$1,300	$850	$1,020	$1,075	$1,099
Location						
Address	628 Lancaster Hwy	1775 Cedar Post Ln	113 Mill St	456 Colonial Ave	102 Stonecrest Ln	266 Goldmine Springs Rd
City	Chester	Rock Hill	Chester	Lancaster	Gaffney	Gaffney
Median Rent	$972	$1,421	$972	$1,144	$956	$956
		Superior	*Similar*	*Superior*	*Similar*	*Similar*
		-$45	$0	-$15	$0	$0
Year Built	1980, 2006 & 2027R	*1974*	*1960, R-2023*	*1987*	*2008*	*1971*
Condition/Street Appeal		*Inferior*	*Inferior*	*Inferior*	*Inferior*	*Inferior*
		$80	$35	$70	$50	$85
Unit Size (sf)	829	950	700	1,260	904	860
		Superior	*Inferior*	*Superior*	*Superior*	*Superior*
		-$24	$26	-$86	-$15	-$6
Bedrooms	2	2	2	2	2	2
		Similar	*Similar*	*Similar*	*Similar*	*Similar*
		$0	$0	$0	$0	$0
Bathrooms	1.5	1.5	1.0	2.0	2.0	1.0
		Similar	*Inferior*	*Superior*	*Superior*	*Inferior*
		$0	$15	-$15	-$15	$15
Utilities (who pays?)						
Heat	Tenant	Tenant	Tenant	Tenant	Tenant	Tenant
Electric	Tenant	Tenant	Tenant	Tenant	Tenant	Tenant
Water	Tenant	Landlord	Tenant	Tenant	Tenant	Tenant
Sewer	Tenant	Landlord	Tenant	Tenant	Tenant	Tenant
Trash	Landlord	Landlord	Tenant	Tenant	Landlord	Landlord
Cable	Tenant	Tenant	Tenant	Tenant	Tenant	Tenant
		Superior	*Inferior*	*Inferior*	*Similar*	*Similar*
		-$25	$5	$5	$0	$0
Unit Amenities	*Ref, Range, Central A/C, W/D HU, Ceil Fan, Pat, Cov Stor*	*Ref, Range, DW, Central A/C, W/D HU, Bal/Pat, Ceil Fan*	*Ref, Range, Central A/C, Ceil Fan*	*Ref, Range, Micro, DW, Disp, Central A/C, W/D HU, FP, Pat*	*Ref, Range, DW, Disp, Central A/C*	*Ref, Range, Micro, DW, Central A/C*
		Similar	*Inferior*	*Superior*	*Inferior*	*Inferior*
		$0	$20	-$10	$10	$10
Complex Amenities	*Laundry Fac, Playground, Benches (on Phase II used by Phase I)*	*Pool, CH, Bus Ctr, Playground*	*None*	*Pool, CH, Tennis Ct, Sports Crt, Fit Ctr, Laundry Fac, Sauna*	*Pool, CH, Fit Ctr, Laundry Fac, Car Wash, Grill/Picnic Area*	*Bus Ctr, Laundry, Playground*
		Superior	*Inferior*	*Superior*	*Superior*	*Similar*
		-$15	$15	-$15	-$15	$0
Concessions	*None*	*None*	*None*	*None*	*None*	*None*
		$0	$0	$0	$0	$0
Net Adjustment		-$29	$116	-$66	$15	$104
Adjusted Rent		**$1,271**	**$966**	**$954**	**$1,090**	**$1,203**
Market Rent Conclusion	***$1,095***					

Compiled By: *Pinnacle Appraisals*

The comparables range in size from 700 sf to 1,260 sf. After making the adjustments considered appropriate, the rent range is $954 to $1,271. Central tendencies are $1,097 (average) and $1,090 (median). No one property stands out as being more comparable than another – no one comparable is physically close, and all were adjusted. A point value near the mid-point is reasonable. An as-renovated market rent of $1,095/month is concluded to be appropriate.

Market Vacancy Conclusion

Several market rate properties have been detailed. There are relatively few market rate rent comparables.

Apartment Vacancy
Chester Townhouses - Phase I

Name	Location	Total Units	Occ.	Vacancy
Chester Townhouses - Phase I	628 Lancaster Hwy	62	98.4%	1.6%
Country Club Apts	1775 Cedar Post Ln	80	96.3%	3.7%
	107 Pine St	3	66.6%	33.4%
Rosewood Garden Apts	113 Mill St	25	92.0%	8.0%
Oakhaven Apts	456 Colonial Ave	68	100.0%	
Stonecrest Apts	102 Stonecrest Ln	308	97.7%	2.3%
Magnolia Ridge Apts	266 Goldmine Springs Rd	84	91.6%	8.4%
	Minimum		66.6%	
	Maximum		100.0%	33.4%
	Totals and average (excluding subject)	568	96.5%	3.5%

Compiled By: *Area Managers; Pinnacle Appraisals*

The subject has historically operated as a government subsidized property. About 87.1% of the units are available for rental assistance, with the tenant paying 30% of their income towards the rent figure. Chester Townhouses - Phase I was 98.4% occupied or 1.6% vacant. The vacancy for the restricted rent scenarios are based on the current and post rehabilitation budgets. The market rent comparables average 3.5% vacancy. A market vacancy rate of 5.0% is used for the market rate scenarios.

After consideration of the market vacancy and the area supply/demand components, the following vacancy conclusions are drawn:

Chester Townhouses - Phase I
Vacancy conclusions

Value	Scenario	Vacancy
QR 4	Market Value within 7 CFR Part 3560.752(b)(1)(ii), Premised Upon a Hypothetical Condition As-If Unsubsidized Conventional Housing in compliance with 7 CFR Part 3560.656(c)(1)(i)	5.0%
QR 3	Market Value within 7 CFR Part 3560.752(b)(1)(ii) - Based on Restricted Rents	1.0%
QR 1A	Prospective Market Value, Subject to Restricted Rents within 7 CFR Part 3560.752(b)(1)(i)	5.0%
QR 1B	Prospective Market Value within 7 CFR Part 3560.752(b)(1)(ii), Premised Upon a Hypothetical Condition As-If Conventional Housing	5.0%

Compiled By: *Pinnacle Appraisals*

Property Description

This section will present a description of the physical and economic characteristics of the site and building improvements. The description is based upon an inspection of the property, discussions with local municipal authorities, and data provided by the client and management.

General Location

The subject is on the south side of Lancaster Highway in eastern Chester. The property is in Chester County. Chester is in northern South Carolina about 40 miles southwest of the Charlotte CBD. The property has an address of 628 Lancaster Highway, Chester, South Carolina. The maps in the preceding section show the property's location.

History of the Property

According to public records, the subject is owned by New Chester Townhouses-Limited. The current owner has owned the property for the past five years. The property is part of a portfolio of apartment properties in South Carolina that are to transfer ownership in the near term. While the sale price is in the final stages of negotiation, the price is expected to be about $1,659,402. The transfer is assumed to be between related parties and not one that is considered to be arms-length. As the transfer is presumably not arms-length, no credence is given to this purchase price when determining the said values of the subject property.

Subsequent to the sale, ownership plans to renovate the subject with funding from a combination of mortgage monies, sale proceeds of Section 42 Low Income Housing Tax Credits, and equity. Following the acquisition, the existing Section 515 loan will remain at the property. (The loan is expected to be restated under new rates and terms.) The developer estimates the renovation cost to be about $63,855 per unit, or about $3,958,988. Renovations will be extensive and will include interior unit renovation as well as exterior unit renovation. It is expected that the air conditioning units will be replaced, windows will be repaired/replaced, new roofs will be installed, parking areas will be repaired, and kitchens and bathrooms will be updated as needed.

Site

Effective size (acres)	5.100
Shape	Irregular
Frontage	Lancaster Hwy
Typical depth (ft)	Varies
Topography	Slightly Sloping
Elevation	At road grade
Interior or Corner	Corner
Flood zone map number	45023C0208C
Flood zone date	September 16, 2011
Flood zone	X
Flood zone comments	This is a moderate to low risk area in communities that participate in the NFIP; flood insurance is available to all property owners and renters in these Zones.
Census tract	0206.02
Street from which general access is provided	Lancaster Hwy
Local (neighborhood) access rating	Average
Regional access rating	Average
Street from which ingress/egress is provided	Lancaster Hwy
Ingress/egress rating	Average
Legal Description	Found in the addendum
Stigma	None known

Easements	No detrimental easements that would substantially deter development are known to exist. Others, such as utility easements, allow for development of the site and are considered beneficial to the tract.
Soil Conditions	Soil conditions are assumed to be adequate. The site appears to be well drained. No engineering or soil testing has been performed to the knowledge of the appraisers, and no further conclusion as to the condition of the foundation or soil is made. There is no reason to suspect that hazardous materials are on the property. The appraisers are not aware of any unique subsurface ownership rights. These rights include the right to mine, or water rights. Neither are we aware of any air rights ownership interests that may exist. Note: The appraisers are not experts in environmental matters. It is assumed that the site is clean from an environmental standpoint. The user of the report is instructed to seek the advice of an expert if further questions arise pertaining to environmental issues.
Third Party Reports	While requested, no third party reports regarding the site (such as Phase I and/or Phase II reports) were provided for review or analysis and, unless noted, no warranty is made for any such reports that may exist.

Utilities

The subject site is serviced by the following utilities (the payor of the utilities is also shown):

Utility Details
Chester Townhouses - Phase I

Service	Paid by
Electric	Tenant
Heat	Tenant
Water	Tenant
Sewer	Tenant
Trash	Landlord
Cable	Tenant

Source: *Management*

Zoning

The property is zoned GC: General Commercial District by the municipality of Chester. According to government officials, the current use is a legal, non-conforming use under this zoning classification that has been grandfathered in.

Real Estate Taxes

The chart below shows the real estate tax details.

Real Estate Taxes
Chester Townhouses - Phase I

			Auditors Appraised Values			Assessed Values			Annual
Parcel #	Ownership Name	Size (Acres)	Land	Building	Total	Land	Building	Total	Taxes
079-00-00-039-000	New Chester Townhouses-Limited	5.100	$114,040	$1,900,600	$2,014,640	$9,000	$185,400	$194,400	$50,545
Totals		*5.100*	*$114,040*	*$1,900,600*	*$2,014,640*	*$9,000*	*$185,400*	*$194,400*	*$50,545*
							Real estate taxes and assessments/unit		*$815*

Source: *County Auditor*

Improvements

Property name, address	Chester Townhouses - Phase I 628 Lancaster Hwy Chester, South Carolina 29706
Buildings	9
Size (units)	62
Size (sf of apartments)	47,510
Unit mix	15 1 Bed, 1 Bath Garden units (600 sf); 44 2 Bed, 1.5 Bath TH units (829 sf); and 3 1 Bed, 1 Bath Garden units (678 sf).
Stories	1 and 2
Year built (original)	1980, R-2006
Renovations	as needed
Property amenities	Laundry Fac, Playground, Benches (on Phase II used by Phase I)
Interior description	
Floor covering	mix of carpet and laminate
Walls	drywall
Ceilings	drywall
Doors	exterior doors are metal, interior doors are hollow core wood
Kitchen appliances	Refrigerator, Range
Kitchen finish	laminate flooring, formica counter tops
Washer/dryer	no/no
Washer/dryer hookups	yes/yes
Smoke alarms, fire alarms	hard wired and battery powered smoke alarms
Patios, balconies	patio
Heating	individual forced air
Air conditioning	Central A/C
Water heater	individual
Exterior description	
Exterior	combination brick and siding
Windows	double-hung
Roof	pitched, covered with shingles
Downspouts, gutters	yes/yes
Unit amenities	Refrigerator, Range, Central A/C, W/D Hook-ups, Ceiling Fans, Patio, Covered Storage
Parking	surface parking, asphalt

Actual age (years)	46
Pre-renovation economic life (years)	55
Pre-renovation effective age (years)	25
Pre-renovation remaining economic life (years)	30
Post-renovation economic life (years)	55
Post-renovation effective age (years)	5
Post-renovation remaining economic life (years)	50

A major renovation is planned for the property improvements. Planned renovations include replacement of all existing flooring, replacement of kitchen cabinets and countertops, replacement of existing kitchen appliances, plumbing fixtures, lighting fixtures, bathroom cabinets and countertops, HVAC, repainting, re-roofing (new shingles), as well as exterior upgrades and improvements, and re-paving and re-striping of drive and parking areas. Furthermore, all Section 504 accessibility issues will be addressed and corrected as appropriate. The renovation is expected to cost about $63,855 per unit, or about $3,958,988. Upon completion of the renovations, the property's marketability, overall quality, and aesthetic appeal will be increased and enhanced.

Units Inspected

The property manager randomly selected the units for inspection. About 20% of units were inspected. At least one of each unit type was viewed. There were no down units. During the inspection the appraisers found deferred maintenance that includes cracked asphalt in the parking area. No other items of deferred maintenance were found. As-is, the property is in average physical condition. Subsequent to renovations, the property will be in good physical condition. Photographs are in the addendum.

Financial

Current Rent Parameters/Rent Roll

The chart below illustrates the unit mix and the current rent parameters. As has been discussed, there are LIHTC restrictions applicable to the units at the property.

Chester Townhouses - Phase I
Unit Mix and Rent Parameters

	Total Units	% of total	Vacant Units	% of unit type	Size (sf)	Total Size (sf)	As-is Basic Rent	Prospective Basic Rent	Gross LIHTC	Utility Costs	Net LIHTC	As-Is	CRCU As-Renovated
1 Bed, 1 Bath Garden	15	24%	0	0%	600	9,000	$609	$756	$780	$171	$609	$850	$900
1 Bed, 1 Bath Garden	3	5%	0	0%	678	2,034	$609	$756	$780	$171	$609	$865	$915
2 Bed, 1.5 Bath TH	44	71%	1	2%	829	36,476	$720	$895	$937	$216	$721	$1,045	$1,095
Overall Totals/Averages	***62***	***100%***	***1***	***2%***	***766***	***47,510***							

Compiled By: *Property Management, Pinnacle Appraisals*

Operating History

The chart below shows the recent operating history for the subject.

Chester Townhouses - Phase I
Operating History

62 units

	2022	Per Unit	2023	Per Unit	2024	Per Unit	2025	Per Unit	Current Budget	Per Unit	Post Rehab Budget	Per Unit
Apartment Rental Income	$416,088	$6,711	$439,376	$7,087	$475,836	$7,675	$497,600	$8,026	$506,704	$8,173	$603,938	$9,741
Plus: Other Income	5,906	95	3,743	60	3,072	50	6,831	110	4,000	65	2,000	32
Effective Gross Income	***$421,994***	***$6,806***	***$443,119***	***$7,147***	***$478,908***	***$7,724***	***$504,431***	***$8,136***	***$510,704***	***$8,237***	***$605,938***	***$9,773***
Operating Expenses												
Real Estate Taxes	46,720	754	48,704	786	48,848	788	51,222	826	55,000	887	57,750	931
Insurance	16,280	263	17,815	287	22,500	363	30,461	491	40,500	653	44,550	719
Repairs & Maintenance	53,885	869	72,268	1,166	59,488	959	80,525	1,299	69,606	1,123	50,456	814
General & Administrative	22,898	369	30,373	490	31,464	507	33,421	539	32,990	532	38,228	617
Management Fees	54,312	876	59,520	960	63,240	1,020	66,960	1,080	66,960	1,080	66,960	1,080
Utilities												
Electric	6,758	109	8,710	140	8,847	143	7,600	123	8,000	129	8,000	129
Water/Sewer	759	12	1,208	19	891	14	1,043	17	1,400	23	1,400	23
Total Utilities	7,517	121	9,918	160	9,738	157	8,643	139	9,400	152	9,400	152
Payroll	67,866	1,095	72,548	1,170	73,143	1,180	92,474	1,492	93,675	1,511	93,675	1,511
Marketing	124	2	139	2	779	13	21	0	200	3	200	3
Total Expenses	***$269,603***	***$4,348***	***$311,286***	***$5,021***	***$309,199***	***$4,987***	***$363,728***	***$5,867***	***$368,331***	***$5,941***	***$361,219***	***$5,826***
operating expense ratio		***63.9%***		***70.2%***		***64.6%***		***72.1%***		***72.1%***		***59.6%***
Net Operating Income	***$152,392***	***$2,458***	***$131,833***	***$2,126***	***$169,708***	***$2,737***	***$140,703***	***$2,269***	***$142,373***	***$2,296***	***$244,720***	***$3,947***

Source: *Property Management*

While individual line items will vary depending upon the specific valuation developed later in the report, the following generally holds true:

Value developed	Comment
QR 4 Market value, unrestricted rents	The effective gross income, which is comprised primarily of apartment rent, should be above historic levels. The apartment rent will be constrained by market rent levels. The total operating expense estimate will be less than historic primarily due to reduced Repairs & Maintenance, General & Administrative, Management Fee, and Payroll expenses. The Marketing expense will be higher than historic, and there will be an explicit Reserve expense. Operating expenses are based on market-rate expense comparables.
QR 3 Market value, based on restricted rents	The apartment rent will be constrained by basic rent levels. The total operating expense estimate will be similar to historic expenses at the subject. There will be an explicit Reserve expense.
QR 1A Prospective,	The effective gross income, which is comprised primarily of apartment rent, should be above historic levels. The apartment rent will recognize the economic

subject to restricted rents	benefits of the renovation as the units will be in better physical (and functional) condition. The apartment rent will be constrained by the lesser of market rent or LIHTC constraints. With respect to operating expense line items, Real Estate Taxes, Insurance, Repairs & Maintenance, General & Administrative, Utilities, Payroll, and Marketing should be based on the budget. Management, which is based on a cost per occupied door/unit per month, is also essentially based on the budget. An explicit Reserve will be recognized.
QR 1B Prospective, as conventional or unrestricted	The effective gross income, which is comprised primarily of apartment rent, should be above historic levels. The apartment rent will recognize the economic benefits of the renovation as the units will be in better physical (and functional) condition. The apartment rent will based on the (prospective) market rent figures. The total operating expense estimate should be lower due to renovation (reduced Repairs & Maintenance as well as Payroll) as well as reduced General & Administrative and Management expenses. The Marketing expense should be higher than historic, and there will be an explicit Reserve expense. Operating expenses are based on market-rate expense comparables.

Highest and Best Use

Highest and best use is defined in The Dictionary of Real Estate Appraisal, 7th Edition, Appraisal Institute, as follows:

> *The reasonably probable use of property that results in the highest value.*

An additional sentence in the definition, but which is really commentary, notes:

> The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.

After consideration of the data, the following conclusions are drawn:

As If Vacant:

Physically Possible Uses:	Physical constraints include site area, shape, and adjacent uses. The site has all public utilities available. Noted easements are typical, and soil conditions are assumed to be adequate. There are acceptable access and visibility attributes. The primary physical constraints are the size and configuration.
Legally Permissible Uses:	Legally permissible uses are constrained by zoning, or if a variance or re-zoning could occur. Overall, the property is not considered to be overly constrained by legally permissible use.
Financially Feasible Uses:	The surrounding population and demographics, and socio-economic attributes lead to the conclusion that a non-speculative use is feasible. There is no indication that a speculative development is appropriate. A residential development appears to be financially feasible as the residential uses in the immediate area appear to have met with market acceptance.

Conclusion/Maximum Productivity: Of those uses that are physically possible, legally permissible, and financially supported, a residential development is concluded to be the highest and best use of the site as if vacant. Given the area demographics, development should not be speculative – rather, development should only occur with an identified end user in place.

As Improved:

Physically Possible Uses:	The presence of the improvements demonstrate their physical possibility.
Legally Permissible Uses:	The current multi-family use is a permissible use.
Financially Feasible Uses:	As is shown in the valuation, the existing improvements develop a return well in excess of that if the property were not improved.

There is currently obsolescence present at the property and/or market. Whether the obsolescence (or depreciation) is fully attributable to the property only, fully attributable to the market only, or a mix of both the property and market, does not take this conclusion away. This is shown when considering the value of the property by the cost approach without deprecation and/or obsolescence. Using the insurable value as a proxy, and adding the land value, develops a figure of $9,310,000 ($9,139,522 + $170,000 land value = $9,309,522 rounded). As evidence, QR 4, the as-is market value as conventional, is less than this figure.

Conclusion/Maximum Productivity: The existing improvements are considered to be financially feasible. The chart below demonstrates that the proposed renovation is appropriate and financially viable – when considering the inclusion of the additional value from the interest credit subsidy and LIHTC. As shown, the sum of the prospective market value, interest credit values, and LIHTC values are in excess of the property's as is value plus renovation costs. Therefore, the proposed renovations provide a higher return to the property than if the property were not renovated, and the highest and best as improved is concluded to be with the renovations made to the property.

Financial Feasiblility
Chester Townhouses - Phase I

Initial Test of Financial Feasibility		
QR 1A, prospective, subject to restricted rents		$3,730,000
QR 3, current, subject to restricted rents		$1,760,000
	Incremental difference	$1,970,000
Renovation Cost		$3,958,988
	Benefit (cost) of renovating *before* consideration of other benefits	-$1,988,988
Other Benefits		
Pinnacle Value 5	Favorable Financing Valuation, Prospective-New Rates and Terms-Balloon at 30 years	$452,000
Pinnacle Value 5	Favorable Financing Valuation, Prospective-New Rates and Terms-Balloon at 30 years	$327,000
Pinnacle Value 5	Favorable Financing Valuation (New 538 Loan)	$117,000
Pinnacle Value 6	LIHTC Value (prospective)	$5,087,491
	Value of additional benefits of renovation	$5,983,491
	Net benefits, or added value, of renovation	*$3,994,503*

These thoughts are carried to the Valuation section.

Valuation

The valuation process involves the gathering of data in order to develop opinions of value for the subject. A number of value opinions are provided; the value opinions are identified and the applicable approaches to value are also identified.

Valuation Chart
Chester Townhouses - Phase I

Identified in report	Summary	Valuation
QR 1A	Prospective Market Value, Subject to Restricted Rents within 7 CFR Part 3560.752(b)(1)(i)	income capitalization approach primary, cost approach used as support
QR 1B	Prospective Market Value within 7 CFR Part 3560.752(b)(1)(ii), Premised Upon a Hypothetical Condition As-If Conventional Housing	income capitalization approach primary, cost approach used as support
QR 3	Market Value within 7 CFR Part 3560.752(b)(1)(ii) - Based on Restricted Rents	income capitalization approach
QR 4	Market Value within 7 CFR Part 3560.752(b)(1)(ii), Premised Upon a Hypothetical Condition As-If Unsubsidized Conventional Housing in compliance with 7 CFR Part 3560.656(c)(1)(i)	income capitalization approach is primary, sales comparison approach used as support
Pinnacle Value 5	Favorable Financing Valuation, Prospective-New Rates and Terms-Balloon at 30 years	income capitalization approach
Pinnacle Value 5	Favorable Financing Valuation, Prospective-New Rates and Terms-Balloon at 30 years	income capitalization approach
Pinnacle Value 5	Favorable Financing Valuation (New 538 Loan)	income capitalization approach
Pinnacle Value 6	LIHTC Value (prospective)	income capitalization approach
Pinnacle Value 7	Insurable Value (prospective)	replacement cost of insurable improvements
Pinnacle Value 8	Land Value (current)	developed within cost approach in QR 1
QR x - Quick Reference		

Compiled By: *Pinnacle Appraisals*

QR (Quick Reference) 1A

The value incorporates the extraordinary assumption that the proposed renovations to the subject property are complete (as of the prospective valuation date).

The income capitalization approach is primary, the cost approach is used as support.

Income Capitalization Approach

The income capitalization approach to value opinion is based on the economic principle of anticipation--that the value of an income producing property is the present value of anticipated future net benefits. Other appraisal principles and concepts upon which this approach is based include supply and demand, change, substitution, and externalities.

Net operating income projections (future net benefits) are translated into a present value indication using a capitalization process. In this appraisal, a pro forma technique is explicitly used. More specifically, the capitalization process steps in the pro forma technique are as follows:

- The effective gross revenue is estimated by the sum of the prospective, as renovated rent conclusions on the units less an allowance for vacancy, plus other income.
- Operating expenses inherent in the operation of the property are projected.
- The net operating income is derived by deducting the operating expenses from the effective gross revenue.
- The net operating income is then capitalized to obtain an indication of value.

Pro Forma Capitalization

Base Rent Revenue – is based on the post renovation budget.

Chester Townhouses - Phase I ***QR 1A***
Base Rent Revenue ***prospective***
subject to restricted rents

	Total Units	% of total	Size (sf)	Total sf	Rent/ Month	Rent/sf	Monthly	Yearly
1 Bed, 1 Bath Garden	15	24%	600	9,000	$756	$1.26	$11,340	$136,080
1 Bed, 1 Bath Garden	3	5%	678	2,034	$557	$0.82	$1,671	20,052
2 Bed, 1.5 Bath TH	44	71%	829	36,476	$895	$1.08	$39,380	472,560
Overall Totals/Averages	***62***	***100%***	***766***	***47,510***	***$845***	***$1.10***	***$52,391***	***$628,692***

Compiled By: *Pinnacle Appraisals*

Vacancy – Stabilized vacancy has been discussed in the Market Area Overview section.

Other Income – Other revenues include laundry income, late/nsf charges, application fees, forfeited deposits, termination/restoration fees and other miscellaneous incomes. Other revenue is estimated at $32/unit. This is a net income line item component, with vacancy inherently considered.

Operating Expenses – are based on historic and the budget. As noted, Insurance, General & Administrative, Management Fee, Utilities, and Marketing should be near historic. Repairs & Maintenance should be lower due to the renovations. Real Estate Taxes are based on historic with consideration of how the county recognizes the renovations, Payroll should also be lower, also due to the renovation. An explicit Reserve will be recognized.

Total Operating Expenses – The charts below compares historical and the pro forma operating expenses, along with the reasons for the line item operating expense figures.

Pro Forma Operating Expense Estimate & Comparisons (per unit basis) ***QR 1A***
Chester Townhouses - Phase I ***prospective***
subject to restricted rents

	Year End Historical 2022	2023	2024	2025	Current Budget	Post Rehab Budget	Subject Pro Forma
Real Estate Taxes	754	786	788	826	887	931	931
Insurance	263	287	363	491	653	719	719
Repairs and Maintenance	869	1,166	959	1,299	1,123	814	814
General and Administrative	369	490	507	539	532	617	617
Management Fees	876	960	1,020	1,080	1,080	1,080	1,080
Utilities							
Electric	109	140	143	123	129	129	129
Water/Sewer	12	19	14	17	23	23	23
Total Utilities	121	160	157	139	152	152	152
Payroll	1,095	1,170	1,180	1,492	1,511	1,511	1,511
Marketing	2	2	13	0	3	3	3
Reserve	n/a	n/a	n/a	n/a	n/a	n/a	450
Total Operating Expenses	4,348	5,021	4,987	5,867	5,941	5,826	6,276

Note: columns with low, high, average, and median figures may not add to total

Compiled By: *Property Managers; Pinnacle Appraisals*

Chester Townhouses - Phase I ***QR 1A***
Operating Expense Estimates ***prospective***
subject to restricted rents

Operating Expense	Cost/unit		Discussion
Real Estate Taxes	$931		Based on the post rehab budget.
Insurance	$719		Based on the post rehab budget.
Repairs & Maintenance	$814		Based on the post rehab budget.
General & Administrative	$617		Based on the post rehab budget.
Management	$1,080		Based on the post rehab budget.
Utilities	$129	Electric	Based on the post rehab budget.
	$23	Water and sewer	Based on the post rehab budget.
Payroll	$1,511		Based on the post rehab budget.
Marketing	$3		Based on the post rehab budget.
Reserve	$450		Based on the post rehab budget.

The net operating income is estimated by deducting the operating expenses from the effective gross income. The pro forma is shown below.

Pro Forma Operating Statement ***subject to restricted rents***
Chester Townhouses - Phase I ***prospective***
62 units ***QR 1A***

		% of EGI	Per Unit		Amount
Potential Rental Revenue		104.9%	$10,140		$628,692
Less: Vacancy and Collection Loss @	5.0%	-5.3%	-509		-31,558
Effective Rent		99.7%	9,631		597,134
Plus Other Revenue:					
Other Income		0.3%	32		2,000
Effective Gross Income		**100.0%**	**9,663**		**599,134**
Less: Operating Expenses					
Real Estate Taxes		9.6%	931		57,750
Insurance		7.4%	719		44,550
Repairs and Maintenance		8.4%	814		50,456
General and Administrative		6.4%	617		38,228
Management Fees		11.2%	1,080		66,960
Utilities					
Electric		1.3%	129	8,000	
Water/Sewer		0.2%	23	1,400	
Total Utilities		1.6%	152		9,400
Payroll		15.6%	1,511		93,675
Marketing		0.0%	3		200
Reserve		4.7%	450		27,900
Total Operating Expenses		64.9%	$6,276		$389,119
Net Operating Income		***35.1%***	***$3,387***		***$210,015***

Compiled By: *Pinnacle Appraisals*

Capitalization Rate Discussion

The client is referred to the QR 4 Valuation section, where an extensive analysis and derivation of the appropriate overall rate can be found. The [QR 4 Valuation] section develops the appropriate overall rate for the property as if it were a conventional, unrestricted one.

A note: Often, market participants will increase, or "load", an overall rate that is being used to value a given prospective net operating income, recognizing that there is some risk due to time. (There should be no load for the planned renovation, though; in this sense, the planned renovation is a certainty, it is for this reason that the extraordinary assumption is made.) In this case, though, the prospective date is not too far in the future – and the renovation will increase the economic life of the improvements.

Consideration as to the safeness of the income stream as a consequence of the RA (rental assistance) nature of the rents should be considered as well.

Attachment 7-A of Chapter 7 of the USDA Rural Development handbook states the following:

> *Use of an overall rate from the conventional market, which reflects conventional financing, is appropriate because all favorable financing will be valued separately from the market value, subject to restricted rents, of the real estate.*

The handbook also notes that there is additional value of RA (rental assistance) to the net operating income stream through reducing the risk of investment by improving the durability of the [rental] income stream (through the assistance of the rent subsidy). The handbook further recognizes that the overall rate can be adjusted downward to account for the reduced risk due to RA.

Attachment 7-A of Chapter 7 of the USDA Rural Development handbook states the following:

> *When the subject property has RA, the appraisal must include a discussion of the Section 521 Rental Assistance Program, the number of RA units at the subject, and how RA affects the market value, subject to restricted rents, of the property. Rental assistance is a rent subsidy provided to owners of 514/515 projects. The renter of an RA unit is required to pay a tenant contribution toward the approved shelter cost (rent plus tenant-based utilities) of the unit that is equal to no more than 30 percent of his/her income. RA is the portion of the approved shelter cost paid by the Agency to compensate a borrower for the difference between the approved shelter cost and the tenant contribution. RA usually adds value to a 514/515 project in three ways: 1) it guarantees that the scheduled base rate rent for all occupied RA units will be attained; 2) it usually increases demand for the subject's units and consequently decreases the vacancy rate; and 3) it reduces the risk of investment in the subject project by improving the durability of the income stream. Rental assistance need not be separately valued; the value of RA can be incorporated within the market value, subject to restricted rents. This can be accomplished within the Income Approach by taking into account the three ways that RA increases value, listed above, as follows. 1) Base rate rents should be included as Potential Gross Income (PGI) in the restricted pro forma; 2) a vacancy and collection loss factor that reflects the amount of RA at the property should be included; and 3) a capitalization rate for the subject may be adjusted downward to account for the reduced risk to the investor due to RA.*

Based on market participant attitudes and prior experience in the valuation of subsidized properties, overall capitalization rates for properties that have 100% subsidized tenancy typically are ±100 basis points lower than the overall capitalization rates of similar properties than are market rate properties. This is due to market participant attitudes that view the income that is provided by a government funded source to be "safer" than income that is provided from market rate tenants.

When arriving at an opinion of the *Market Value of the fee simple estate, as conventional or unrestricted, subject to the short-term leases as of the date of valuation* a weighted average technique is utilized to arrive at an overall capitalization rate conclusion. The weighted average technique take the relative "safeness" of the income streams attributable to the rental assistance and non-rental assistance units at the property into consideration. The chart below summarizes the technique utilized to arrive at a final overall capitalization rate opinion.

Overall Capitalization Rate Selection ***QR 1A prospective subject to restricted rents***

Lease Guarantor	# of Units	% of Total	Selected OAR	Weighted Rate
Tenant	8	12.9%	6.50%	0.839%
Rental Assistance	54	87.1%	5.50%	4.790%
Total	62	100.0%		5.629%
			Indicated OAR	***5.63%***

Compiled By: *Pinnacle Appraisals*

Application of the rate to the pro forma net operating income is shown in the chart below.

Pro Forma Technique Value Conclusion ***QR 1A***
Chester Townhouses - Phase I ***prospective subject to restricted rents***

Net Operating Income	$210,015
Overall Capitalization Rate	5.63%
Value Conclusion	3,730,927
Rounded To:	***$3,730,000***

Compiled By: *Pinnacle Appraisals*

Cost Approach

The cost approach aggregates land value as if vacant, plus the cost to replace the existing improvements, less any accrued depreciation. The cost approach reflects value by recognizing that participants relate value to cost. Appraisal principles and concepts relating to this approach include substitution, supply and demand, balance, externalities, and highest and best use. Land valuation concepts and principles include anticipation, change, supply and demand, substitution, and balance. This approach provides an opinion of value principally based on the principle of substitution that states that:

> *No rational person would pay more for a property than that amount by which he or she can obtain, by purchase of a site and construction of a building, without undue delay, a property of equal desirability and utility.*

Methodology

The cost approach involves several steps (presented below) that have been employed to project the value of the subject:

- Comparable land sales have been analyzed and adjusted to provide an opinion of the subject's site as if vacant.
- The improvement cost was projected using the Marshall Valuation Service.
- The amount of accrued depreciation or obsolescence (physical, functional and economic) has been projected and deducted from the replacement cost opinion.
- The depreciated replacement cost opinion is then added to the land value projected for the subject site.
- The sum of these opinions produces an indication of value by the cost approach.

Pinnacle Value 8, Land Value

The value of the property was estimated by using the sales comparison technique, which is the primary technique used to value unimproved land. In order to obtain an indication of value for the subject from the sales comparison technique, recent sales of similar properties have been analyzed and the sales adjusted to reflect dissimilarities between the properties and the subject. From these sale prices, an indication of market value for the subject has been estimated.

Through the course of expanding the market area and time frame, a sufficient number of comparable sales were uncovered. While the research uncovered several sales properties which share similar attributes with the subject, dissimilarities do exist. The map below locates the comparable sales that were utilized.



The sales that were utilized to develop the value of the subject are detailed in the chart that follows. The sale price per acre unit of comparison is used to develop the value of the subject. To arrive at a value conclusion, the comparables are adjusted for dissimilarities to the subject with respect to property rights conveyed, financing terms, conditions of sale, date of sale, location and physical attributes. Adjustments are made based on a comparison with one another as well as the appraisers' knowledge about the sales as they relate to the subject. The chart also notes the adjustments.

Land Sales Chart ***Value 8***
Chester Townhouses - Phase I

Sale	**Subject**	**1**	**2**	**3**
Name	Chester Townhouses - Phase I			
Location	628 Lancaster Hwy	Beltline Rd	York St	Old Richburg Rd
City	Chester	Chester	Chester	Richburg
County	Chester	Chester	Chester	Chester
Sale Date		Feb-23	Mar-22	May-22
Sale Price		$120,000	$35,000	$225,000
Size (ac)	5.100	2.700	1.100	6.870
Utilities	All public	All public	All public	All public
Sale Price/acre		***$44,444***	***$31,818***	***$32,751***
Sale Adjustments				
Property Rights Conveyed	*Fee Simple*	*Similar* 0%	*Similar* 0%	*Similar* 0%
Financing Terms	*Market*	*Similar* 0%	*Similar* 0%	*Similar* 0%
Conditions of Sale	*Arm's Length*	*Similar* 0%	*Similar* 0%	*Similar* 0%
Market Conditions	*Current*	*Similar* 0%	*Similar* 0%	*Similar* 0%
Total Sale Adjustments		0%	0%	0%
Adjusted Price/acre		***$44,444***	***$31,818***	***$32,751***
Property Adjustments				
General Location	628 Lancaster Hwy Chester	Beltline Rd Chester *Similar* 0%	York St Chester *Inferior* 5%	Old Richburg Rd Richburg *Inferior* 5%
Topography/Configuration	Level to Gently Sloping/Irregular	*Level to Gentrly Sloping/Irregular* *Similar* 0%	*Level/Rectangular* *Superior* -10%	*Level/Rectangular* *Superior* -10%
Economic Size (acre)	5.100	2.700 *Superior* -5%	1.100 *Superior* -5%	6.870 *Similar* 0%
Total Property Adjustments		-5%	-10%	-5%
Adjusted Price/acre		***$42,222***	***$28,636***	***$31,114***

Adjusted Value/acre	***32,500***
Value Indication	***170,000***

	Low	Average	Median	High
Adjusted Value Conclusion per acre	$28,636	$33,991	$31,114	$42,222

Compiled By: *Pinnacle Appraisals*

As shown, no sale adjustments are indicated as appropriate. In all cases, the property rights conveyed, financing terms, conditions of sale, and market conditions are considered to be the same as the subject. With respect to property adjustments, all location and physical attributes were reviewed – the analysis of each comparable sale is below.

Land Sale 1 –This property had a superior economic size when compared to the subject. A downward adjustment is made. The property adjustments total -5%. This indicates a value conclusion of $42,222/acre for the subject.

Land Sale 2 – This property is inferior in location when compared to the subject due to its more rural nature. An upward adjustment is made. The subject has a level to gently sloping topography and the configuration is irregular. This property has a level topography and is rectangular in configuration. This is a superior attribute, and a downward adjustment is made. This property had a superior economic size when compared to the subject. A downward adjustment is made. The property adjustment total is -10%. This indicates a value conclusion of $28,636/acre for the subject.

Land Sale 3 – This property is inferior in location when compared to the subject due to its more rural nature. An upward adjustment is made. The subject has a level to gently sloping topography and the configuration is irregular. This property has a level topography and is rectangular in configuration. This is a superior attribute, and a downward adjustment is made. Combined, the property adjustments total -5%. This indicates a value conclusion of $31,114/acre for the subject.

After making the appropriate adjustments, the value per acre range is $28,636 to $42,222 with a median of $31,114 and an average of $33,991. Given this data, a point value near the central tendencies indicated by the comparable sales is most applicable. The following summarizes the opinions of value via the sales comparison approach.

Sales Comparison Approach Summary			***Pinnacle Value 8***
Chester Townhouses - Phase I			
Unadjusted Value Range/acre	$31,818	-	$44,444
Indicated Value Range (rounded)	$162,273	-	$226,667
Adjusted Value Range/acre	$28,636	-	$42,222
Indicated Value Range (rounded)	$146,045	-	$215,333
Central Tendencies	$33,991 average		$31,114 median
Indicated Value (rounded)		***$170,000***	
Value/acre		***$32,500***	

Compiled By: *Pinnacle Appraisals*

Improvement Valuation

The Marshall Valuation service has been used to develop the replacement cost of the improvements. The chart below develops the improvement replacement cost.

Improvement Value ***QR 1A***
Chester Townhouses - Phase I ***prospective***
subject to restricted rents

	Square feet	Unadjusted Cost/sf	Current Multiplier	Local Multiplier	Total Multiplier	Adjusted Cost/sf	Total Cost
Multiple Residences, Sec. 12, Excellent, Class D	47,510	197.00	1.05	0.93	0.98	192.37	$9,139,522
					Total Cost Estimate		$9,139,522
					Entrepreneurial incentive	10%	$913,952
					total with ent. incentive		$10,053,475
					Less: Depreciation		
					Effective Age	5	
					Economic Life	55	
					Depreciation	9.1%	
					Total Depreciation		$913,952
					Improvement Value		$8,225,570
					rounded		***$8,230,000***

Compiled By: *Marshall Valuation; Pinnacle Appraisals*

A base cost per square foot is developed. The base cost is within the range of similar properties that the appraisers have recently evaluated. A few examples include:

- A 30-unit apartment complex in Fayetteville, West Virginia. It consists of one and two bedroom units with 20,136 sf. The hard cost per square foot was $198.89.
- A 33-unit apartment complex in Logan, West Virginia. It consists of one and two bedroom units with 24,638 sf. The hard cost per square foot was $195.38.
- A 15-unit apartment complex in Columbia, South Carolina. It consists of two and three bedroom units with 19,470 sf. The hard cost per square foot was $242.72.

Adjustments are made for current and local multipliers; the adjusted cost is multiplied by the size of the improvements.

Entrepreneurial Incentive

Entrepreneurial incentive is defined in The Dictionary of Real Estate Appraisal, 7th Edition, as follows:

> *The amount an entrepreneur expects or wants to receive as compensation for providing coordination and expertise and assuming the risks associated with the development of a project.*

Typically, properties like the subject are constructed as investment properties. Entrepreneurs, or developers/builders, of these properties usually seek profit margins of 10 to 25%. The reality is that the incentive may be less than anticipated by a developer, or may be more, depending upon the circumstances. In this appraisal, an entrepreneurial incentive at the lower end of this range is reasonable. It is based as a percentage of the improvement cost (as it applies to the development of the land, not the underlying land itself). The lower end is appropriate as there are additional incentives accruing to the developer in the form of interest credit subsidies and tax credits.

Depreciation/Obsolescence Estimates for Improvements

A depreciated age-life method is used to estimate depreciation. There are two types of depreciation and/or obsolescence that need to be considered for the improvements. Physical deterioration and functional/economic obsolescence are considered. The economic life, effective age, and remaining economic life upon the renovations were noted previously, and are re-shown below. The total depreciation is deducted from the undepreciated replacement cost opinion to arrive at a depreciated improvement cost opinion.

Post-renovation economic life (years)	55
Post-renovation effective age (years)	5
Post-renovation remaining economic life (years)	50

Conclusion

The cost approach value opinion is reached by adding the land value and depreciated improvement value opinions. ***The following value indication is reached for the subject.***

Cost Approach Summary		***Pinnacle Value 8***
Chester Townhouses - Phase I		***QR 1A***
Land Value	Pinnacle Value 8	$170,000
Depreciated Improvement Value		$8,230,000
Cost Approach Value	QR 1A	$8,400,000
	rounded	***$8,400,000***

Compiled By: *Pinnacle Appraisals*

Reconciliation and Final Value Opinion, QR 1A

The values for QR 1A developed by the approaches are summarized below:

Reconciliation and Final Value Conclusions ***QR 1A***
Chester Townhouses - Phase I

Identified in report	RD Identifier	Valuation date	Date to which valuation applies	Income Capitalization Approach	Sales Comparison Approach	Cost Approach
QR 1A	subject to restricted rents	prospective	April 13, 2027	$3,730,000	n/a	$8,400,000

QR x - Quick Reference

Compiled By: *Pinnacle Appraisals*

The income capitalization approach is the primary approach. Therefore, based upon the analyses and conclusions, the concluded value for QR 1A is shown below:

Value Conclusion	Date of Value	Value
QR 1A - subject to restricted rents	April 13, 2027	***$3,730,000***

QR (Quick Reference) 1B

The value incorporates the extraordinary assumption that the proposed renovations to the subject property are complete (as of the prospective valuation date).

Per the Quick Reference of Values to Request document that has been previously cited, this value is also premised upon a hypothetical condition as-if conventional housing. (The value is based upon a highest and best uses analysis as-if not encumbered by USDA program provisions.)

The income capitalization approach is primary, the cost approach is used as support.

Income Capitalization Approach

The income capitalization approach to value opinion is based on the economic principle of anticipation--that the value of an income producing property is the present value of anticipated future net benefits. Other appraisal principles and concepts upon which this approach is based include supply and demand, change, substitution, and externalities.

Net operating income projections (future net benefits) are translated into a present value indication using a capitalization process. In this appraisal, a pro forma technique is explicitly used. More specifically, the capitalization process steps in the pro forma technique are as follows:

- The effective gross revenue is estimated by the sum of the prospective, as renovated market rent conclusions on the units less an allowance for vacancy, plus other income.
- Operating expenses inherent in the operation of the property are projected.
- The net operating income is derived by deducting the operating expenses from the effective gross revenue.
- The net operating income is then capitalized to obtain an indication of value.

Pro Forma Capitalization

Base Rent Revenue – is based on the prospective (as renovated) market rent conclusions developed earlier. The rent is shown below.

Chester Townhouses - Phase I ***QR 1B***
Base Rent Revenue ***prospective***
as conventional or unrestricted

	Total Units	% of total	Size (rsf)	Total rsf	Market Rent Rent/Month	Rent/sf	Monthly	Yearly
1 Bed, 1 Bath Garden	15	24%	600	9,000	$900	$1.50	$13,500	$162,000
1 Bed, 1 Bath Garden	3	5%	678	2,034	$485	0.72	1,455	17,460
2 Bed, 1.5 Bath TH	44	71%	829	36,476	$1,095	1.32	48,180	578,160
Overall Totals/Averages	***62***	***100%***	***766***	***47,510***	***$1,018***	***$1.33***	***$63,135***	***$757,620***

Compiled By: *Pinnacle Appraisals*

Vacancy – Stabilized vacancy has been discussed in the Market Area Overview section.

Other Income – Other revenues include laundry income, late/nsf charges, application fees, forfeited deposits, termination/restoration fees and other miscellaneous incomes. Other revenue is estimated at $32/unit. This is a net income line item component, with vacancy inherently considered.

Operating Expenses – are based on comparable data. **Note: the comparable data is of market-rate operating expense comparables.**

Operating Expense Comparables ***QR 1B***
Chester Townhouses - Phase I ***prospective***

	1	2	3	4	5
Units	166	56	145	196	16
County	Spartanburg	Anderson	North Charleston	Greenwood	Lancaster
State	SC	SC	SC	SC	SC
Per Unit Basis					
Real Estate Taxes	476	824	2,062	1,107	719
Insurance	416	630	886	938	501
Repairs and Maintenance	793	1,012	1,039	485	1,075
General and Administrative	327	382	541	246	
Management Fees	275	587	426	184	542
Total Utilities	1,039	223	117	744	92
Payroll	1,492	1,332	1,617	1,082	
Marketing	243	69	266	25	
Total	***5,060***	***5,118***	***6,955***	***4,810***	***2,929***

Per Unit Basis Category	Minimum	Maximum	Average	Median
Real Estate Taxes	476	2,062	1,037	824
Insurance	416	938	674	630
Repairs and Maintenance	485	1,075	881	1,012
General and Administrative	246	541	374	355
Management Fees	184	587	403	426
Total Utilities	92	1,039	443	223
Payroll	1,082	1,617	1,381	1,412
Marketing	25	266	151	156
Total	***2,929***	***6,955***	***4,974***	***5,060***

Compiled By: *Apartment Management, Pinnacle Appraisals*

Total Operating Expenses – The charts below compares comparable data, historic results, and the pro forma operating expenses, along with the reasons for the line item operating expense figures.

Pro Forma Operating Expense Estimate & Comparisons (per unit basis) ***QR 1B***
Chester Townhouses - Phase I ***prospective***
as conventional or unrestricted

	Pinnacle Appraisal Group Survey				Year End Historical						Subject
	Low	High	Avg.	Med.	2022	2023	2024	2025	Current Budget	Post Rehab Budget	Pro Forma
Real Estate Taxes	476	2,062	1,037	824	754	786	788	826	887	931	931
Insurance	416	938	674	630	263	287	363	491	653	719	719
Repairs and Maintenance	485	1,075	881	1,012	869	1,166	959	1,299	1,123	814	855
General and Administrative	246	541	374	355	369	490	507	539	532	617	375
Management Fees	184	587	403	426	876	960	1,020	1,080	1,080	1,080	582
Utilities											
Electric					109	140	143	123	129	129	129
Water/Sewer					12	19	14	17	23	23	23
Total Utilities					121	160	157	139	152	152	152
Payroll	1,082	1,617	1,381	1,412	1,095	1,170	1,180	1,492	1,511	1,511	1,400
Marketing	25	266	151	156	2	2	13	0	3	3	150
Reserve	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	250
Total Operating Expenses	2,929	6,955	4,974	5,060	4,348	5,021	4,987	5,867	5,941	5,826	5,414

Note: columns with low, high, average, and median figures may not add to total

Compiled By: *Property Managers; Pinnacle Appraisals*

Chester Townhouses - Phase I ***QR 1B***
Operating Expense Estimates ***prospective***
as conventional or unrestricted

Operating Expense	Cost/unit		Discussion
Real Estate Taxes	$931		Based on the post rehab budget.
Insurance	$719		Based on historic with support from market.
Repairs & Maintenance	$855		Reflects the renovation as well as the recognition that the property would not be as well maintained if it were to be operated as a market rate one.
General & Administrative	$375		Market rate properties have lower general & administrative costs than subsidized properties.
Management	5.00%		Percent of effective gross income rather than fee per occupied door per month.
Utilities	$129	Electric	Based on historic with support from market.
	$23	Water and sewer	Based on historic with support from market.
Payroll	$1,400		Based on the size of the property, a total cost per year, or a cost per month, is the appropriate manner in which to develop this operating expense estimate. The expense recognizes the renovation and is based on the probable cost if the property were operated as a market rate one.
Marketing	$150		Above historic; market rate properties require a higher cost for marketing.
Reserve	$250		Based on market participant attitudes reflecting the renovation.

The pro forma is below.

Pro Forma Operating Statement					***prospective***
Chester Townhouses - Phase I					***as conventional or unrestricted***
		62 units			***QR 1B***
		% of EGI	Per Unit		Amount
Potential Rental Revenue		105.0%	$12,220		$757,620
Less: Vacancy and Collection Loss @	5.0%	-5.2%	-611		-37,881
Effective Rent		99.7%	11,609		719,739
Plus Other Revenue:					
Other Income		0.3%	32		2,000
Effective Gross Income		**100.0%**	**11,641**		**721,739**
Less: Operating Expenses					
Real Estate Taxes		8.0%	931		57,750
Insurance		6.2%	719		44,550
Repairs and Maintenance		7.3%	855		53,010
General and Administrative		3.2%	375		23,250
Management Fees		5.0%	582		36,087
Utilities					
Electric		1.1%	129	8,000	
Water/Sewer		0.2%	23	1,400	
Total Utilities		1.3%	152		9,400
Payroll		12.0%	1,400		86,800
Marketing		1.3%	150		9,300
Reserve		2.1%	250		15,500
Total Operating Expenses		46.5%	$5,414		$335,647
Net Operating Income		***53.5%***	***$6,227***		***$386,092***

Compiled By: *Pinnacle Appraisals*

Capitalization Rate Discussion

The client is referred to the QR 4 Valuation section, where an extensive analysis and derivation of the appropriate overall rate can be found. The [QR 4 Valuation] section develops the appropriate overall rate for the property as if it were a conventional, unrestricted one in a current, rather than prospective, time frame.

Often, market participants will increase, or "load", an overall rate that is being used to value a given prospective net operating income, recognizing that there is some risk due to time. (There should be no load for the planned renovation, though; in this sense, the planned renovation is a certainty, it is for this reason that the extraordinary assumption is made.) In this case, though, the prospective date is not too far in the future – and the renovation will increase the economic life of the improvements. So, it is appropriate to use an overall rate that is similar to that used in the QR 4 valuation. The value conclusion is shown below.

Pro Forma Technique Value Conclusion	***QR 1B***
Chester Townhouses - Phase I	***prospective***
	as conventional or unrestricted
Net Operating Income	$386,092
Overall Capitalization Rate	6.50%
Value Conclusion	5,939,878
Rounded To:	***$5,940,000***

Compiled By: *Pinnacle Appraisals*

Cost Approach

As the value developed in the QR 1A valuation is applicable to this [QR 1B] valuation (in both scenarios, the cost approach develops a fee simple interest value), the value presented in that section applies to this valuation as well. This applies to Pinnacle Value 8, the land value, as well.

Reconciliation and Final Value Opinion, QR 1B

The values for QR 1B developed by the approaches are summarized below:

Reconciliation and Final Value Conclusions ***QR 1B***
Chester Townhouses - Phase I

Identified in report	RD Identifier	Valuation date	Date to which valuation applies	Income Capitalization Approach	Sales Comparison Approach	Cost Approach
QR 1B	as conventional or unrestricted	prospective	April 13, 2027	$5,940,000	n/a	$8,400,000

QR x - Quick Reference

Compiled By: *Pinnacle Appraisals*

The income capitalization approach is the primary approach. Therefore, based upon the analyses and conclusions, the concluded value for QR 1B is shown below:

Value Conclusion	Date of Value	Value
QR 1B - as conventional or unrestricted	April 13, 2027	***$5,940,000***

QR (Quick Reference) 3

The income capitalization approach is used.

Income Capitalization Approach

The income capitalization approach to value opinion is based on the economic principle of anticipation--that the value of an income producing property is the present value of anticipated future net benefits. Other appraisal principles and concepts upon which this approach is based include supply and demand, change, substitution, and externalities.

Net operating income projections (future net benefits) are translated into a present value indication using a capitalization process. In this appraisal, a pro forma technique is explicitly used. More specifically, the capitalization process steps in the pro forma technique are as follows:

- The effective gross revenue is projected by the rents on the units less an allowance for vacancy, plus other income.
- Operating expenses inherent in the operation of the property are projected.
- The net operating income is derived by deducting the operating expenses from the effective gross revenue.
- The net operating income is then capitalized to obtain an indication of value.

Pro Forma Capitalization

Base Rent Revenue – is based on the current budget.

Chester Townhouses - Phase I ***QR 3***
Base Rent Revenue ***subject to restricted rents***

	Total Units	% of total	Size (sf)	Total sf	Basic Rent Rent/Month	Rent/sf	Monthly	Yearly
1 Bed, 1 Bath Garden	15	24%	600	9,000	$609	$1.02	$9,135	$109,620
1 Bed, 1 Bath Garden	3	5%	678	2,034	$609	0.90	1,827	21,924
2 Bed, 1.5 Bath TH	44	71%	829	36,476	$720	0.87	31,680	380,160
Overall Totals/Averages	***62***	***100%***	***766***	***47,510***	***$688***	***$0.90***	***$42,642***	***$511,704***

Compiled By: *Pinnacle Appraisals*

Vacancy – Stabilized vacancy has been discussed in the Market Area Overview section. It is applied to base rent revenue.

Other Income – Other revenues include laundry income, late/nsf charges, application fees, forfeited deposits, termination/restoration fees and other miscellaneous incomes. Other revenue is estimated at $65/unit. This is a net income line item component, with vacancy inherently considered.

Operating Expenses – are based on historic. The charts below compares historical and the pro forma operating expenses, along with the reasons for the line item operating expense figures.

Pro Forma Operating Expense Estimate & Comparisons (per unit basis) ***QR 3***
Chester Townhouses - Phase I ***subject to restricted rents***

	Year End Historical						Subject
	2022	2023	2024	2025	2026 Budget	Post Rehab Budget	Pro Forma
Real Estate Taxes	754	786	788	826	887	931	$887
Insurance	263	287	363	491	653	719	$653
Repairs and Maintenance	869	1,166	959	1,299	1,123	814	$1,123
General and Administrative	369	490	507	539	532	617	$532
Management Fees	876	960	1,020	1,080	1,080	1,080	$1,080
Utilities							
Electric	109	140	143	123	129	129	$129
Water/Sewer	12	19	14	17	23	23	$23
Total Utilities	121	160	157	139	152	152	$152
Payroll	1,095	1,170	1,180	1,492	1,511	1,511	$1,511
Marketing	2	2	13	0	3	3	$3
Reserve	n/a	n/a	n/a	n/a	n/a	n/a	$698
Total Operating Expenses	4,348	5,021	4,987	5,867	5,941	5,826	$6,639

Note: columns with low, high, average, and median figures may not add to total

Compiled By: *Property Managers; Pinnacle Appraisals*

Chester Townhouses - Phase I ***QR 3***
Operating Expense Estimates ***subject to restricted rents***

Operating Expense	Cost/unit		Discussion
Real Estate Taxes	$887		Based on the current budget.
Insurance	$653		Based on the current budget.
Repairs & Maintenance	$1,123		Based on the current budget.
General & Administrative	$532		Based on the current budget.
Management	$1,080		Based on the current budget.
Utilities	$129	Electric	Based on the current budget.
	$23	Water and sewer	Based on the current budget.
Payroll	$1,511		Based on the current budget.
Marketing	$3		Based on the current budget.
Reserve	$698		Based on the current budget.

The pro forma is below.

Pro Forma Operating Statement				***QR 3***
Chester Townhouses - Phase I				***subject to restricted rents***
			62 units	
		% of EGI	Per Unit	Amount
Potential Rental Revenue		100.2%	$8,253	$511,704
Less: Vacancy and Collection Loss @	1.0%	-1.0%	-81	-5,000
Effective Rent		99.2%	8,173	506,704
Plus Other Revenue:				
Other Income		0.8%	65	4,000
Effective Gross Income		**100.0%**	**8,237**	**510,704**
Less: Operating Expenses				
Real Estate Taxes		10.8%	887	55,000
Insurance		7.9%	653	40,500
Repairs and Maintenance		13.6%	1,123	69,606
General and Administrative		6.5%	532	32,990
Management Fees		13.1%	1,080	66,960
Utilities				
Electric		1.6%	129	
Water/Sewer		0.3%	23	
Total Utilities		1.8%	152	9,400
Payroll		18.3%	1,511	93,675
Marketing		0.0%	3	200
Reserve		8.5%	698	43,300
Total Operating Expenses		80.6%	$6,639	$411,631
Net Operating Income		***19.4%***	***$1,598***	***$99,073***

Compiled By: *Pinnacle Appraisals*

Capitalization Rate Discussion

The client is referred to the QR 4 Valuation section, where an extensive analysis and derivation of the appropriate overall rate can be found. The [QR 4 Valuation] section develops the appropriate overall rate for the property as if it were a conventional, unrestricted one. Consideration as to the safeness of the income stream as a consequence of the RA (rental assistance) nature of the rents should be considered as well.

Attachment 7-A of Chapter 7 of the USDA Rural Development handbook states the following:

> *Use of an overall rate from the conventional market, which reflects conventional financing, is appropriate because all favorable financing will be valued separately from the market value, subject to restricted rents, of the real estate.*

The handbook also notes that there is additional value of RA (rental assistance) to the net operating income stream through reducing the risk of investment by improving the durability of the [rental] income stream (through the assistance of the rent subsidy). The handbook further recognizes that the overall rate can be adjusted downward to account for the reduced risk due to RA.

Attachment 7-A of Chapter 7 of the USDA Rural Development handbook states the following:

When the subject property has RA, the appraisal must include a discussion of the Section 521 Rental Assistance Program, the number of RA units at the subject, and how RA affects the market value, subject to restricted rents, of the property. Rental assistance is a rent subsidy provided to owners of 514/515 projects. The renter of an RA unit is required to pay a tenant contribution toward the approved shelter cost (rent plus tenant-based utilities) of the unit that is equal to no more than 30 percent of his/her income. RA is the portion of the approved shelter cost paid by the Agency to compensate a borrower for the difference between the approved shelter cost and the tenant contribution. RA usually adds value to a 514/515 project in three ways: 1) it guarantees that the scheduled base rate rent for all occupied RA units will be attained; 2)

it usually increases demand for the subject's units and consequently decreases the vacancy rate; and 3) it reduces the risk of investment in the subject project by improving the durability of the income stream. Rental assistance need not be separately valued; the value of RA can be incorporated within the market value, subject to restricted rents. This can be accomplished within the Income Approach by taking into account the three ways that RA increases value, listed above, as follows. 1) Base rate rents should be included as Potential Gross Income (PGI) in the restricted pro forma; 2) a vacancy and collection loss factor that reflects the amount of RA at the property should be included; and 3) a capitalization rate for the subject may be adjusted downward to account for the reduced risk to the investor due to RA.

Based on market participant attitudes and prior experience in the valuation of subsidized properties, overall capitalization rates for properties that have 100% subsidized tenancy typically are ±100 basis points lower than the overall capitalization rates of similar properties than are market rate properties. This is due to market participant attitudes that view the income that is provided by a government funded source to be "safer" than income that is provided from market rate tenants.

When arriving at an opinion of the *Market Value of the fee simple estate, as conventional or unrestricted, subject to the short-term leases as of the date of valuation* a weighted average technique is utilized to arrive at an overall capitalization rate conclusion. The weighted average technique take the relative "safeness" of the income streams attributable to the rental assistance and non-rental assistance units at the property into consideration. The chart below summarizes the technique utilized to arrive at a final overall capitalization rate opinion.

Overall Capitalization Rate Selection ***QR 3***
Chester Townhouses - Phase I ***subject to restricted rents***

Lease Guarantor	# of Units	% of Total	Selected OAR	Weighted Rate
Tenant	8	12.9%	6.50%	0.839%
Rental Assistance	54	87.1%	5.50%	4.790%
Total	62	100.0%		5.629%
			Indicated OAR	***5.63%***

Compiled By: *Pinnacle Appraisals*

Application of the rate to the pro forma net operating income is shown in the chart below.

Pro Forma Technique Value Conclusion ***QR 3***
Chester Townhouses - Phase I ***subject to restricted rents***

Net Operating Income	$99,073
Overall Capitalization Rate	5.63%
Value Conclusion	1,760,036
Rounded To:	***$1,760,000***

Compiled By: *Pinnacle Appraisals*

QR (Quick Reference) 4

Per the Quick Reference of Values to Request document that has been previously cited, this value is premised upon a hypothetical condition as-if conventional housing in compliance with 7 CFR Part 3560.656(c)(1)(i).

The income capitalization approach is primary, the sales comparison approach is used as support.

Income Capitalization Approach

The income capitalization approach to value opinion is based on the economic principle of anticipation--that the value of an income producing property is the present value of anticipated future net benefits. Other appraisal principles and concepts upon which this approach is based include supply and demand, change, substitution, and externalities.

Net operating income projections (future net benefits) are translated into a present value indication using a capitalization process. In this appraisal, a pro forma technique is explicitly used. More specifically, the capitalization process steps in the pro forma technique are as follows:

- The effective gross revenue is estimated by the sum of the market rent conclusions on the units less an allowance for vacancy, plus other income.
- Operating expenses inherent in the operation of the property are projected.
- The net operating income is derived by deducting the operating expenses from the effective gross revenue.
- The net operating income is then capitalized to obtain an indication of value.

Base Rent Revenue – is based on the market rent levels for the units at the subject. The annual market rent is shown in the chart below.

Chester Townhouses - Phase I ***QR 4***
Base Rent Revenue ***as conventional or unrestricted***

	Total Units	% of total	Size (rsf)	Total rsf	Unit Rent /Month	Rent/sf	Monthly	Yearly
1 Bed, 1 Bath Garden	15	24%	600	9,000	$850	$1.42	$12,750	$153,000
1 Bed, 1 Bath Garden	3	5%	678	2,034	$865	1.28	2,595	31,140
2 Bed, 1.5 Bath TH	44	71%	829	36,476	$1,045	1.26	45,980	551,760
Overall Totals/Averages	***62***	***100%***	***766***	***47,510***	***$989***	***1.29***	***$61,325***	***$735,900***

Compiled By: Pinnacle *Appraisals*

Vacancy – Stabilized vacancy has been discussed in the Market Area Overview section. It is applied to base rent revenue.

Other Income – Other revenues include laundry income, late/nsf charges, application fees, forfeited deposits, termination/restoration fees and other miscellaneous incomes. Other revenue is estimated at $65/unit. This is a net income line item component, with vacancy inherently considered.

Operating Expenses – are based on comparable data. **Note: the comparable data is of market-rate operating expense comparables.**

Operating Expense Comparables
Chester Townhouses - Phase I

	1	2	3	4	5
Units	166	56	145	196	16
County	Spartanburg	Anderson	North Charleston	Greenwood	Lancaster
State	SC	SC	SC	SC	SC
Per Unit Basis					
Real Estate Taxes	476	824	2,062	1,107	719
Insurance	416	630	886	938	501
Repairs and Maintenance	793	1,012	1,039	485	1,075
General and Administrative	327	382	541	246	
Management Fees	275	587	426	184	542
Total Utilities	1,039	223	117	744	92
Payroll	1,492	1,332	1,617	1,082	
Marketing	243	69	266	25	
Total	***5,060***	***5,118***	***6,955***	***4,810***	***2,929***

Per Unit Basis				
Category	Minimum	Maximum	Average	Median
Real Estate Taxes	476	2,062	1,037	824
Insurance	416	938	674	630
Repairs and Maintenance	485	1,075	881	1,012
General and Administrative	246	541	374	355
Management Fees	184	587	403	426
Total Utilities	92	1,039	443	223
Payroll	1,082	1,617	1,381	1,412
Marketing	25	266	151	156
Total	***2,929***	***6,955***	***4,974***	***5,060***

Compiled By: *Apartment Management, Pinnacle Appraisals*

Pro Forma Operating Expense Estimate & Comparisons (per unit basis) ***QR 4***
Chester Townhouses - Phase I ***as conventional or unrestricted***

	Pinnacle Appraisal Group Survey										Subject
	Low	High	Avg.	Med.	2022	2023	2024	2025	2026 Budget	Post Rehab Budget	Pro Forma
Real Estate Taxes	476	2,062	1,037	824	754	786	788	826	887	931	$887
Insurance	416	938	674	630	263	287	363	491	653	719	$653
Repairs and Maintenance	485	1,075	881	1,012	869	1,166	959	1,299	1,123	814	$950
General and Administrative	246	541	374	355	369	490	507	539	532	617	$375
Management Fees	184	587	403	426	876	960	1,020	1,080	1,080	1,080	$567
Utilities											
Electric					109	140	143	123	129	129	$129
Water/Sewer					12	19	14	17	23	23	$23
Total Utilities					121	160	157	139	152	152	$152
Payroll	1,082	1,617	1,381	1,412	1,095	1,170	1,180	1,492	1,511	1,511	$1,400
Marketing	25	266	151	156	2	2	13	0	3	3	$150
Reserve	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	$300
Total Operating Expenses	2,929	6,955	4,974	5,060	4,348	5,021	309,199	4,987	5,941	5,826	$5,434

Note: columns with low, high, average, and median figures may not add to total

Source: *Property Managers; Pinnacle Appraisals*

Chester Townhouses - Phase I ***QR 4***
Operating Expense Estimates ***as conventional or unrestricted***

Operating Expense	Cost/unit		Discussion
Real Estate Taxes	$887		Based on the current real estate tax budget.
Insurance	$653		Based on historic with support from market.
Repairs & Maintenance	$950		Below historic; property would not be as well maintained if it were to be operated as a market rate one.
General & Administrative	$375		Below historic; market rate properties have lower general & administrative costs than subsidized properties.
Management	5.0%		Percent of effective gross income rather than fee per occupied door per month.
Utilities	$129	Electric	Based on historic with support from market.
	$23	Water and sewer	Based on historic with support from market.
Payroll	$1,400		Based on the size of the property, a total cost per year, or a cost per month, is the appropriate manner in which to develop this operating expense estimate. The expense is based on the probable cost if the property were operated as a market rate one.
Marketing	$150		Above historic; market rate properties require a higher cost for marketing.
Reserve	$300		Based on market participant attitudes.

The net operating income is estimated by deducting the operating expenses from the effective gross income. The pro forma is shown below.

Pro Forma Operating Statement ***QR 4***
Chester Townhouses - Phase I ***as conventional or unrestricted***

62 units

			% of EGI	Per Unit	Amount
Potential Rental Revenue			104.7%	$11,869	$735,900
Less: Vacancy and Collection Loss @		5.0%	-5.2%	-593	-36,795
Effective Rent			99.4%	11,276	699,105
Plus Other Revenue:					
Other Income			0.6%	65	4,000
Effective Gross Income			**100.0%**	**11,340**	**703,105**
Less: Operating Expenses					
Real Estate Taxes			7.8%	887	55,000
Insurance			5.8%	653	40,500
Repairs and Maintenance			8.4%	950	58,900
General and Administrative			3.3%	375	23,250
Management Fees	@	5.0%	5.0%	567	35,155
Utilities					
Electric			1.1%	129	
Water/Sewer			0.2%	23	
Total Utilities			1.3%	152	9,400
Payroll			12.3%	1,400	86,800
Marketing			1.3%	150	9,300
Reserve			2.6%	300	18,600
Total Operating Expenses			47.9%	$5,434	$336,905
Net Operating Income			***52.1%***	***$5,906***	***$366,200***

Compiled By: *Pinnacle Appraisals*

Capitalization Rate Discussion

Capitalization is the process by which net operating income is converted into a value indication. A capitalization rate is utilized that most accurately represents the risk associated with receiving the property's net operating income. A property that has a "safer" income stream is one that has less risk.

In order to arrive at an appropriate range, emphasis was put on data provided by comparable sales and analysis of financing techniques.

Comparable Sales

The comparable sales utilized in the Sales Comparison Approach section indicate an overall capitalization rate range as shown below. Other data is shown, including the dates of the sales. Overall, the sales properties are comparable in the sense that they are recent sales of apartment complexes in the greater market area.

Comparable Sales ***QR 4***
Overall Capitalization Rates ***as conventional or unrestricted***

	Name/Location	Sale Date	Year Built	Units	Sale Price	Price/Unit	OAR
1	4020 Ohear Ave North Charleston	Dec-24	1967	16	2,000,000	125,000	6.86%
2	1111 Melvin Dr Hanahan	Jul-25	1982	19	2,760,000	145,263	6.35%
3	4345 Leslie St North Charleston	Jun-23	1973, R-2019	10	1,450,000	145,000	6.75%
4	Walnut Ridge Easley	Jun-24	2023	24	3,760,000	156,667	6.52%
5	100 Lynn Cir Easley	Jul-25	1974	14	1,190,000	85,000	6.50%
	Average, Median, Range		***6.60%***	***6.52%***		***6.35% - 6.86%***	

Source: *Pinnacle Appraisals*

A number of differences between the properties and the specifics of transaction, however, make correlation to a specific rate within the range problematic.

Final consideration of an appropriate rate is through an analysis of lender requirements. After all, properties such as the subject are usually transferred only after financing has been arranged. The debt coverage ratio technique calculates an overall rate by multiplying the mortgage constant by the loan-to-value ratio and then by the debt coverage figure.

Financing Techniques

Debt Coverage Ratio

The debt coverage ratio technique places emphasis on lender requirements while inherently providing for a reasonable equity return. Rather than developing an explicit equity dividend, the equity position is left with a residual dividend return. This has good applicability for properties such as the subject.

Interviews were taken of individuals that are knowledgeable with rural development properties. The financing terms provided during the interview are shown below.

- Barron Lane indicated the following financing terms: Interest rates ranging from 7.5% to 8.0%, 30 year amortization term, loan to value range of 70% to 75%, debt coverage ratio range of 1.20x to 1.25x, and an equity constant of 6.0%.

- Hamilton Valley Management indicated the following financing terms: Interest rates ranging from 7.0% to 7.5%, 30 year amortization term, loan to value range of 70% to 75%, debt coverage ratio range of 1.20x to 1.25x, and an equity constant of 6.0%.

Using current parameters from data from sources (Barron Lane and Hamilton Valley) development of the overall rate can be seen in the following chart.

Overall Rate Derivation
Debt Coverage Ratio Technique

Mtg. Rate	Term of Mtg.	Mtg. Constant	Loan to Value	DCR	OAR
7.50%	30	0.0839	70.0%	1.25	7.34%
7.50%	30	0.0839	75.0%	1.20	7.55%
7.75%	30	0.0860	70.0%	1.25	7.52%
7.75%	30	0.0860	75.0%	1.20	7.74%
8.00%	30	0.0881	70.0%	1.25	7.70%
8.00%	30	0.0881	75.0%	1.20	7.92%
			rounded to	***7.3%***	***- 7.9%***

Compiled By: *Pinnacle Appraisals*

Band of Investment

There are two primary components utilized in the band of investment technique. These are the debt and equity components. Both are explicitly developed. A weighted average, which combines these two components, is used to capitalize the net operating income. The strength of the band of investment is that it has long been used by real estate market participants in developing an overall rate. The band of investment technique quantifies the appropriate overall rate as follows:

Overall Rate Derivation
Band of Investment Technique

Interest Rate	Amort.				Constant		Weighted Average
7.50%	30	70%	(loan to value)	x	0.0839	=	5.873%
		30%	(equity to value)	x	6.0%	=	1.800%
					Overall Rate	=	7.673%
					Rounded To:		*7.7%*

Compiled By: *Market Participants*

Conclusion

The weakness in the rates indicated by the comparable sales is that the figures are historic, and the comparable sales are not overly comparable. From a market condition (economic) perspective, the sales are somewhat dated. (On the other hand, the absence of an explicit market condition adjustment suggests that the market conditions/time period during which these properties sold is similar to the value date appropriate for the subject.) It is the location and physical attributes of these sales that are most dissimilar to the subject. The overall rates from the comparable sales are also suspect to relatively wide fluctuations when relatively minor changes are made (as an example, a change to the net operating income of only $1,000 on a $1,000,000 sale impacts the overall rate by 10 basis points). For these reasons, the "weighting" of the sales when developing the conclusion regarding the appropriate capitalization rate is not significant.

The strength in the debt coverage and the band of investment techniques, is that they are based on real participants and real mortgage rates. Of the two, the debt coverage ratio technique has fewer "moving parts" – all of the inputs are objective. (By contrast, while the band of investment technique may be more familiar to market participants, the explicit estimate of the equity to value figure is, when all is said and done, wildly subjective as it represents a single year (Year One) cash on cash return to the equity. For this reason, of the two financing techniques used to develop the overall rate, the debt coverage ratio technique develops the most objective overall rate indicator.

In the final analysis, it must be recognized that market participants do have differing views on the relative strengths of each of the tools used to develop the appropriate overall rate. It must also be recognized that an appraisal reflects market participant attitudes. For this reason, an overall rate that lies within the range developed from the financing techniques and the comparable sales data is reasonable. Application of the selected rate to the pro forma net operating income is shown in the chart below.

Pro Forma Technique Value Conclusion ***QR 4***
Chester Townhouses - Phase I ***as conventional or unrestricted***

Net Operating Income	$366,200
Overall Capitalization Rate	6.50%
Value Conclusion	5,633,842
Rounded To:	***$5,630,000***

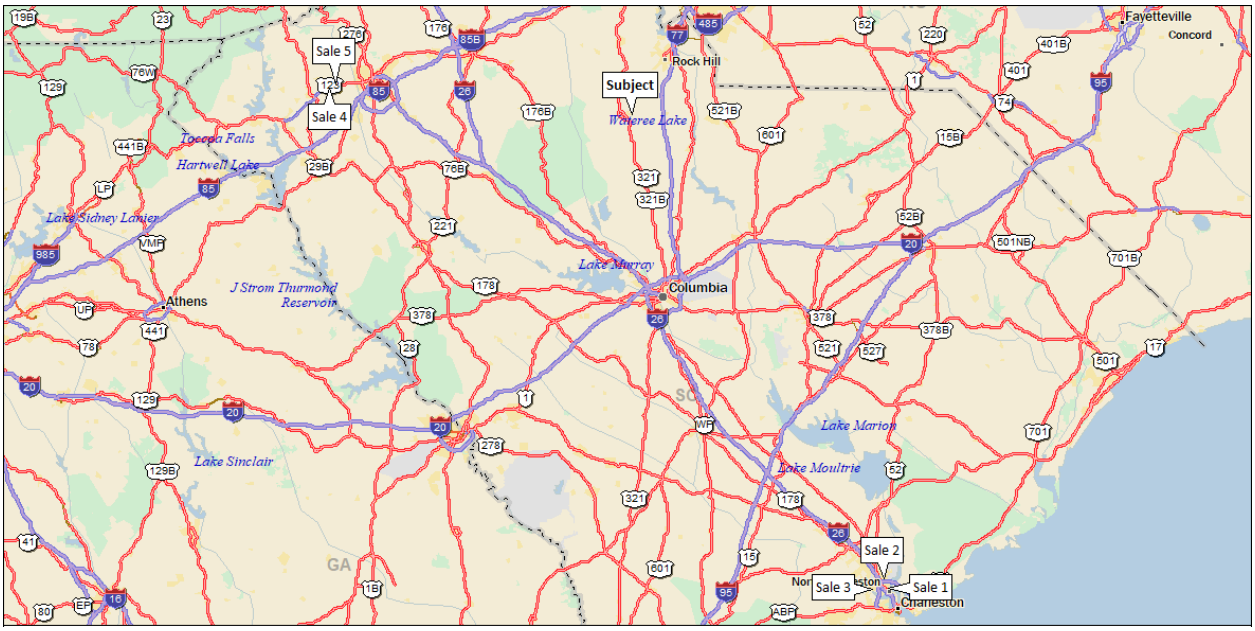
Compiled By: *Pinnacle Appraisals*

Sales Comparison Approach

The sales comparison approach is based upon the theory that an informed purchaser will pay no more for a property than the cost of acquiring an equally desirable substitute property. The principle of substitution confirms that the maximum value of a property is set by the cost of acquisition of an equally desirable and valuable substitute property, assuming that substitution can be made without costly delay. Other appraisal principles and concepts relating to the approach include supply and demand, balance, and externalities.

In order to obtain an indication of value from the sales comparison approach, recent sales of similar properties have been analyzed and the sales prices adjusted to reflect dissimilarities between these properties and the subject. From these sales prices an indication of market value for the subject has been developed.

The accuracy of this approach relies upon the similarities, or lack thereof, between the sales properties and the subject. The greater the differences, the more subjective this valuation technique becomes. While the research uncovered several comparables that share similar attributes with the subject, dissimilarities do exist. The map below locates the comparable sales that were utilized. A detailed write up page and photograph of each sale can be found after the map.



Sale Comparable 1

General Data

Property Address:	4021 Ohear Ave
City:	North Charleston
County:	Charleston
MSA:	Charleston
State:	SC
Zip:	29405
Renter Segmentation:	General
Rent Structure:	Market Rate



Sale and Economic Data

			Total	Per Unit	Per rsf	% of EGI
Sale Price:	$2,000,000					
Sale Price/unit:	$125,000	Net Operating Income:	137,200	8,575	6.52	100.0%
Sale Price/rsf:	$95.11	Overall rate:	6.86%			
Sale Date:	12/5/2024					
Buyer (Grantee):	4020 N Charleston LLC					
Seller (Grantor):	E And H Holdings LLC					

Physical Data

Year Built:	1967
Units:	16
Rentable Size (rsf):	21,028
Site Size (acres):	0.870
Density (units/acre):	29.9
Floors:	2
Property Design:	Walk Up
Exterior:	Brick

Landlord Paid Utilities

N Cable	N Sewer
N Electric	N Trash
N Gas	N Water

Tenant Paid Utilities

Y Cable	Y Sewer
Y Electric	Y Trash
Y Gas	Y Water

Unit Amenities

Y Refrigerator	N Fireplace
Y Range	N Balcony/Patio
Y Microwave	N Att. Garage
Y Dishwasher	N Carport
Y Garbage Disposal	N Ceiling Fans
Y Air Conditioning	N Cov. Sotrage
N Washer/Dryer	N Vaulted Ceilings
N W/D Hookups	N Security Systems

Complex Amenities

N Pool	Y Laundry
N Clubhouse	N Det. Garages
N Tennis	N Cov. Storage
N Jacuzzi	N Pet Park
N Fit. Center	N Car Wash
N Lake	N Elevators
N Gated	N Playground
N Bus. Center	N Grill/Picnic Area

Other Comments

The property is on the east side of Ohear Avenue about 1 mile east of I-26 and less than 2 miles south of I-526 about 6 miles northwest of downtown Charleston.

Sale Comparable 2

General Data

Property Address:	1111 Melvin Dr
City:	Hanahan
County:	Berkeley
MSA:	Charleston
State:	SC
Zip:	29410
Renter Segmentation:	General
Rent Structure:	Market Rate



Sale and Economic Data

			Total	Per Unit	Per rsf	% of EGI
Sale Price:	$2,760,000					
Sale Price/unit:	$145,263	Net Operating Income:	175,260	9,224	9.74	100.0%
Sale Price/rsf:	$153.33	Overall rate:	6.35%			
Sale Date:	7/7/2025					
Buyer (Grantee):	C & J & J 01 Holdings LLC					
Seller (Grantor):	Melvin Apartments Equity Investor LLC					

Physical Data

Year Built:	1982
Units:	19
Rentable Size (rsf):	18,000
Site Size (acres):	0.890
Density (units/acre):	29.2
Floors:	1
Property Design:	Single Story
Exterior:	Siding

Landlord Paid Utilities

N Cable	N Sewer
N Electric	N Trash
N Gas	N Water

Tenant Paid Utilities

Y Cable	Y Sewer
Y Electric	Y Trash
Y Gas	Y Water

Unit Amenities

Y Refrigerator	N Fireplace
Y Range	Y Balcony/Patio
N Microwave	N Att. Garage
N Dishwasher	N Carport
N Garbage Disposal	N Ceiling Fans
Y Air Conditioning	N Cov. Sotrage
N Washer/Dryer	N Vaulted Ceilings
N W/D Hookups	N Security Systems

Complex Amenities

N Pool	Y Laundry
N Clubhouse	N Det. Garages
N Tennis	N Cov. Storage
N Jacuzzi	N Pet Park
N Fit. Center	N Car Wash
N Lake	N Elevators
N Gated	N Playground
N Bus. Center	N Grill/Picnic Area

Other Comments

The property is on the south side of Melvin Drive about 1.5 miles northeast of I-26/I-I-526 interchange and less than 7 miles northwest of downtown Charleston.

Sale Comparable 3

General Data

Property Address:	4345 Leslie St
City:	North Charleston
County:	Charleston
MSA:	Charleston
State:	SC
Zip:	29418
Renter Segmentation:	General
Rent Structure:	Market Rate



Sale and Economic Data

			Total	Per Unit	Per rsf	% of EGI
Sale Price:	$1,450,000					
Sale Price/unit:	$145,000	Net Operating Income:	97,875	9,788	10.96	100.0%
Sale Price/rsf:	$162.41	Overall rate:	6.75%			
Sale Date:	6/9/2023					
Buyer (Grantee):	Greg S. Hart					
Seller (Grantor):	Red Planet Properties LLC					

Physical Data

Year Built:	1973, R-2019
Units:	10
Rentable Size (rsf):	8,928
Site Size (acres):	1.220
Density (units/acre):	21.3
Floors:	1
Property Design:	Single Story
Exterior:	Brick

Landlord Paid Utilities

N Cable	N Sewer
N Electric	N Trash
N Gas	N Water

Tenant Paid Utilities

Y Cable	Y Sewer
Y Electric	Y Trash
Y Gas	Y Water

Unit Amenities

Y Refrigerator	N Fireplace
Y Range	Y Balcony/Patio
N Microwave	N Att. Garage
N Dishwasher	N Carport
N Garbage Disposal	Y Ceiling Fans
Y Air Conditioning	N Cov. Sotrage
N Washer/Dryer	N Vaulted Ceilings
N W/D Hookups	N Security Systems

Complex Amenities

N Pool	Y Laundry
N Clubhouse	N Det. Garages
N Tennis	N Cov. Storage
N Jacuzzi	N Pet Park
N Fit. Center	N Car Wash
N Lake	N Elevators
N Gated	N Playground
N Bus. Center	N Grill/Picnic Area

Other Comments

The property is on the south side of Leslie Street about 2 miles southwest of I-26/I-I-526 interchange and about 8.5 miles northwest of downtown Charleston.

Sale Comparable 4

General Data

Property Name:	Walnut Ridge
Property Address:	202 Walnut Hill Dr
City:	Easley
County:	Pickens
MSA:	Greenville/Spartanburg
State:	SC
Zip:	29642
Renter Segmentation:	General
Rent Structure:	Market Rate



Sale and Economic Data

			Total	Per Unit	Per rsf	% of EGI
Sale Price:	$3,760,000					
Sale Price/unit:	$156,667	Net Operating Income:	245,152	10,215	10.32	100.0%
Sale Price/rsf:	$158.25	Overall rate:	6.52%			
Sale Date:	6/28/2024					
Buyer (Grantee):	White Horse Plaza LLC					
Seller (Grantor):	JTS Development LLC					

Physical Data

Year Built:	2023
Units:	24
Rentable Size (rsf):	23,760
Site Size (acres):	0.490
Density (units/acre):	53.1
Floors:	2
Property Design:	Walk Up
Exterior:	Siding

Landlord Paid Utilities

N Cable	N Sewer
N Electric	N Trash
N Gas	N Water

Tenant Paid Utilities

Y Cable	Y Sewer
Y Electric	Y Trash
Y Gas	Y Water

Unit Amenities

Y Refrigerator	N Fireplace
Y Range	N Balcony/Patio
N Microwave	N Att. Garage
Y Dishwasher	N Carport
Y Garbage Disposal	Y Ceiling Fans
Y Air Conditioning	N Cov. Sotrage
N Washer/Dryer	N Vaulted Ceilings
Y W/D Hookups	N Security Systems

Complex Amenities

N Pool	N Laundry
N Clubhouse	N Det. Garages
N Tennis	N Cov. Storage
N Jacuzzi	N Pet Park
N Fit. Center	N Car Wash
N Lake	N Elevators
N Gated	N Playground
N Bus. Center	N Grill/Picnic Area

Other Comments

The property is on the south side of Walnut Hill Drive about 1/2 mile south of US 123 and 12 miles souhtwest of downown Greenville.

Sale Comparable 5

General Data

Property Address:	101 Lynn Cir
City:	Easley
County:	Pickens
MSA:	Greenville/Spartanburg
State:	SC
Zip:	29640
Renter Segmentation:	General
Rent Structure:	Market Rate



Sale and Economic Data

			Total	Per Unit	Per rsf	% of EGI
Sale Price:	$1,190,000					
Sale Price/unit:	$85,000	Net Operating Income:	77,350	5,525	4.93	100.0%
Sale Price/rsf:	$75.89	Overall rate:	6.50%			
Sale Date:	7/7/2025					
Buyer (Grantee):	Elm St Properties LLC					
Seller (Grantor):	Jack Lynnwood LLC					

Physical Data

Year Built:	1974
Units:	14
Rentable Size (rsf):	15,680
Site Size (acres):	0.760
Density (units/acre):	34.2
Floors:	2
Property Design:	Walk Up
Exterior:	Brick

Landlord Paid Utilities

N Cable	N Sewer
N Electric	N Trash
N Gas	N Water

Tenant Paid Utilities

Y Cable	Y Sewer
Y Electric	Y Trash
Y Gas	Y Water

Unit Amenities

Y Refrigerator	N Fireplace
Y Range	Y Balcony/Patio
N Microwave	N Att. Garage
Y Dishwasher	N Carport
Y Garbage Disposal	Y Ceiling Fans
Y Air Conditioning	N Cov. Sotrage
N Washer/Dryer	N Vaulted Ceilings
Y W/D Hookups	N Security Systems

Complex Amenities

N Pool	N Laundry
N Clubhouse	N Det. Garages
N Tennis	N Cov. Storage
N Jacuzzi	N Pet Park
N Fit. Center	N Car Wash
N Lake	N Elevators
N Gated	N Playground
N Bus. Center	N Grill/Picnic Area

Other Comments

The property is on the northeast corner of Saco Lowell Road and Lynn Cirle and 10 miles west of downown Greenville.

Comparable Sales Data

The sales that were utilized to develop the value of the subject are detailed in the chart that follows. The sale price per unit of comparison is used to develop the value of the subject. To arrive at a value conclusion, the comparables are adjusted for dissimilarities to the subject with respect to property rights conveyed, financing terms, conditions of sale, date of sale, location, physical and economic attributes. Adjustments are made based on a comparison with one another as well as the appraisers' knowledge about the sales as they relate to the subject. The chart also notes the adjustments.

Chester Townhouses - Phase I ***QR 4***
Improved Sales ***as conventional or unrestricted***

Sale	**Subject**	**1**	**2**	**3**	**4**	**5**
Name	Chester Townhouses - Phase I				Walnut Ridge	
Location	628 Lancaster Hwy	4021 Ohear Ave	1111 Melvin Dr	4345 Leslie St	202 Walnut Hill Dr	101 Lynn Cir
City or Township	Chester	North Charleston	Hanahan	North Charleston	Easley	Easley
County	Chester	Charleston	Berkeley	Charleston	Pickens	Pickens
MSA	Charlotte-Concord-Gastonia MSA	Charleston	Charleston	Charleston	Greenville/Spartanburg	Greenville/Spartanburg
Date of Sale		December-24	July-25	June-23	June-24	July-25
Sale Price		$2,000,000	$2,760,000	$1,450,000	$3,760,000	$1,190,000
Building Size (units)	62	16	19	10	24	14
Building Size (inc. community)	47,510	21,028	18,000	8,928	23,760	15,680
Sale Price/Unit		$125,000	$145,263	$145,000	$156,667	$85,000
Sale Price/sf		$95.11	$153.33	$162.41	$158.25	$75.89
Year Built	1980, R-2006	1967	1982	1973, R-2019	2023	1974
Site Size	5.100	0.870	0.890	1.220	0.490	0.760
Coverage	21%	55%	46%	17%	111%	47%
Average Unit Size (sf)	766	1,314	947	893	990	1,120
Units per Acre	12.2	18.4	21.3	8.2	49.0	18.4
NOI/unit	$5,906	$8,575	$9,224	$9,788	$10,215	$5,525
OAR		6.86%	6.35%	6.75%	6.52%	6.50%
Sale Adjustments						
Property Rights Conveyed	*Fee Simple*	*Similar*	*Similar*	*Similar*	*Similar*	*Similar*
		0%	0%	0%	0%	0%
Financing Terms	*Market*	*Similar*	*Similar*	*Similar*	*Similar*	*Similar*
		0%	0%	0%	0%	0%
Conditions of Sale	*Arm's Length*	*Similar*	*Similar*	*Similar*	*Similar*	*Similar*
		0%	0%	0%	0%	0%
Market Conditions	*Current*	*Similar*	*Similar*	*Similar*	*Similar*	*Similar*
		0%	0%	0%	0%	0%
Total Sale Adjustments		0%	0%	0%	0%	0%
Adjusted Price per Unit		***$125,000***	***$145,263***	***$145,000***	***$156,667***	***$85,000***
Property Adjustments						
Location	628 Lancaster Hwy	4021 Ohear Ave	1111 Melvin Dr	4345 Leslie St	202 Walnut Hill Dr	101 Lynn Cir
	Chester	North Charleston	Hanahan	North Charleston	Easley	Easley
	Chester	Charleston	Berkeley	Charleston	Pickens	Pickens
Median Rent	$972	$1,519	$1,461	$1,519	$1,013	$1,013
Comparison to subject		*Superior*	*Superior*	*Superior*	*Similar*	*Similar*
		-25%	-20%	-25%	0%	0%
Physical						
Avg. Unit Size	766	1,314	947	893	990	1,120
Comparison to subject		*Superior*	*Similar*	*Inferior*	*Similar*	*Superior*
		-25%	0%	5%	0%	-5%
Age	1980, R-2006	1967	1982	1973, R-2019	2023	1974
Quality/Condition	Average	*Below Average*	*Below Average*	*Average-Good*	*Good*	*Below Average*
Comparison to subject		*Inferior*	*Inferior*	*Superior*	*Superior*	*Inferior*
		20%	5%	-5%	-25%	15%
Total Property Adjustments		-30%	-15%	-25%	-25%	10%
Value Indication per Unit		**$87,500**	**$123,474**	**$108,750**	**$117,500**	**$93,500**

Compiled By: *Pinnacle Appraisals*

As shown, no sale adjustments are indicated as appropriate for property rights conveyed, financing terms, conditions of sale, and market conditions, as they are considered to be the same as the subject. With respect to property adjustments, all location, physical, and economic attributes were reviewed – the analysis of each comparable sale is below.

4020 Ohear Avenue (Comparable 1) - The comparable has a superior (better) general location at the time of sale when compared to the subject, and the comparable is adjusted downward. On average, the unit size at the comparable is larger, which is considered to be a superior attribute, as compared to the average unit size at the subject, and the comparable is adjusted downward. At the time of sale, the general physical aspects of the comparable (such as age and quality/condition attributes) were inferior to the subject due to its older age and below average condition. An upward adjustment is made. Combined, the adjustments total -30%. A value of $87,500/unit is indicated by this comparable.

1111 Melvin Drive (Comparable 2) - The comparable has a superior (better) general location at the time of sale when compared to the subject, and the comparable is adjusted downward. At the time of sale, the general physical aspects of the comparable (such as age and quality/condition attributes) were inferior to the subject due to its below average condition. An upward adjustment is made. Combined, the adjustments total -15%. A value of $123,474/unit is indicated by this comparable.

4345 Leslie Street (Comparable 3) - The comparable has a superior (better) general location at the time of sale when compared to the subject, and the comparable is adjusted downward. On average, the unit size at the comparable is smaller, which is considered to be an inferior attribute, as compared to the average unit size at the subject, and the comparable is adjusted upward. At the time of sale, the general physical aspects of the comparable (such as age and quality/condition attributes) were superior to the subject due to its average to good condition. A downward adjustment is made. Combined, the adjustments total -25%. A value of $108,750/unit is indicated by this comparable.

Walnut Ridge (Comparable 4) - At the time of sale, the general physical aspects of the comparable (such as age and quality/condition attributes) were superior to the subject due to its newer age and good condition. A downward adjustment is made. Combined, the adjustments total -25%. A value of $117,500/unit is indicated by this comparable.

100 Lynn Circle (Comparable 5) - On average, the unit size at the comparable is larger, which is considered to be a superior attribute, as compared to the average unit size at the subject, and the comparable is adjusted downward. At the time of sale, the general physical aspects of the comparable (such as age and quality/condition attributes) were inferior to the subject due to its older age and below average condition. An upward adjustment is made. Combined, the adjustments total 10%. A value of $93,500/unit is indicated by this comparable.

All of the sales were given credence when determining the value via this approach. This approach is used only as support for the primary approach, and the value conclusion reflects a hypothetical condition. This value indication is concluded to as representative of the property's value as if operated under the hypothetical conventional, market rate scenario. The following summarizes the projections of value via the sales comparison approach.

Sales Comparison Approach Summary			***QR 4***
Chester Townhouses - Phase I		***as conventional or unrestricted***	
Unadjusted Value Range Per Unit	$85,000	-	$156,667
Indicated Value Range (rounded)	$5,300,000	-	$9,700,000
Adjusted Value Range Per Unit	$87,500	-	$123,474
Indicated Value Range (rounded)	$5,400,000	-	$7,700,000
Average, Median (adjusted)	$106,145		$108,750
Indicated Value (rounded)		***$5,800,000***	
Value per Unit		***$93,500 /unit***	

Compiled By: *Pinnacle Appraisals*

Reconciliation and Final Value Opinion, QR 4

The values for QR 4 developed by the approaches are summarized below:

Reconciliation and Final Value Conclusions ***QR 4***
Chester Townhouses - Phase I

Identified in report	RD Identifier	Valuation date	Date to which valuation applies	Income Capitalization Approach	Sales Comparison Approach	Cost Approach
QR 4	as conventional or unrestricted	current	April 13, 2026	$5,630,000	$5,800,000	n/a

QR x - Quick Reference

Compiled By: *Pinnacle Appraisals*

The income capitalization approach is the primary approach, with support from the sales comparison approach. Therefore, based upon the analyses and conclusions, the concluded value for QR 4 is shown below:

Value Conclusion	Date of Value	Value
QR 4 - as conventional or unrestricted	April 13, 2026	***$5,630,000***

Favorable Financing Value Opinion
Pinnacle Value 5

Interest credit is a form of federal assistance available to eligible borrowers that reduces the effective interest rate of a loan. The USDA Rural Housing Service (RHS or RD) offers direct loans with favorable terms for affordable housing in the Rural Rental Housing Program and the Farm Labor Housing Program. The 515 loan falls within this program. In this case, Section 515 permanent loans for new construction and subsequent loans for rehabilitation include interest rates as low as 1 percent. These loans are made at a "note rate" of interest, but a "basic rate" of interest to the borrower is typically 1 percent. A monthly mortgage payment is calculated at the note rate of interest, and the loan is amortized at the note rate of interest, but the borrower's actual mortgage payment is based on the basic rate of 1 percent. The difference between the note rate payment and the basic rate payment is the *interest credit*. The borrower is effectively subsidized with an income stream represented by the monthly *interest credit* that is available for the term of the loan.

In appraisals of Section 515 funded properties, valuation of the *interest credit subsidy* (favorable financing) is part of the assignment when the *market value, subject to restricted rents*, must be concluded. When *interest credit subsidy* is the only favorable financing involved, the security value, on which the loan is based, has two components: 1) the *market value, subject to restricted rents*, of the real estate, and 2) the value of the *interest credit subsidy*.

For the subject, interest credit subsidy values are calculated for the existing Section 515 loan and the subsequent "new" 515 loan (the existing 515 loan that is rewritten with new terms. These calculations are as of the [unrenovated] date of valuation and are summarized in the following chart:

Favorable Financing Valuation
Prospective-New Rates and Terms-Balloon at 30 years
Chester Townhouses - Phase I

Pinnacle Value 5

Existing/Restated 515 Loan

Existing Lender's Terms (market rates)			
New Loan Amount (Principal Balance as of)	April 13, 2027	$720,126	
Market interest rate		7.50%	
Market loan amortization (years)		30	
Market loan amortization (months)		360	
Market monthly mortgage payment		$5,035	
Subsidized Payment (New rates and Terms)			
Loan amount		$720,126	
USDA basic interest rate		1.00%	
RD proposed loan amortization (years)		50	
RD proposed loan amortization (months)		600	
Subsidized monthly mortgage payment		$1,526	
Monthly Savings from Below Market Financing		$3,510	
Term of savings (months)		360	
Market interest rate		7.50%	
Present Value of Subsidy			*$501,930*
Adjustment for Balloon Amortization			
New Loan Amount (Principal Balance as of)	April 13, 2027	$720,126	
RD Proposed Loan Amortization (months)		600	
USDA Note Interest rate (provided by RD)		4.25%	
Monthly payment (fully amortizing)		$2,898	
Market loan amortization (months)		360	
Balloon due at end of loan term		$467,972	
Market interest rate		7.50%	
Present Value of Balloon Payment			*$49,670*
Value of Favorable Financing			*$452,260*
		rounded to	***$452,000***

Existing/Restated 515 Loan

Existing Lender's Terms (market rates)			
New Loan Amount (Principal Balance as of)	April 13, 2027	$519,889	
Market interest rate		7.50%	
Market loan amortization (years)		30	
Market loan amortization (months)		360	
Market monthly mortgage payment		$3,635	
Subsidized Payment (New rates and Terms)			
Loan amount		$519,889	
USDA basic interest rate		1.00%	
RD proposed loan amortization (years)		50	
RD proposed loan amortization (months)		600	
Subsidized monthly mortgage payment		$1,101	
Monthly Savings from Below Market Financing		$2,534	
Term of savings (months)		360	
Market interest rate		7.50%	
Present Value of Subsidy			*$362,364*
Adjustment for Balloon Amortization			
New Loan Amount (Principal Balance as of)	April 13, 2027	$519,889	
RD Proposed Loan Amortization (months)		600	
USDA Note Interest rate (provided by RD)		4.25%	
Monthly payment (fully amortizing)		$2,092	
Market loan amortization (months)		360	
Balloon due at end of loan term		$337,848	
Market interest rate		7.50%	
Present Value of Balloon Payment			*$35,859*
Value of Favorable Financing			*$326,505*
		rounded to	***$327,000***

Compiled By: *USDA; RD; Pinnacle Appraisals*

Favorable Financing Valuation
New Section 538 Loan
Chester Townhouses - Phase I

Pinnacle Value 5
New 538 Loan

Market Rate			
Principal Balance	April 13, 2027	$2,095,000	
Conventional Loan Interest Rate		7.50%	
Term (years)		30	
Conventional Loan Monthly Payment		$14,649	
Section 538 Loan Terms			
Principal Balance		$2,095,000	
Interest Rate		7.00%	
Term (years)		40	
Section 538 Loan Monthly Payment		$13,019	
Monthly Savings from Below Market Financing		$1,630	
Present Value of Monthly Savings			*$233,056*
Less: Adjustment for Remaining Debt Service			
New loan amount (principal balance as of)	April 13, 2027		
Term (months)	480		
Conventional Loan Interest Rate	7.50%		
Monthly payment (fully amortizing)	$13,019		
Debt Service due at end of 30 year loan term	$1,096,781		
Present Value of Remaining Debt Service			*$116,412*
Value of Favorable Financing			*$116,643*
		rounded to	***$117,000***

LIHTC Value Opinion
Pinnacle Value 6

An annual LIHTC (Low Income Housing Tax Credit) is anticipated to be granted for the acquisition and rehabilitation of the subject. The low income housing tax credit will be granted annually over a 10-year term. The tax credits reduce the owner's tax liability. Thus, they have value to the owner. The tax credits can be transferred if the seller guarantees that the transfer will still maintain the LIHTC requirements.

Current LIHTC Market

Not surprising, LIHTC pricing has not remained static. Specific to the subject, there is a contract to purchase the tax credits. This is the best evidence of the appropriate value of the tax credits. Please note, though, that the pricing is subject to change.

Value of Tax Credits

The value of the tax credits is a fairly simple calculation. The value is developed by taking the total tax credits and multiplying them by the appropriate pricing. The value is shown below.

LIHTC Analysis	***Chester Townhouses - Phase I Pinnacle Value 6***		
Contract price per credit	$0.80	per gross credit	
Total Gross Credits	$6,360,000		
Investor Purchase	99.99%		
Period			
Annual Tax Credits			$635,936
Years			10
Total Tax Credits			$6,359,364
Total Pricing			0.80
		Value of Tax Credits	$5,087,491
		rounded	***$5,087,500***

Compiled By: *Pinnacle Appraisals*

Recently, the appraisers have seen pricing on tax credits that have ranged from $0.32 to $1.82 per $1.00. The tax credit pricing shown above is within this range.

Insurable Value Opinion
Pinnacle Value 7

The insurable value opinion is shown below. The insurable value opinion is based on Marshall Valuation Service figures. The reported cost is the opinion to replace the improvements described within this report with improvements of generally similar utility (physical condition, quality, and functionality), under the assumption that the improvements need to be completely replaced for insurance coverage purposes.

A base cost per square foot is developed. The base cost is within the range of similar properties that the appraisers have recently evaluated. A few examples include:

- A 30-unit apartment complex in Fayetteville, West Virginia. It consists of one and two bedroom units with 20,136 sf. The hard cost per square foot was $198.89.
- A 33-unit apartment complex in Logan, West Virginia. It consists of one and two bedroom units with 24,638 sf. The hard cost per square foot was $195.38.
- A 15-unit apartment complex in Columbia, South Carolina. It consists of two and three bedroom units with 19,470 sf. The hard cost per square foot was $242.72.

USDA Rural Development ***Pinnacle Value 7***
Insurable Value Calculation

Property Name				Chester Townhouses - Phase I
Street Address				628 Lancaster Hwy
City, County, State, Zip				Chester, Chester County, South Carolina 29706
Base Cost				
Main Structure/sf				$197.00
Sprinkler/sf				0.00
Other/sf				0.00
Adjustments and/or Multipliers	1.05 current cost		0.93 local cost	0.98
Total Base Cost per square foot				$192.37
Building Area square footage				47,510
Total Replacement Cost New				***$9,139,522***
Exclusions	per sf	percent		
Excavations	$0.00	0.0%		$0
Foundations	6.73	3.5%		319,883
Site Work	0.00	0.0%		0
Site Improvements	0.00	0.0%		0
Architect's Fees	0.00	0.0%		0
Underground Piping	0.00	0.0%		0
Total Exclusions	***$6.73***	***3.5%***		***$319,883***
Inclusions	per unit	units		
Applicance Packages	$750	62		$46,500
Patios/Balconies	$250	62		15,500
Total Inclusions				***$62,000***
Concluded Insurable Value				
Total Replacement Cost New				$9,139,522
Less Total Exclusions				319,883
Plus Total Inclusions				62,000
Concluded Insurable Value				***$8,881,639***

Compiled By: *Marshall Valuation; Pinnacle Appraisals*

Final Value Opinions

The purpose of this assignment is to develop and report a number of opinions of value for Chester Townhouses - Phase I. Based upon the analyses and conclusions contained within this report and subject to the assumptions and limiting conditions contained herein, the value opinions, as of the respective dates of valuation are:

Competitive Rent Comparable Unit Conclusions (CRCU)

		1 Bed, 1 Bath Garden	1 Bed, 1 Bath Garden	2 Bed, 1.5 Bath TH
As-is CRCU	QR 4 rents	$850	$865	$1,045
Prospective (Renovated) CRCU	QR 1B rents	$900	$915	$1,095

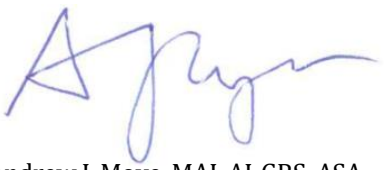
Value Opinions		Date of Value	Value
QR 1A	- Prospective Market Value, Subject to Restricted Rents within 7 CFR Part 3560.752(b)(1)(i)	April 13, 2027	$3,730,000
QR 1B	- Prospective Market Value within 7 CFR Part 3560.752(b)(1)(ii), Premised Upon a Hypothetical Condition As-If Conventional Housing	April 13, 2027	$5,940,000
QR 3	- Market Value within 7 CFR Part 3560.752(b)(1)(ii) - Based on Restricted Rents	April 13, 2026	$1,760,000
QR 4	- Market Value within 7 CFR Part 3560.752(b)(1)(ii), Premised Upon a Hypothetical Condition As-If Unsubsidized Conventional Housing in compliance with 7 CFR Part 3560.656(c)(1)(i)	April 13, 2026	$5,630,000
Pinnacle Value 5	- Favorable Financing Valuation, Prospective-New Rates and Terms-Balloon at 30 years	April 13, 2027	$452,000
Pinnacle Value 5	- Favorable Financing Valuation, Prospective-New Rates and Terms-Balloon at 30 years	April 13, 2027	$327,000
Pinnacle Value 5	- Favorable Financing Valuation (New 538 Loan)	April 13, 2027	$117,000
Pinnacle Value 6	- LIHTC Value (prospective)	April 13, 2027	$5,087,500
Pinnacle Value 7	- Insurable Value (prospective)	April 13, 2027	$8,881,639
Pinnacle Value 8	- Land Value (current)	April 13, 2026	$170,000

Certifications

Andrew J. Moye

The undersigned hereby certifies that, to the best of his knowledge and belief, or as otherwise noted in the report:

- the statements of fact contained in this report are true and correct.
- the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and no personal interest or bias with respect to the parties involved.
- I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- my engagement in this assignment was not contingent upon developing or reporting predetermined results.
- my compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of the stipulated results, or the occurrence of a subsequent event directly related to the intended user of this appraisal.
- my analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice and the Principles of Appraisal Practice and Code of Ethics of the American Society of Appraisers.
- The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, I have completed the continuing education program for Designated Members of the Appraisal Institute.
- I have made a personal inspection of the property that is the subject of this report.
- no one provided significant real property appraisal assistance to the person signing this certification.
- The undersigned hereby certifies that, to the best of my knowledge and belief, the statements of fact contained in this report are true and correct, and this report has been prepared in conformity with the *Principles of Appraisal Practice and Code of Ethics* of the American Society of Appraisers.
- The American Society of Appraisers has a mandatory reaccreditation program for all of its Designated Members. The undersigned is in compliance with that program.



Andrew J. Moye, MAI, AI-GRS, ASA

Kimberly K. Garner

The undersigned hereby certifies that, to the best of her knowledge and belief, or as otherwise noted in the report:

- the statements of fact contained in this report are true and correct.
- the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and no personal interest or bias with respect to the parties involved.
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- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
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- my compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of the stipulated results, or the occurrence of a subsequent event directly related to the intended user of this appraisal.
- my analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- I have made a personal inspection of the property that is the subject of this report.
- no one provided significant real property appraisal assistance to the person signing this certification.



Kimberly K. Garner

Michael P. Burleson

The undersigned hereby certifies that, to the best of her knowledge and belief, or as otherwise noted in the report:

- the statements of fact contained in this report are true and correct.
- the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and no personal interest or bias with respect to the parties involved.
- I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- my engagement in this assignment was not contingent upon developing or reporting predetermined results.
- my compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of the stipulated results, or the occurrence of a subsequent event directly related to the intended user of this appraisal.
- my analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- I have made a personal inspection of the property that is the subject of this report.
- no one provided significant real property appraisal assistance to the person signing this certification.



Michael P. Burleson

STANDARD ASSUMPTIONS AND LIMITING CONDITIONS

1) Notwithstanding that Appraiser may comment on, analyze or assume certain conditions in the appraisal, Pinnacle Appraisals shall have no monetary liability or responsibility for alleged claims or damages pertaining to: (a) title defects, liens or encumbrances affecting the property; (b) the property's compliance with local, state or federal zoning, planning, building, disability access and environmental laws, regulations and standards; (c) building permits and planning approvals for improvements on the property; (d) structural or mechanical soundness or safety; (e) contamination, mold, pollution, storage tanks, animal infestations or other hazardous conditions affecting the property; and (f) other conditions and matters for which licensed real estate appraisers are not customarily deemed to have professional expertise. Accordingly:

a) The Appraiser has not conducted any engineering or architectural surveys in connection with this appraisal assignment. Information reported pertaining to dimensions, sizes, and areas is either based on measurements taken by the Appraiser or the Appraiser's staff or was obtained or taken from referenced sources and is considered reliable. The Appraiser and Pinnacle Appraisals shall not be monetarily liable or responsible for or assume the costs of preparation or arrangement of geotechnical engineering, architectural, or other types of studies, surveys, or inspections that require the expertise of a qualified professional.

b) Unless otherwise stated in the report, only the real property is considered, so no consideration is given to the value of personal property or equipment located on the premises or the costs of moving or relocating such personal property or equipment. Further, unless otherwise stated, it is assumed that there are no subsurface oil, gas or other mineral deposits or subsurface rights of value involved in this appraisal, whether they are gas, liquid, or solid. Further, unless otherwise stated, it is assumed that there are no rights associated with extraction or exploration of such elements considered. Unless otherwise stated it is also assumed that there are no air or development rights of value that may be transferred.

c) Any legal description or plats reported in the appraisal are assumed to be accurate. Any sketches, surveys, plats, photographs, drawings or other exhibits are included only to assist the intended user to better understand and visualize the subject property, the environs, and the competitive data. Pinnacle Appraisals has made no survey of the property and assumes no monetary liability or responsibility in connection with such matters.

d) Title is assumed to be good and marketable, and in fee simple, unless otherwise stated in the report. The property is considered to be free and clear of existing liens, easements, restrictions, and encumbrances, except as stated. Further, Pinnacle Appraisals assumes there are no private deed restrictions affecting the property which would limit the use of the subject property in any way.

e) The appraisal report is based on the premise that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless otherwise stated in the appraisal report; additionally, that all applicable zoning, building, and use regulations and restrictions of all types have been complied with unless otherwise stated in the appraisal report. Further, it is assumed that all required licenses, consents, permits, or other legislative or administrative authority, local, state, federal and/or private entity or organization have been or can be obtained or renewed for any use considered in the value opinion. Moreover, unless otherwise stated herein, it is assumed that there are no encroachments or violations of any zoning or other regulations affecting the subject property, that the utilization of the land and improvements is within the boundaries or property lines of the property described, and that there are no trespasses or encroachments.

f) The American Disabilities Act (ADA) became effective January 26, 1992. The Appraiser has not made a specific compliance survey or analysis of the property to determine whether or not it is in conformity with the various detailed requirements of ADA. It is possible that a compliance survey of the property and a detailed analysis of the requirements of the ADA would reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative impact upon the value of the property. Since the Appraiser has no direct evidence relating to this issue, possible noncompliance with the requirements of ADA was not considered in estimating the value of the property.

g) No monetary liability or responsibility is assumed for conformity to specific governmental requirements, such as fire, building, safety, earthquake, or occupancy codes, except where specific professional or governmental inspections have been completed and reported in the appraisal report.

h) It is assumed the subject property is not adversely affected by the potential of floods; unless otherwise stated herein. Further, it is assumed all water and sewer facilities (existing and proposed) are or will be in good working order and are or will be of sufficient size to adequately serve any proposed buildings.

i) Unless otherwise stated within the appraisal report, the depiction of the physical condition of the improvements described therein is based on visual inspection. No monetary liability or responsibility is assumed for (a) the soundness of structural members since no engineering tests were conducted; (b) the condition of mechanical equipment, plumbing, or electrical components, as complete tests were not made; and (c) hidden, unapparent or masked property conditions or characteristics that were not clearly apparent during the Appraiser's inspection.

j) If building improvements are present on the site, it is assumed that no significant evidence of termite damage or infestation was observed during physical inspection, unless so stated in the appraisal report. Further, unless so stated in the appraisal report, no termite inspection report was available. No monetary liability or responsibility is assumed for hidden damages or infestation.

k) Unless subsoil opinions based upon engineering core borings were furnished, it is assumed there are no subsoil defects present, which would impair development of the land to its maximum permitted use or would render it more or less valuable. No monetary liability or responsibility is assumed for such conditions or for engineering which may be required to discover them.

l) Pinnacle Appraisals is not an expert in determining the presence or absence of hazardous substances, defined as all hazardous or toxic materials, wastes, pollutants or contaminants (including, but not limited to, asbestos, PCB, UFFI, or other raw materials or chemicals) used in construction or otherwise present on the property. Pinnacle Appraisals assumes no monetary liability or responsibility for the studies or analyses which would be required to determine the presence or absence of such substances or for loss as a result of the presence of such substances. Appraiser is not qualified to detect such substances. The Client is urged to retain an expert in this field; however, Client retains such expert at Client's own discretion, and any costs and/or expenses associated with such retention are the responsibility of Client.

m) Pinnacle Appraisals is not an expert in determining the habitat for protected or endangered species, including, but not limited to, animal or plant life (such as bald eagles, gophers, tortoises, etc.) that may be present on the property. Pinnacle Appraisals assumes no monetary liability or responsibility for the studies or analyses which would be required to determine the presence or absence of such species or for loss as a result of the presence of such species. The Appraiser hereby reserves the right to alter, amend, revise, or rescind any of the value opinions contained within the appraisal repot based upon any subsequent endangered species impact studies, research, and investigation that may be provided. However, it is assumed that no environmental impact studies were either requested or made in conjunction with this analysis, unless otherwise stated within the appraisal report.

2) If the Client instructions to the Appraiser were to inspect only the exterior of the improvements in the appraisal process, the physical attributes of the property were observed from the street(s) as of the inspection date of the appraisal. Physical characteristics of the property were obtained from tax assessment records, available plans, if any, descriptive information, and interviewing the client and other knowledgeable persons. It is assumed the interior of the subject property is consistent with the exterior conditions as observed and that other information relied upon is accurate.

3) If provided, the estimated insurable value is included at the request of the Client and has not been performed by a qualified insurance agent or risk management underwriter. This cost estimate should not be solely relied upon for insurable value purposes. The Appraiser is not familiar with the definition of insurable value from the insurance provider, the local governmental underwriting regulations, or the types of insurance coverage available. These factors can impact cost estimates and are beyond the scope of the intended use of this appraisal. The Appraiser is not a cost expert in cost estimating for insurance purposes.

4) The dollar amount of any value opinion herein rendered is based upon the purchasing power and price of the United States Dollar as of the effective date of value. This appraisal is based on market conditions existing as of the date of this appraisal.

5) The value opinions reported herein apply to the entire property. Any proration or division of the total into fractional interests will invalidate the value opinions, unless such proration or division of interests is set forth in the report. Any division of the land and improvement values stated herein is applicable only under the program of utilization shown. These separate valuations are invalidated by any other application.

6) Any projections of income and expenses, including the reversion at time of resale, are not predictions of the future. Rather, they are Pinnacle Appraisals' best estimate of current market thinking of what future trends will be. No warranty or representation is made that such projections will materialize. The real estate market is constantly fluctuating and changing. It is not the task of an appraiser to estimate the conditions of a future real estate market, but rather to reflect what the investment community envisions for the future in terms of expectations of growth in rental rates, expenses, and supply and demand. The forecasts, projections, or operating estimates contained herein are based on current market conditions, anticipated short-term supply and demand factors, and a continued stable economy. These forecasts are, therefore, subject to changes with future conditions.

7) The Appraiser assumes no monetary liability or responsibility for any changes in economic or physical conditions which occur following the effective date of value within this report that would influence or potentially affect the analyses, opinions, or conclusions in the report. Any subsequent changes are beyond the scope of the report.

8) Any proposed or incomplete improvements included in the appraisal report are assumed to be satisfactorily completed in a workmanlike manner or will be thus completed within a reasonable length of time according to plans and specifications submitted.

9) If the appraisal report has been prepared in a so-called "public non-disclosure" state, real estate sales prices and other data, such as rents, prices, and financing, are not a matter of public record. If this is such a "non-disclosure" state, although extensive effort has been expended to verify pertinent data with buyers, sellers, brokers, lenders, lessors, lessees, and other sources considered reliable, it has not always been possible to independently verify all significant facts. In these instances, the Appraiser may have relied on verification obtained and reported by appraisers outside of our office. Also, as necessary, assumptions and adjustments have been made based on comparisons and analyses using data in the report and on interviews with market participants. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.
10) Although the Appraiser has made, insofar as is practical, every effort to verify as factual and true all information and data set forth in this report, no responsibility is assumed for the accuracy of any information furnished the Appraiser either by the Client or others. If for any reason, future investigations should prove any data to be in substantial variance with that presented in this report, the Appraiser reserves the right to alter or change any or all analyses, opinions, or conclusions and/or opinions of value.
11) The right is reserved by the Appraiser to make adjustments to the analyses, opinions, and conclusions set forth in the appraisal report as may be required by consideration of additional or more reliable data that may become available. No change of this report shall be made by anyone other than the Appraiser. The Appraiser shall have no monetary liability or responsibility for any unauthorized change(s) to the report.
12) The submission of the appraisal report constitutes completion of the services authorized and agreed upon. Such appraisal report is submitted on the condition the Client will provide reasonable notice and customary compensation, including expert witness fees, relating to any subsequent required attendance at conferences, depositions, or judicial or administrative proceedings. In the event the Appraiser is subpoenaed for either an appearance or a request to produce documents, a best effort will be made to notify the Client immediately. The Client has the sole responsibility for obtaining a protective order, providing legal instruction not to appear with the appraisal report and related work files, and will answer all questions pertaining to the assignment, the preparation of the report, and the reasoning used to formulate the opinion of value. Unless paid in whole or in part by the party issuing the subpoena or by another party of interest in the matter, the Client is responsible for all unpaid fees resulting from the appearance or production of documents regardless of who orders the work.

ADDENDUM

Appraisal: (noun) the act or process of developing an opinion of value; an opinion of value. (adjective) of or pertaining to appraising and related functions such as appraisal practice or appraisal services.[7]

Appraisal Practice: valuation services performed by an individual acting as an appraiser, including but not limited to appraisal and appraisal review.[7]

Appraisal Review: (noun) the act or process of developing an opinion about the quality of another appraiser's work (i.e., a report, part of a report, a workfile, or some combination of these), that was performed as part of an appraisal or appraisal review assignment, (adjective) of or pertaining to an opinion about the quality of another appraiser's work that was performed as part of an appraisal or appraisal review assignment.[7]

Appraiser: one who is expected to perform valuation services competently and in a manner that is independent, impartial and objective.[7]

Appraiser's Peers: other appraisers who have expertise and competency in a similar type of assignment.[7]

Assessed Value: The value of a property according to the tax rolls in ad valorem taxation; may be higher or lower than market value, or based on an assessment ratio that is a percentage of market value. [1]

Asset:

1. Any item, the rights to which may have economic value, including financial assets (cash or bonds), business interests, intangible assets (copyrights and trademarks), and physical assets (real estate and personal property).
2. In general business usage, something owned by a business and reflected in the owner's business sheet.

Asset: A resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity. [2]

Assignment: a valuation service that is provided by an appraiser as a consequence of an agreement with a client.[7]

Assignment Conditions: Assumptions, extraordinary assumptions, hypothetical conditions, laws and regulation, jurisdictional exceptions, and other conditions that affect the scope of work.[7]

Assignment Elements: Specific information needed to identify the appraisal or appraisal review problem: client and any other intended users, intended use of the appraiser's opinions and conclusions, type and definition of value; effective date of the appraiser's opinions and conclusions; subject of the assignment and its relevant characteristics; and assignment conditions.[7]

Assignment Results: An appraiser's opinions or conclusions, not limited to value, that were developed when performing an appraisal assignment, an appraisal review assignment, or a valuation service other than an appraisal or appraisal review.[7]

Bias: a preference or inclination that precludes an appraiser's impartiality, independence, or objectivity in an assignment.[7]

Business Enterprise: an entity pursuing an economic activity.[7]

Business Equity: the interests, benefits, and rights inherent in the ownership of a business enterprise or a part thereof in any form (including, but not necessarily limited to, capital stock, partnership interests, cooperatives, sole proprietorships, options, and warrants).[7]

Capital Expenditure: Investments of cash (or the creation of liability) to acquire or improve an asset, e.g., land, buildings, building additions, site improvements, machinery, equipment; as distinguished from cash outflows for expense items that are normally considered part of the current period's operations. Also referred to as Cap Ex.[1]

Cash Equivalency Analysis: An analytical process in which the sale price of a transaction with nonmarket financing or financing with unusual conditions or incentives is converted into a price expressed in terms of cash or its equivalent.[1]

Client: the party or parties (i.e., individual, group or entity) who engage an appraiser by employment or contract in a specific assignment, whether directly or through an agent.[7]

Condominium Ownership: A form of fee ownership of separate units or portions of multiunit buildings that provides for formal filing and recording of a divided interest in real estate.[1]

Confidential Information:

1: information that is either:

- Identified by the client as confidential when providing it to a valuer and that is not available from any other source, or
- Classified as confidential or private by applicable law or regulation.

2: Information that is either

- Identified by the client as confidential when providing it to an appraiser and that is not available from any other source; or
- Classified as confidential or private by applicable law or regulation *
- NOTICE: For example, pursuant to the passage of the Gramm-Leach-Bliley Act in November 1999, some public agencies have adopted privacy regulations that affect appraisers. The Federal Trade Commission (FTC) issued two rules. The first rule (16 CFR 313) focuses on the protection of "non-public personal information" provided by consumers to those involved in financial activities "found to be closely related to banking or usual in connection with the transaction of banking." These activities include "appraising real or personal property." The second rule (16 CFR 314) requires appraisers to safeguard customer non-public personal information. Significant liability exists for appraisers should they fail to comply with these FTC rules. [7]

Cost: the actual or estimated amount required to create, reproduce, replace or obtain a property.[7]

Cost Approach: A set of procedures through which a value indication is derived for the fee simple interest in a property by estimating the current cost to construct a reproduction of (or replacement for) the existing structure, including an entrepreneurial incentive, deducting depreciation from the total cost, and adding the estimated land value. Adjustments may then be made to the indicated fee simple value of the subject property to reflect the value of the property interest being appraised. [1]

Credible: worthy of belief.[7]

Deferred Maintenance: Items of wear and tear on a property that should be fixed now to protect the value or income-producing ability of the property, such as a broken window, a dead tree, a leak in the roof, or a faulty roof that must be completely replaced. These items are almost always curable.[1]

Disposition Value: The most probable price that a specified interest in real property should bring under the following conditions: 1) Consummation of a sale within a specific time, which is short than the typical exposure time for such a property in that market. 2) The property is subjected to market conditions prevailing as of the date of valuation. 3) Both the buyer and seller are acting prudently and knowledgeably. 4) The seller is under compulsion to sell. 5) The buyer is typically motivated. 6) Both parties are acting in what they consider to be their best interests. 7) An adequate marketing effort will be made during the exposure time. 8) Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto. 9) The price represents the normal consideration of the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. This definition can also be modified to provide for valuation with specified financing terms. [1]

Economic Life: The period over which improvements to real estate contribute to property value. [1]

Effective Date: the date to which the appraiser's analysis, opinions and conclusions apply, also referred to as date of value.[7]

Effective Gross Income Multiplier (EGIM): The ratio between the sale price (or value) of a property and its effective gross income.[1]

Effective Rent: Total base rent, or minimum rent stipulated in a lease, over the specified lease term minus rent concessions, the rent that is effectively paid by a tenant net of financial concessions provided by a landlord. [1]

Exposure Time: an opinion, based on supporting market data, of the length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at the market value on the effect date of the appraisal.[7]

Extraordinary Assumption: an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions.[7]

Fair Market Value:

1. In nontechnical usage, a term that is equivalent to the contemporary usage of market value.
2. As used in condemnation, litigation, income tax, and property tax situations, a term that is similar in concept to market value but may be defined explicitly by the relevant agency. For example, one definition of *fair market value* provided by the Internal Revenue Service for certain purposes is as follows: The price at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts. The fair market value of a particular item of property includible in the decedent's gross estate is not to be determined by a forced sale price. Nor is the fair market value of an item of property to be determined by the sale price of the item in a market other than that in which such item is most commonly sold to the public, taking into account the location of the item wherever appropriate. (IRS Regulation §20.2031-1) [1]

Fair Share:

1. A share of a fund or deposit that is divided or distributed proportionately.
2. A share of a burden or obligation that is divided proportionately; e.g., a tenant in a multitenant building or development may be required to pay a pro rata share of the building's operating expenses based on the number of square feet the tenant occupies. In a shopping center, the tenant's share of operating costs is often stated as a fraction, with the gross leasable area of the tenant's premises as the numerator and the gross leasable area or gross leased area of the entire shopping center as the denominator.
3. The share of a trade area that a retail facility is likely to capture; assumes that capture is a function of property size as a proportion of the overall inventory of competitive space in the trade area, i.e., that the facility captures a "fair share" of the trade area.[1]

Fair Value:

1. The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. (FASB)
2. The estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties. (This does not apply to valuations for financial reporting.) (IVS).[1]
3. The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.[2]

Feasibility Analysis: a study of the cost benefit relationship of an economic endeavor.[1]

Fee Simple Estate: Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat. [1]

Floor Area Ratio (FAR): The relationship between the above-ground floor area of a building, as described by the zoning or building code, and the area of the plot on which it stands; in planning and zoning, often expressed as a decimal, e.g., a ratio of 2.0 indicates that the permissible floor area of a building is twice the total land area. [1]

Going Concern:

1. An established and operating business having an indefinite future life.
2. An organization with an indefinite life that is sufficiently long that, over time, all currently incomplete transformations [transforming resources from one form to a different, more valuable form] will be completed. [1]

Gross Building Area (GBA):

1. Total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls of the above-grade area. This includes mezzanines and basements if and when typically included in the market area of the type of property involved.
2. Gross leasable area plus all common areas.
3. For residential space, the total area of all floor levels measured from the exterior of the walls and including the super structure and substructure basement; typically does not include garage space. [1]

Highest and Best Use:

1. The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.
2. The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid. (IVS).
3. [The] highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future. (Uniform Appraisal Standards for Federal Land Acquisitions) [1]

Hypothetical Condition: a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.[7]

Income Capitalization Approach: Specific appraisal techniques applied to develop a value indication for a property based on its earning capability and calculated by the capitalization of property income. [1]

Inspection: Personal observation of the exterior or interior of the real estate that is the subject of an assignment performed to identify the property characteristics that are relevant to the assignment, such as amenities, general physical condition, and functional utility. Note that this is not the inspection process performed by a licensed or certified building inspector. [1]

Insurable Value: A type of value for insurance purposes. [1]

Intangible Property (intangible Assets): Nonphysical assets, including but not limited to franchises, trademarks, patents, copyrights, goodwill, equities, securities, and contracts as distinguished from physical assets such as facilities and equipment.[7]

Intended Use: the user(s) of an appraiser's reported appraisal or appraisal review assignment results, as identified by the appraiser based on communication with the client at the time of the assignment.[7]

Intended User: the client and any other party as identified, by name or type, as users of the appraisal or appraisal review report by the appraiser, based on communication with the client at the time of the assignment.[7]

Internal Rate of Return ("IRR"): The annualized yield rate or rate of return on capital that is generated or capable of being generalized within an investment of portfolio over a period of ownership. Alternatively, the indicated return of capital associated with a projected or pro forma income stream. The discount rate that equates the present value of the net cash flows of a project with the present value of the capital investment. It is the rate at which the Net Present Value (NPV) equals zero. The IRR reflects both the return on invested capital and the return of the original investment, which are basic considerations of potential investors. Therefore, deriving the IRR from analysis of market transactions of similar properties having comparable income patterns is a proper method for developing market discount rates for use in valuations to arrive at Market Value. Used in discounted cash flow analysis to find the implied or expected rate of return of the project, the IRR is the rate of return which gives a zero net present value (NPV). See also equity yield rate (YE); financial management rate of return (FMRR); modified internal rate of return (MIRR); yield rate (Y). [1]

Investment Value: 1) The value of a property to a particular investor or class of investors based on the investor's specific requirements. Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market. 2) The value of an asset to the owner or a prospective owner for individual investment or operational objectives. (IVS) [1]

Jurisdictional Exception: an assignment condition established by applicable law or regulation, which precludes an appraiser from complying with a part of USPAP.[7]

Leasehold Interest: The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease. [1]

Leased Fee Interest: The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires.[1]

Liquidation Value: The most probable price that a specified interest in real

property should bring under the following conditions: 1) Consummation of a sale within a short time period; 2) The property is subjected to market conditions prevailing as of the date of valuation; 3) Both the buyer and seller are acting prudently and knowledgeably; 4) The seller is under extreme compulsion to sell; 5) The buyer is typically motivated. 6) Both parties are acting in what they consider to be their best interests. 7) A normal marketing effort is not possible due to the brief exposure time 8) Payment will be made in cash in U.S. dollars or in terms of financial arrangements comparable thereto. 9) The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. This definition can also be modified to provide for valuation with specified financing terms.[1]

Load Factor: A measure of the relationship of common area to useable area and therefore the quality and efficiency of building area layout, with higher load factors indicating a higher percentage of common area to overall rentable space than lower load factors; calculated by subtracting the amount of usable area from the rentable area and then dividing the difference by the usable area: [1]

Load Factor =

$$\frac{\text{(Rentable Area – Useable Area)}}{\text{Usable Area}}$$

Market Value: a type of value stated as an opinion, that presumes the transfer of a property (i.e., a right of ownership or a bundle of such rights), as of a certain date, under specific conditions set forth in the value definition that is identified by the appraiser as applicable in an appraisal.[7]

Market Value "As If Complete" On The Appraisal Date: Market value as if complete on the effective date of the appraisal is an estimate of the market value of a property with all construction, conversion, or rehabilitation hypothetically completed, or under other specified hypothetical conditions as of the date of the appraisal. With regard to properties wherein anticipated market conditions indicate that stabilized occupancy is not likely as of the date of completion, this estimate of value should reflect the market value of the property as if complete and prepared for occupancy by tenants.

Market Value "As Is" On The Appraisal Date: Value As Is -The value of specific ownership rights to an identified parcel of real estate as of the effective date of the appraisal; relates to what physically exists and is legally permissible and excludes all assumptions concerning hypothetical market conditions or possible rezoning. See also effective date; prospective value opinion.

Market Value of the Total Assets of the Business: The market value of the total assets of the business is the market value of all of the tangible and intangible assets of a business as if sold in aggregate as a going concern. This assumes that the business is expected to continue operations well into the future. [4]

Marketing Time: An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal. (Advisory Opinion 7 of the Appraisal Standards Board of The Appraisal Foundation and Statement on Appraisal Standards No. 6, "Reasonable Exposure Time in Real Property Market Value Opinions" address the determination of reasonable exposure and marketing time.). [3]

Mass Appraisal: the process of valuing a universe of properties as of a given date using standard methodology, employing common data and allowing for statistical testing.[7]

Mass Appraisal Model: a mathematical expression of how supply and demand factors interact in a market.[7]

Misleading: intentionally or unintentionally misrepresenting, misstating or concealing relevant facts or conclusions.[7]

Net Lease: A lease in which the landlord passes on all expenses to the tenant. See also lease. [1]

Net Rentable Area (NRA): 1) The area on which rent is computed. 2) The Rentable Area of a floor shall be computed by measuring to the inside finished surface of the dominant portion of the permanent outer building walls, excluding any major vertical penetrations of the floor. No deductions shall be made for columns and projections necessary to the building. Include space such as mechanical room, janitorial room, restrooms, and lobby of the floor.[5]

Penetration Ratio (Rate): The rate at which stores obtain sales from within a trade area or sector relative to the number of potential sales generated; usually applied to existing facilities. Also called: penetration factor.[1]

Personal Inspection: a physical observation performed to assist in identifying relevant property characteristics in a valuation service.[7]

Personal Property: any tangible or intangible article that is subject to ownership and not classified as real property, including identifiable tangible objects that are considered by the general public as being "personal", such as furnishings, artwork, antiques, gems and jewelry, collectibles, machinery and equipment, and intangible property that is created and stored electronically such as plans for installation art, choreography, emails or designs for digital tokens.[7]

Physical Characteristics: attributes of a property that are observable or measurable as a matter of fact, as distinguished from opinions and conclusions, which are the result of some level of analysis or judgement.[7]

Price: the amount asked, offered or paid for a property.[7]

Prospective opinion of value. A value opinion effective as of a specified future date. The term does not define a type of value. Instead it identifies a value opinion as being effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not yet achieved sellout or a stabilized level of long-term occupancy. [1]

Real Estate: an identified parcel or tract of land, including improvements, if any.[7]

Real Property: the interests, benefits and rights inherent in the ownership of real estate.[7]

Reconciliation: A phase of a valuation assignment in which two or more value indications are processed into a value opinion, which may be a range of value, a single point estimate, or a reference to a benchmark value. [1]

Relevant Characteristics: features that may affect a property's value or marketability such as legal, economic or physical characteristics.[7]

Reliable Measurement: [The IAS/IFRS framework requires that] neither an asset nor a liability is recognized in the financial statements unless it has a cost or value that can be measured reliably.[2]

Remaining Economic Life: The estimated period over which existing improvements are expected to contribute eco-nomically to a property; an estimate of the number of years remaining in the economic life of a structure or structural components as of the effective date of the appraisal; used in the economic age-life method of estimating depreciation. [1]

Replacement Cost: The estimated cost to construct, at current prices as of the effective appraisal date, a substitute for the building being appraised, using modern materials and current standards, design, and layout. [1]

Report: any communication, written or oral, of an appraisal or appraisal review that is transmitted to the client or a party authorized by the client upon completion of an assignment.[7]

Retrospective Value Opinion: A value opinion effective as of a specified historical date. The term retrospective does not define a type of value. Instead, it identifies a value opinion as being effective at some specific prior date. Value as of a historical date is frequently sought in connection with property tax appeals, damage models, lease renegotiation, deficiency judgments, estate tax, and condemnation. Inclusion of the type of value with this term is appropriate, e.g., "retrospective market value opinion." [1]

Sales Comparison Approach: The process of deriving a value indication for the subject property by comparing sales of similar properties to the property being appraised, identifying appropriate units of comparison, and making adjustments to the sale prices (or unit prices, as appropriate) of the comparable properties based on relevant, market-derived elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered as though vacant when an adequate supply of

comparable sales is available. [1]

Scope of Work: the type and extent of research and analyses in an appraisal or appraisal review assignment.[7]

Signature: personalized evidence indicating authentication of the work performed by the appraiser and the acceptance of the responsibility for content, analyses and the conclusions in the report.[7]

Stabilized value: A value opinion that excludes from consideration any abnormal relationship between supply and demand such as is experienced in boom periods when cost and sale price may exceed the long-term value, or during periods of depression, when cost and sale price may fall short of long-term value. It is also a value opinion that excludes from consideration any transitory condition that may cause excessive construction costs, e.g., a premium paid due to a temporary shortage of supply.

Substitution: The principle of substitution states that when several similar or commensurate commodities, goods, services are available, the one with the lowest price will attract the greatest demand and widest distribution. This is the primary principle upon which the cost and sales comparison approaches are based. [3]

Total Assets of a Business: Total assets of a business is defined by the Appraisal Institute as "the tangible property (real property and personal property, including inventory and furniture, fixtures and equipment) and intangible property (cash, workforce, contracts, name, patents, copyrights, and other residual intangible assets, to include capitalized economic profit)."

Use Value:

The value of a property assuming a specific use, which may or may not be the property's highest and best use on the effective date of the appraisal. Use value may or may not be equal to market value but is different conceptually. [1]

Valuation Service: a service pertaining to an aspect of property value, regardless of the type of service and whether it is performed by appraisers or by others.[7]

Value: the monetary relationship between properties and those who buy and sell, or use those properties, expressed as an opinion of the worth of a property at a given time.[7]

Workfile: data, information and documentation necessary to support the appraiser's opinions and conclusions and to show compliance with USPAP.[7]

[1]Appraisal Institute, *The Dictionary of Real Estate Appraisal, 6*th ed. (Chicago: Appraisal Institute 2010). [2]Appraisal Institute, *International Financial Reporting Standards for Real Property Appraiser, IFRS Website, www.ifrs-ebooks.com/index.html*. [3]Appraisal Institute, *The Appraisal of Real Estate,* 13th ed. (Chicago: Appraisal Institute 2008). [4] This definition is taken from "Allocation of Business Assets Into Tangible and Intangible Components: A New Lexicon," Journal of Real Estate Appraisal, January 2002, Volume LXX, Number 1. This terminology is to replace former phrases such as: value of the going concern. [5]Financial Publishing Company, *The Real Estate Dictionary*, 7 ed. [6] U.S. Treasury Regulations. [7]USPAP 2020-2021

SUBJECT PHOTOGRAPHS




















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Affordable Rent Roll

Property: Chester Townhouses I (130) Sort by: Unit

As of 5/6/2026

Unit	Unit Type	Sqft	Bed Rms	Tenant	Program	Contract No.	Tran Type	Effective Date	Market Rent	Gross Rent	Contract Rent	RD Basic Rent	Subsidy	Tenant Rent	Utility Allowance	TTP	Utility Reimb.
Chester Townhouses I (130)																	
201	130s1	600	1	Sanders, Bridgett	Rental Assistance(RA)		GR	01/01/26	675	780	609	609	469	140	171	311	0
202	130s2	829	2	Walker, Anyah	Rental Assistance(RA)		GR	01/01/26	786	936	720	720	492	228	216	444	0
203	130s2	829	2	Boyd, Larry	Rental Assistance(RA)		AR	04/01/26	786	936	720	720	405	315	216	531	0
204	130s2	829	2	Pendergrass, Bonquisha	Rental Assistance(RA)		GR	01/01/26	786	936	720	720	729	0	216	207	9
205	130s2	829	2	Smith, Jerri Lynn	Rental Assistance(RA)		AR	01/01/26	786	936	720	720	688	32	216	248	0
206	130s2	829	2	Lott, Brandi	Rental Assistance(RA)		GR	01/01/26	786	936	720	720	483	237	216	453	0
207	130s2	829	2	Mueller, Brittany	Rental Assistance(RA)		GR	01/01/26	786	936	720	720	356	364	216	580	0
208	130s1	600	1	Wade, John	Rental Assistance(RA)		GR	01/01/26	675	780	609	609	533	76	171	247	0
209	130h1	678	1	Melzer, Anne	Rental Assistance(RA)		AR	01/01/26	675	780	609	609	86	523	171	694	0
210	130s2	829	2	Varnadore, Amber	Rental Assistance(RA)		GR	01/01/26	786	936	720	720	206	514	216	730	0
211	130s2	829	2	Worthy, Lakerdia	Rental Assistance(RA)		GR	01/01/26	786	936	720	720	639	81	216	297	0
212	130s2	829	2	Bell, Sonya	Rental Assistance(RA)		GR	01/01/26	786	936	720	720	457	263	216	479	0
213	130s2	829	2	Gladney, A'Jyia	Rental Assistance(RA)		MI	05/06/26	786	936	720	720	578	142	216	358	0
214	130s2	829	2	Beam, Jessica	Rental Assistance(RA)		GR	01/01/26	786	936	720	720	271	449	216	665	0
215	130s2	829	2	Greenwood, Devyn	Rental Assistance(RA)		AR	01/01/26	786	936	720	720	574	146	216	362	0
216	130h1	678	1	O'Neal, Lynda	Rental Assistance(RA)		AR	02/01/26	675	780	609	609	310	299	171	470	0
217	130s1	600	1	Vastag, Laura	HUD Voucher		GR-1	01/01/26	675	780	609	609	556	17	171	188	0
218	130s2	829	2	Chalk Kennedy, Sylvia	HUD Voucher		IR	04/01/26	786	936	720	720	720	0	216	216	0
219	130s2	829	2	Dixon, Sylvia	Rental Assistance(RA)		GR	01/01/26	786	936	720	720	583	137	216	353	0
220	130s2	829	2	McCreary, Denita	Rental Assistance(RA)		GR	01/01/26	786	936	720	720	853	0	216	83	133
221	130s2	829	2	Graham, Tamara	Rental Assistance(RA)		GR	01/01/26	786	936	720	720	599	121	216	337	0
222	130s2	829	2	Glenn, Carla	No Deep Tenant Subsidy		AR	01/01/26	786	936	720	720	0	786	216	1,002	0
223	130s2	829	2	Charles, Joey	Rental Assistance(RA)		GR	01/01/26	786	936	720	720	621	99	216	315	0
224	130s1	600	1	Worthy, Precilla	Rental Assistance(RA)		GR	01/01/26	675	780	609	609	284	325	171	496	0

Affordable Rent Roll

Property: Chester Townhouses I (130) Sort by: Unit

As of 5/6/2026

Unit	Unit Type	Sqft	Bed Rms	Tenant	Program	Contract No.	Tran Type	Effective Date	Market Rent	Gross Rent	Contract Rent	RD Basic Rent	Subsidy	Tenant Rent	Utility Allowance	TTP	Utility Reimb.
Chester Townhouses I (130)																	
225	130s1	600	1	Hill, Sarah	Rental Assistance(RA)		GR	01/01/26	675	780	609	609	497	112	171	283	0
226	130s2	829	2	Jones, Da'Jaina	Rental Assistance(RA)		AR	03/01/26	786	936	720	720	368	352	216	568	0
227	130s2	829	2	Morris, Kelly	Rental Assistance(RA)		GR	01/01/26	786	936	720	720	336	384	216	600	0
228	130s2	829	2	Brown, Veronica	Rental Assistance(RA)		AR	04/01/26	786	936	720	720	705	15	216	231	0
229	130s2	829	2	Hagins, Bria	Rental Assistance(RA)		GR	01/01/26	786	936	720	720	683	37	216	253	0
230	130s1	600	1	Goff, Barbara	Rental Assistance(RA)		GR	01/01/26	675	780	609	609	497	112	171	283	0
231	130h1	678	1	Overbey, Betty	HUD Voucher		GR-1	01/01/26	675	780	609	609	382	191	171	362	0
232	130s2	829	2	Hall, Brenda	Rental Assistance(RA)		AR	02/01/26	786	936	720	720	520	200	216	416	0
233	130s2	829	2	Stacks, Amber	Rental Assistance(RA)		GR	01/01/26	786	936	720	720	261	459	216	675	0
234	130s2	829	2	McCrorey, Jacqueline	Rental Assistance(RA)		GR	01/01/26	786	936	720	720	687	33	216	249	0
235	130s2	829	2	McCray, Shaniya	Rental Assistance(RA)		GR	01/01/26	786	936	720	720	693	27	216	243	0
236	130s1	600	1	Stacks, Brenda	Rental Assistance(RA)		AR	04/01/26	675	780	609	609	392	217	171	388	0
237	130s1	600	1	Curry, Lewis	HUD Voucher		GR-1	01/01/26	675	780	609	609	486	87	171	258	0
238	130s2	829	2	Coleman, Terrika	Rental Assistance(RA)		GR	01/01/26	786	936	720	720	137	583	216	799	0
239	130s2	829	2	Gordon, Erikka	Rental Assistance(RA)		AR	03/01/26	786	936	720	720	556	164	216	380	0
240	130s2	829	2	Carl, Ashley	Rental Assistance(RA)		GR	01/01/26	786	936	720	720	899	0	216	37	179
241	130s2	829	2	Bell, Tonya	Rental Assistance(RA)		GR	01/01/26	786	936	720	720	154	566	216	782	0
242	130s1	600	1	Hill, Alandria	Rental Assistance(RA)		GR	01/01/26	675	780	609	609	645	0	171	135	36
243	130s1	600	1	Sykes, Betty	HUD Voucher		AR	04/01/26	675	780	609	609	533	76	171	247	0
244	130s2	829	2	Worthy, Jamarcus	Rental Assistance(RA)		AR	03/01/26	786	936	720	720	338	382	216	598	0
245	130s2	829	2	Foster, Jeremy	Rental Assistance(RA)		AR	03/01/26	786	936	720	720	194	526	216	742	0
246	130s2	829	2	Houston, Tyrisha	Rental Assistance(RA)		GR	01/01/26	786	936	720	720	876	0	216	60	156
247	130s2	829	2	Foote, Erica	Rental Assistance(RA)		RA	01/01/26	786	936	720	720	13	707	216	923	0
248	130s1	600	1	Feaster, Barbara	Rental Assistance(RA)		GR	01/01/26	675	780	609	609	503	106	171	277	0

Affordable Rent Roll

Property: Chester Townhouses I (130) Sort by: Unit

As of 5/6/2026

Unit	Unit Type	Sqft	Bed Rms	Tenant	Program	Contract No.	Tran Type	Effective Date	Market Rent	Gross Rent	Contract Rent	RD Basic Rent	Subsidy	Tenant Rent	Utility Allowance	TTP	Utility Reimb.
Chester Townhouses I (130)																	
249	130s1	600	1	Colvin, Diane	Rental Assistance(RA)		AR	04/01/26	675	780	609	609	485	124	171	295	0
250	130s2	829	2	Darby, Christine	Rental Assistance(RA)		RA	04/27/26	786	936	720	720	118	602	216	818	0
251	130s2	829	2	Kee, Lorie	Rental Assistance(RA)		AR	03/01/26	786	936	720	720	285	435	216	651	0
252	130s2	829	2	Mobley, Silvia	Rental Assistance(RA)		AR	04/01/26	786	936	720	720	694	26	216	242	0
253	130s2	829	2	Kimbrell, Rayna	Rental Assistance(RA)		GR	01/01/26	786	936	720	720	427	293	216	509	0
254	130s2	829	2	Sims, Carol	Rental Assistance(RA)		AR	01/01/26	786	936	720	720	645	75	216	291	0
255	130s2	829	2	Foote, Shaqariea	HUD Voucher		GR-1	01/01/26	786	936	720	720	429	255	216	471	0
256	130s1	600	1	Gourley, Angela	Rental Assistance(RA)		GR	01/01/26	675	780	609	609	297	312	171	483	0
257	130s1	600	1	Woods, Ruby	Rental Assistance(RA)		GR	01/01/26	675	780	609	609	303	306	171	477	0
258	130s2	829	2	Harris, Quanteka	Rental Assistance(RA)		AR	04/01/26	786	936	720	720	378	342	216	558	0
259	130s2	829	2	VACANT					786	0	395	0	0	0	216	0	0
260	130s2	829	2	CRAWFORD, COURTNEY	Rental Assistance(RA)		GR	01/01/26	786	936	720	720	598	122	216	338	0
261	130s2	829	2	Feaster, Dequiasha	Rental Assistance(RA)		GR	01/01/26	786	936	720	720	828	0	216	108	108
262	130s1	600	1	Wade, Teah	Rental Assistance(RA)		GR	01/01/26	675	780	609	609	388	221	171	392	0
Total :		47,510	106	**Number of Units:**	**62**				46,734	54,288	42,317	41922	28,722	13,743	12,582	25,488	621
Grand Total :		47,510	106	**Total Units:**	**62**				46,734	54,288	42,317		28,722	13,743	12,582	25,488	621

New Chester Townhouses, A Limited Partnership

Financial Statements and Supplementary Information

Years Ended December 31, 2022 and 2021

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Independent Auditor's Report

To the Partners
New Chester Townhouses, A Limited Partnership
Columbia, South Carolina

Opinion
We have audited the accompanying financial statements of New Chester Townhouses, A Limited Partnership (the "Partnership"), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of operations, partners' capital (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Partnership as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Partnership and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Partnership's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance, and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Partnership's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 16-26 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated March 1, 2023, on our consideration of the Partnership's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Partnership's internal control over financial reporting and compliance.

FORVIS, LLP

March 1, 2023
Greenville, South Carolina

NEW CHESTER TOWNHOUSES, A LIMITED PARTNERSHIP
Balance Sheets
December 31, 2022 and 2021

Assets

	2022	2021
Current assets:		
Cash	$ 74,848	$ 65,996
Accounts receivable, tenants	162	2,991
Prepaid expenses	6,767	1,278
Total current assets	81,777	70,265
Restricted deposits and funded reserves:		
Cash, security deposits	10,800	10,600
Cash, escrow	17,485	20,559
Cash, reserve for replacements	177,000	160,870
Cash, operating reserve	93,769	93,760
	299,054	285,789
Rental property, at cost:		
Land	289,034	289,034
Land improvements	108,197	108,197
Buildings and building improvements	1,997,882	1,991,932
Furniture and equipment	16,692	7,292
	2,411,805	2,396,455
Accumulated depreciation	(1,766,622)	(1,738,886)
	645,183	657,569
Total assets	$ 1,026,014	$ 1,013,623

(continued)

NEW CHESTER TOWNHOUSES, A LIMITED PARTNERSHIP

Balance Sheets, (continued)

December 31, 2022 and 2021

Liabilities and Partners' Deficit

	2022	2021
Current liabilities:		
Current maturities of mortgages payable	$ 27,625	$ 26,620
Accounts payable	1,403	656
Accrued expenses	4,508	4,304
Total current liabilities	33,536	31,580
Deposits and prepayment liabilities:		
Prepaid rents	3,065	1,225
Security deposits	10,800	10,600
	13,865	11,825
Long-term liabilities:		
Mortgages payable, net of current maturities	1,498,462	1,525,745
Loan from partners	118,146	118,146
Total long-term liabilities	1,616,608	1,643,891
Total liabilities	1,664,009	1,687,296
Total partners' deficit	(637,995)	(673,673)
Total liabilities and partners' deficit	$ 1,026,014	$ 1,013,623

NEW CHESTER TOWNHOUSES, A LIMITED PARTNERSHIP
Statements of Operations
For the Years Ended December 31, 2022 and 2021

	2022	2021
Revenue:		
Apartments	$ 417,613	$ 404,435
Less tenant allowances	(5,489)	(5,404)
Less Overages	(5,524)	(2,409)
Potential Rental Income	406,600	396,622
Less vacancies	(1,028)	(2,214)
Less concessions	(249)	(100)
Net rental revenue	405,323	394,308
Interest income	172	70
Tenant charges	5,675	6,461
Other	231	374
	411,401	401,213
Expenses and non-operating (income):		
Interest subsidy income	(19,280)	(19,280)
Interest subsidy expense	19,280	19,280
Administrative	120,998	114,623
Maintenance	101,104	96,958
Taxes and insurance	63,000	60,494
Utilities	17,301	14,154
Bad debts	362	95
Depreciation	27,736	114,173
Interest	28,486	29,448
Investor asset management fee	1,000	1,000
Partnership management fee	2,500	2,500
	362,487	433,445
Net income (loss)	$ 48,914	$ (32,232)

See accompanying notes.

NEW CHESTER TOWNHOUSES, A LIMITED PARTNERSHIP

Statements of Partners' Capital (Deficit)

For the Years Ended December 31, 2022 and 2021

	2022	2021
Partners' deficit, beginning	$ (673,673)	$ (628,205)
Net income (loss)	48,914	(32,232)
Distributions	(13,236)	(13,236)
Partners' deficit, ending	$ (637,995)	$ (673,673)

See accompanying notes.

NEW CHESTER TOWNHOUSES, A LIMITED PARTNERSHIP
Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Net income (loss)	$ 48,914	$ (32,232)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Bad debts	362	95
Depreciation	27,736	114,173
Net changes in operating assets and liabilities:		
Increase:		
Accounts receivable, tenants	2,467	(887)
Prepaid expenses	(5,489)	(57)
(Increase) decrease:		
Accounts payable	747	656
Accrued expenses	204	(2,151)
Prepaid rents	1,840	(997)
Tenant security deposits	200	100
Net cash provided by operating activities	76,981	78,700
Cash flows from investing activities:		
Purchase of rental property	(15,350)	(1,330)
Net cash used by investing activities	(15,350)	(1,330)
Cash flows from financing activities:		
Principal payments on mortgages payable	(26,278)	(25,317)
Distributions to partners	(13,236)	(13,236)
Net cash used by financing activities	(39,514)	(38,553)
NET INCREASE IN CASH, RESTRICTED DEPOSITS, AND FUNDED RESERVES	22,117	38,817
CASH, RESTRICTED DEPOSITS AND FUNDED RESERVES, BEGINNING	351,785	312,968
CASH, RESTRICTED DEPOSITS AND FUNDED RESERVES, ENDING	$ 373,902	$ 351,785

Reconciliation of cash, restricted deposits, and funded reserves reported within the balance sheets that sum to the total of the same such amounts shown in the statements of cash flows:

Cash	$ 74,848	$ 65,996
Cash, security deposits	10,800	10,600
Cash, escrow	17,485	20,559
Cash, reserve for replacements	177,000	160,870
Cash, operating reserve	93,769	93,760
Total cash, restricted deposits, and funded reserves	$ 373,902	$ 351,785

NEW CHESTER TOWNHOUSES, A LIMITED PARTNERSHIP
Notes to Financial Statements
December 31, 2022 and 2021

1. Organization and Significant Accounting Policies

Organization - New Chester Townhouses, A Limited Partnership (the "Partnership") was organized to acquire, rehab, own, maintain and operate a 62-unit rental housing project for persons of low and moderate income pursuant to Sections 515(b) and 521 of the Housing Act of 1949, as amended, which provides for interest and rental subsidies. The Partnership is located in the city of Chester, South Carolina. The major activities of the Partnership are governed by the partnership agreement and the USDA Rural Development ("RD"). Annual distributions to the partners are limited by RD to 8% of the borrowers' initial capital investment of $209,200. The partnership agreement provides that the Partnership is to terminate on December 31, 2054 unless terminated earlier in accordance with the terms of the partnership agreement.

In September 2020, the partnership agreement was amended to admit a new general partner, CAHEC Preservation, LLC with a .01% special limited partnership interest and permit the withdrawal of the original special limited partner, WWJ, LLC. Additionally, 35% of the limited partnership interest was transferred from Boston Capital Tax Credit Fund IV, L.P., to CAHEC Preservation, LLC in 2020. The remaining 64.99% limited partnership interest remained with Boston Capital Tax Credit Fund IV, L.P until 2022 when 63.99% was transferred to CAHEC Preservation, LLC and the remaining 1% was transferred to CAHEC Restoration, LLC.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Method of Accounting - The financial statements of the Partnership are prepared on the accrual basis of accounting, and include only those assets, liabilities and results of operations of the partners which relate to the business of the Partnership.

Rental Property - Rental property is recorded at cost. Improvements are capitalized, while expenditures for maintenance and repairs are expensed as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in net loss on the statements of operations. The rental property is depreciated over the estimated service lives under the straight-line method as follows:

Land improvements	15 years
Buildings and building improvements	15 to 30 years
Furniture and equipment	3 to 5 years

Organization and Significant Accounting Policies (continued)

The Partnership reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property including the low income housing tax credits and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of real estate exceeds the fair value of such property. There were no impairment losses recognized in 2022 or 2021.

Income Taxes - Earnings of the Partnership are taxed directly to the partners; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes.

Allocation of Profits, Losses and Distributions - All profits and losses are allocated among the partners in proportion to their respective percentage interest in the Partnership at the end of each calendar year. Distributions are allocated to the individual partner based on a formula in the partnership agreement.

Concentrations of Credit Risk - The Partnership maintains its cash in financial institutions insured by the Federal Deposit Insurance Corporation ("FDIC"). Deposit accounts, at times, may exceed federally insured limits. The Partnership has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Accounts Receivable, Tenants and Bad Debts - Tenant receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Rental Income - Rents are recognized for residential units as they are earned. Advance receipts of rental income are deferred until earned. All leases between the Partnership and tenants of the residential units are operating leases.

Subsequent Event Evaluation - The Partnership evaluated the effect subsequent events would have on the financial statements through March 1, 2023, which is the date the financial statements were available to be issued.

2. Mortgages Payable

On January 1, 2006, the Partnership assumed a fifty year mortgage from Chester Townhouses Phase 1 Apartments, A Limited Partnership that was issued by RD in the amount of $854,209. The mortgage is secured by the rental property. The loan agreement provides for the following:

The interest rate is 5.375% per annum. However, the Partnership signed an interest credit agreement as provided in Section 515 of Title V of the Housing Act of 1949 effective January 1, 2006, with RD which reduces the payments to an amount equivalent to a loan at a 1% interest rate. Any tenant, based on their income level, may be required to pay rents in excess of the basic rental charges approved by RD. This excess rental is required to be paid to RD as additional interest. The monthly mortgage payments are $1,812 plus excess rental income received. During the years ended December 31, 2022 and 2021, total interest expense of the mortgage was $13,584 and $14,010, respectively.

The loan agreement imposes restrictions on cash disbursements, admittance of and distribution to the partners, and prohibits the transfer or encumbrance of title to the property. Additionally, the general partner must maintain a minimum of five percent financial interest in the Partnership. The Partnership was in compliance with these regulations at December 31, 2022.

The mortgage requires the Partnership to use housing for the purpose of housing people eligible for occupancy under Section 515 for a thirty year period beginning January 1, 2006. After thirty years the Partnership can request to repay the mortgage. Also, if at any time it appears to RD that the Partnership may be able to obtain a loan from a responsible cooperative or private credit source at reasonable rates and terms for loans for similar purposes and periods of time, the Partnership must, at RD's request, apply for and accept a loan in sufficient amount to pay this note in full. Upon this refinancing, the rental restrictions by RD would be lifted.

On December 28, 2006, the Partnership obtained a thirty year mortgage issued by RD in the amount of $600,000. The loan is secured by income derived from the property. The loan agreement provides for the following:

Mortgages Payable (continued)

The interest rate is at 5.375% per annum. However, the Partnership signed an interest credit agreement as provided in Section 515 of Title V of the Housing Act of 1949 effective January 1, 2006, with RD which reduces the payments to an amount equivalent to a loan at a 1% interest rate. Any tenant, based on their income level, may be required to pay rents in excess of the basic rental charges approved by RD. This excess rental is required to be paid to RD as additional interest. Principal and interest are payable in 359 regular amortized installments beginning on February 1, 2007. The installments are calculated based on an amortization of fifty years. The monthly mortgage payments are $1,273 plus excess rental income received. If not sooner paid, the final installment of the entire indebtedness is due thirty years from the date of the note. During the years ended December 31, 2022 and 2021, total interest expense of the mortgage was $10,384 and $10,658, respectively.

On December 28, 2006, the Partnership obtained a thirty year mortgage issued by the South Carolina State Housing Finance and Development Authority in the amount of $400,000. The mortgage is secured by the rental property. The loan agreement provides for the following:

The interest rate is two percent (2%) per annum. Principal and interest are payable in 360 equal installments of $1,478 beginning on March 15, 2007. The note may be prepaid in full or part without penalty. The Partnership has not requested to prepay the mortgage as of December 31, 2022. During the years ended December 31, 2022 and 2021, total interest expense of the mortgage was $4,518 and $4,780, respectively.

Principal maturities of the three loans are as follows at December 31, 2022:

2023	$ 27,625
2024	28,676
2025	29,775
2026	30,925
2027	32,129
Thereafter	1,376,957
Total	$ 1,526,087

3. Transactions with Related Parties

Notes with General Partner - The non-interest bearing residual receipt notes are payable to the general partner for reimbursement of construction cost overruns paid by them in the amount of $118,146. The notes are payable upon:

a. Cash flow available in excess of the maximum cumulative amount permitted to be distributed under RD regulations subject to permission of RD.
b. Prior to dissolution, cash available from a capital transaction.
c. Upon dissolution of the Partnership.

Transactions with Related Parties (continued)

Management Fee –During the years ended December 31, 2022 and 2021, the Partnership incurred expenses amounting to $54,312 and $52,824, respectively, paid to CAHEC Management, Inc., an affiliate of CAHEC Preservation, for services rendered in connection with the leasing and operation of the project. The fees for these services equaled $68 and $66 per occupied unit per month during 2022 and 2021, respectively. Effective January 1, 2021, an add-on management fee of $5 per unit per month was paid to CAHEC Management, Inc. As of December 31, 2022 and 2021, $252 and $804, respectively, of management fees remained payable to CAHEC Management, Inc.

Payroll and Related Benefits - During the years ended December 31, 2022 and 2021, the Partnership incurred payroll and related benefits, paid on behalf of the Partnership by the management company, which amounted to approximately $68,000 and $63,000, respectively. As of December 31, 2022 and 2021, there were no payroll or related benefits payable to CAHEC Management, Inc.

Property Insurance - The Partnership purchased its property insurance from Rural Housing Reinsurance Co. International, LTD. An affiliate of the managing member is a minority shareholder in Rural Housing Reinsurance Co. International, LTD. Total fees of $16,366 and $15,330 were paid during 2022 and 2021, respectively. There were no amounts due to Rural Housing Reinsurance Co. International, LTD. as of December 31, 2022 and 2021.

Investor Asset Management Fee - The Partnership is required to pay the investment limited partners, a cumulative, annual investor asset management fee of $1,000, provided that the investor asset management fee shall be subject to RD restrictions related to annual distributions. Investor asset management fees of $1,000 were incurred in 2022 and 2021. There were no investor asset management fees payable at December 31, 2022 or 2021.

Partnership Management Fee - In accordance with the partnership agreement, the Partnership shall pay to the general partner a partnership management fee in the amount of $2,500 from available net cash flow as defined in the partnership agreement. In the event that cash flows are not sufficient to pay the full amount, the unpaid portion shall be accrued and remain payable on a cumulative basis from cash flow in the future after the payment of the investor asset management fee to the limited partner. Partnership management fees of $2,500 were incurred in 2022 and 2021. There was no partnership management fees payable at December 31, 2022 or 2021.

Other Reimbursable Expenses – As of December 31, 2022 and 2021, the company had $375 and $-, respectively, of other reimbursable fees due to CAHEC MM, LLC and has been included in accounts payable.

4. Partners' Equity Contributions

The Partnership has one special limited partner, CAHEC Preservation LLC, and two investment limited partners – CAHEC Preservation, LLC and CAHEC Restoration, LLC. As of December 31, 2022, the special limited partner and the investment limited partners have made equity contributions of $691,528.

5. Operating Reserve

The partnership agreement requires the Partnership to fund an operating reserve account in the initial amount of $90,200 with proceeds from the second and third installments of the limited partner's capital contributions. After the lease-up date, funds in the reserve shall be used to pay the operating costs and expenses of the Partnership to the extent the Partnership's collected gross receipts are insufficient for such purpose. The operating reserve is to be held in an interest-bearing segregated account. The general partner shall give notice to the limited partner of any intended use of the reserve. The limited partner shall have five business days to approve or reject such use, after which time the general partner may assume approval. Any interest earned shall remain within the operating reserve.

An analysis of the reserve for the year ended December 31, 2022 is as follows:

Balance, beginning	$ 93,760
Interest income	9
Balance, ending	$ 93,769

6. Reserve for Replacements

According to the loan agreements with RD, a reserve for replacements account shall be funded annually in the amount of $20,500 until the reserve balance reaches $205,000. All withdrawals from the reserve require approval from RD.

An analysis of the reserve for the year ended December 31, 2022 is as follows:

Balance, beginning	$ 160,870
Funding	43,489
Interest income	147
Withdrawals	(27,506)
Balance, ending	$ 177,000

As of December 31, 2022, the funding of the reserve was in compliance with the loan agreement.

7. Current Vulnerability Due to Certain Concentrations

Concentration in Affordable Housing Market

The Partnership's sole asset is New Chester Townhouses. The Partnership's operations are concentrated in the affordable housing real estate market. In addition, the Partnership operates in a heavily regulated environment. The operations of the Partnership are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, RD and the State Housing Agency. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by RD or the State Housing Agency. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Concentration in Government Funding

The Company received 63% and 64% of gross revenue from RD in the form of rental assistance and interest reduction subsidy payments during the years ended December 31, 2022 and 2021.

NEW CHESTER TOWNHOUSES, A LIMITED PARTNERSHIP
Schedule of Required Supplemental Information
Year Ended December 31, 2022

1. **Management Fee Calculation**

The management fee is based on a fee per unit occupied by tenants during the month.

Per Occupied Unit Management Fee:

Total qualified units (62 x 12 months)	744
Less: Vacancies	-
Total occupied units	744
Fee per unit (effective January 2022)	$ 68
Total occupied unit management fee expenses	$ 50,592

Add-On Management Fee per Unit:

Total qualified units (62 x 12 months)	744
Multiple subsidies add-on (effective January 2022)	$ 5
Total add-on management fee expense	$ 3,720
Management fee expense	$ 54,312

2. **Insurance Disclosure**

The Partnership maintains insurance coverage as follows:

	Deductible	Coverage
Property coverage on buildings	$ 5,000	$ 6,474,023
Comprehensive business liability	$ -	$ 2,000,000
Fidelity	$ 15,000	$ 2,000,000

NEW CHESTER TOWNHOUSES, A LIMITED PARTNERSHIP
Schedule of Required Supplemental Information
Year Ended December 31, 2022

3. Return to Owner

In accordance with the loan agreement, the annual return to owner is as follows:

Maximum return to owner	$ 16,736
Budgeted return to owner	$ 16,736
Return to owner paid:	
Investor asset management fees	$ 1,000
Investment limited partners distribution	10,636
Incentive management fee	2,500
Owner subsidy	2,600
	$ 16,736

4. Schedule of Changes in Rental Property

	Beginning Balance	Additions	Disposals	Ending Balance
Land	$ 289,034	$ -	$ -	$ 289,034
Land improvements	108,197	-	-	108,197
Furniture and equipment	7,292	9,400	-	16,692
Buildings and building improvements	1,991,932	5,950	-	1,997,882
Total rental property	$ 2,396,455	$ 15,350	$ -	$ 2,411,805
Accumulated depreciation				
Land improvements	$ (108,197)	$ -	$ -	$ (108,197)
Furniture and equipment	(5,293)	(973)	-	(6,266)
Buildings and building improvements	(1,625,396)	(26,763)	-	(1,652,159)
Total accumulated depreciation	$ (1,738,886)	$ (27,736)	$ -	$ (1,766,622)

Fixed asset additions for the year ended December 31, 2022

Electrical panels - $5,950
Cameras - $9,400

Fixed asset disposals for the year ended December 31, 2022

None.

NEW CHESTER TOWNHOUSES, A LIMITED PARTNERSHIP

Schedule of Expenses

For the Years Ended December 31, 2022 and 2021

	2022	2021
Operating and Maintenance Expenses		
Maintenance and repairs - payroll	$ 24,205	$ 22,658
Maintenance and repairs - supplies	8,513	10,795
Maintenance and repairs - contract	12,311	4,074
Painting	6,621	2,578
Grounds	14,331	17,669
Services	1,605	3,590
Annual capital budget	32,798	35,594
Other operating expenses	720	-
Total operating and maintenance expenses	$ 101,104	$ 96,958
Utility Expenses		
Electricity	$ 6,758	$ 5,544
Water	362	329
Sewer	397	359
Garbage and trash removal	9,784	7,922
Total utility expenses	$ 17,301	$ 14,154
Administrative Expenses		
Site management payroll	$ 29,349	$ 28,211
Management fee	54,312	52,824
Project audit fee	5,405	5,730
Legal expense	270	90
Advertising	124	55
Telephone and answering service	2,469	3,020
Office supplies	3,798	2,841
Training expense	1,058	53
Health insurance and other employee benefits	8,878	7,028
Payroll taxes	3,965	3,738
Workers' compensation	1,469	1,397
Other administrative expenses	9,901	9,636
Total administrative expenses	$ 120,998	$ 114,623
Taxes and Insurance Expenses		
Real estate taxes	$ 46,720	$ 45,221
Property and liability insurance	16,280	15,273
Total taxes and insurance expenses	$ 63,000	$ 60,494

Position 3

Form RD 3560-10
(02-05)

FORM APPROVED
OMB NO. 0575-0189

MULTI-FAMILY HOUSING
BORROWER BALANCE SHEET

PART I - BALANCE SHEET

PROJECT NAME	BORROWER NAME	BORROWER ID AND PROJECT NO.
Chester Townhouses I	Chester I	792450022 019

	CURRENT YEAR	PRIOR YEAR	COMMENTS
BEGINNING DATES>	(01 - 01 - 2022)	(01 - 01 - 2021)	
ASSETS ENDING DATES>	(12 - 31 - 2022)	(12 - 31 - 2021)	
CURRENT ASSETS			
1. GENERAL OPERATING ACCOUNT	74848.4100	65995.7000	incl $300 petty cash
2. R.E. TAX & INSURANCE ACCOUNT	17484.5200	20558.7300	
3. RESERVE ACCOUNT	176999.7900	160869.4600	
4. SECURITY DEPOSIT ACCOUNT	10800.0000	10600.0000	
5. OTHER CASH *(identify)*	0.0000	0.0000	
6. OTHER *(identify)*	0.0000	0.0000	
7. TOTAL ACCOUNTS RECEIVABLE *(Attach list)*	162.0000		
ACCTS RCVBL 0-30 DAYS $ 162.0000		2991.0000	AR Tenant $133
ACCTS RCVBL 30-60 DAYS $ 0.0000		0.0000	AR Related $29
ACCTS RCVBL 60-90 DAYS $ 0.0000		0.0000	
ACCTS RCVBL OVER 90 DAYS $ 0.0000		0.0000	
8. LESS: ALLOWANCE FOR DOUBTFUL ACCOUNTS	0.0000	0.0000	
9. INVENTORIES *(supplies)*	(0.0000)	(0.0000)	
10. PREPAYMENTS	6767.1300	1278.0000	PP Ins, PP Software fe
11. _____	93769.0100	93759.6100	ODR
12. **TOTAL CURRENT ASSETS** *(Add 1 thru 11)*	380830.8600	356052.5000	
FIXED ASSETS			
13. LAND	397231.0000	397231.0000	
14. BUILDINGS	1997882.3500	1991932.3500	
15. LESS: ACCUMULATED DEPRECIATION	(1760356.5300)	(1733593.0500)	
16. FURNITURE & EQUIPMENT	16692.2100	7292.2100	
17. LESS: ACCUMULATED DEPRECIATION	(6266.0700)	(5292.6400)	
18. _____	0.0000	0.0000	
19. **TOTAL FIXED ASSETS** *(Add 13 thru 18)*	645182.9600	657569.8700	
OTHER ASSETS			
20. _____	0.0000	0.0000	
21. **TOTAL ASSETS** *(Add 12, 19, and 20)*	1026013.8200	1013622.3700	
LIABILITIES AND OWNERS EQUITY			
CURRENT LIABILITIES			
22. TOTAL ACCOUNTS PAYABLE *(Attach list)*	5476.1000		
ACCTS PAYABLE 0-30 DAYS $ 5476.1000		2685.0800	AP $1,403.21/WC 68.3
ACCTS PAYABLE 30-60 DAYS $ 0.0000		0.0000	Acc Mgmt $252/oth acc
ACCTS PAYABLE 60-90 DAYS $ 0.0000		0.0000	Ppd Rnt $3,065.08
ACCTS PAYABLE OVER 90 DAYS $ 0.0000		0.0000	
23. NOTES PAYABLE *(Attach list)*	3500.0000	3500.0000	AMF, PAF
24. SECURITY DEPOSITS	10800.0000	10600.0000	
25. **TOTAL CURRENT LIABILITIES** *(Add 22 thru 24)*	19776.1000	16785.0800	

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0189. The time required to complete this information collection is estimated to average 2 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

LONG-TERM LIABILITIES

26.	NOTES PAYABLE RURAL DEVELOPMENT	1307372.6800	1320427.1200	usda
27.	OTHER *(Identify)* _____	336859.6000	350083.3900	n/p home mtg,n/p gp,work a
28.	**TOTAL LONG-TERM LIABILITIES** *(Add 26 and 27)*.	1644232.2800	1670510.5100	
29.	**TOTAL LIABILITIES** *(Add 25 and 28)*	1664008.3800	1687295.5900	
30.	OWNER'S EQUITY (Net Worth) *(21 minus 29)*	-637994.5600	-673673.2200	
31.	**TOTAL LIABILITIES AND OWNER'S EQUITY** *(Add 29 and 30)*	1026013.8200	1013622.3700	

Warning: **Section 1001 of Title 18, United States Code provides: "Whoever, in any matter within the jurisdiction of any department or agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined under this title or imprisoned not more than five years, or both.**

I HAVE READ THE ABOVE WARNING STATEMENT AND I HEREBY CERTIFY THE FOREGOING INFORMATION IS COMPLETE AND ACCURATE TO THE BEST OF MY KNOWLEDGE.

_____ _____

(Date) *(Signature of Borrower or Borrower's Representative)*

_____

(Title)

PART II - THIRD PARTY VERIFICATION OF REVIEW

I/We have reviewed the borrower's records. The accompanying balance sheet, and statement of actual budget and income on Form RD 3560-7, is a fair presentation of the borrower's records.

I/We certify that no identity of interest exists between me/us and any individual or organization doing business with the project or borrower.

_____ _____

(Date) *(Signature)*

_____

(Name and Title)

_____

(Address)

☐ In lieu of the above verification and signature, a review completed, dated and signed by a person or firm qualified by license or certification is attached.

Position 3

Form RD 3560-7
(Rev. 05-06)

MULTIPLE FAMILY HOUSING PROJECT BUDGET/ UTILITY ALLOWANCE

FORM APPROVED
OMB NO.0575-0189

PROJECT NAME	BORROWER NAME	BORROWER ID AND PROJECT NO.
Chester Townhouses I	Chester I	792450022 019
Loan/Transfer Amount $ 0.00	Note Rate Payment $ 0.00	IC Payment $ 3,085.24

Reporting Period	Budget Type	Project Rental Type	Profit Type	The following utilities are master metered:	I hereby request
☑ Annual	☐ Initial	☑ Family	☐ Full Profit	☐ Electricity ☐ Gas	0 units of RA. Current number
☐ Quarterly	☑ Regular Report	☐ Elderly	☑ Limited Profit	☐ Water ☐ Sewer	of RA units 56.
☐ Monthly	☐ Rent Change	☐ Congregate	☐ Non-Profit	☐ Trash	Borrower Accounting Method
	☐ SNR	☐ Group Home		☐ Other _____	☐ Cash ☑ Accrual
	☐ Other Servicing	☐ Mixed ☐ LH			

PART I—CASH FLOW STATEMENT

	CURRENT BUDGET	ACTUAL	PROPOSED BUDGET	COMMENTS or (YTD)
BEGINNING DATES	(01 - 01 - 2022)	(01 - 01 - 2022)	(01 - 01 - 2023)	(- -)
ENDING DATES	(12 - 31 - 2022)	(12 - 31 - 2022)	(12 - 31 - 2023)	(- -)
OPERATIONAL CASH SOURCES				
1. RENTAL INCOME	406,848.00	172,132.00	429,144.00	
2. RHS RENTAL ASSISTANCE RECEIVED		243,956.00		
3. APPLICATION FEES RECEIVED		1,875.00		
4. LAUNDRY AND VENDING	0.00	0.00	0.00	
5. INTEREST INCOME	50.00	162.41	50.00	
6. TENANT CHARGES	4,500.00	3,800.38	5,000.00	
7. OTHER - PROJECT SOURCES	0.00	231.00	0.00	UA Checks
8. LESS *(Vacancy and Contingency Allowance)*	(4,000.00)		(4,000.00)	
9. LESS *(Agency Approved Incentive Allowance)*	(0.00)		(0.00)	
10. SUB-TOTAL *[(1 thru 7) - (8 & 9)]*	407,398.00	422,156.79	430,194.00	
NON-OPERATIONAL CASH SOURCES				
11. CASH - NON PROJECT	0.00	0.00	0.00	
12. AUTHORIZED LOAN *(Non-RHS)*	0.00	0.00	0.00	
13. TRANSFER FROM RESERVE	26,100.00	27,506.00	36,950.00	
14. SUB-TOTAL *(11 thru 13)*	26,100.00	27,506.00	36,950.00	
15. **TOTAL CASH SOURCES** *(10+14)*	433,498.00	449,662.79	467,144.00	
OPERATIONAL CASH USES				
16. TOTAL O&M EXPENSES *(From Part II)*	292,073.00	290,245.21	314,925.00	
17. RHS DEBT PAYMENT	37,023.00	37,022.88	37,023.00	
18. RHS PAYMENT *(Overage)*		5,524.00		
19. RHS PAYMENT *(Late Fee)*		0.00		
20. REDUCTION IN PRIOR YEAR PAYABLES		0.00		
21. TENANT UTILITY PAYMENTS		5,241.00		
22. TRANSFER TO RESERVE	43,300.00	43,636.33	43,300.00	
23. RETURN TO OWNER /NP ASSET MANAGEMENT FEE	16,736.00	16,736.00	16,736.00	
24. SUB-TOTAL *(16 thru 23)*	389,132.00	398,405.42	411,984.00	
NON-OPERATIONAL CASH USES				
25. AUTHORIZED DEBT PAYMENT (Non-RHS)	17,742.00	17,741.76	17,742.00	HOME MTG PMT
26. ANNUAL CAPITAL BUDGET *(From Part III, Lines 4-6)*	26,100.00	27,506.00	36,950.00	
27. MISCELLANEOUS	0.00	362.00	300.00	Bad Debt
28. SUB-TOTAL *(25 thru 27)*	43,842.00	45,609.76	54,992.00	
29. **TOTAL CASH USES** *(24+28)*	432,974.00	444,015.18	466,976.00	
30. **NET CASH (DEFICIT)** *(15–29)*	524.00	5,647.61	168.00	
CASH BALANCE				
31. BEGINNING CASH BALANCE	139,291.25	86,554.43	10,000.00	
32. ACCRUAL TO CASH ADJUSTMENT		130.89		
33. ENDING CASH BALANCE *(30+31+32)*	139,815.25	92,332.93	10,168.00	

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0189. The time required to complete this information collection is estimated to average 2 1/2 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

PART II—OPERATING AND MAINTENANCE EXPENSE SCHEDULE

	CURRENT BUDGET	ACTUAL	PROPOSED BUDGET	COMMENTS or (YTD)
1. MAINTENANCE AND REPAIRS PAYROLL	23,100.00	24,204.58	24,900.00	
2. MAINTENANCE AND REPAIRS SUPPLY	12,000.00	8,513.90	12,000.00	
3. MAINTENANCE AND REPAIRS CONTRACT	12,500.00	12,310.92	13,000.00	$2300 p/w
4. PAINTING	6,500.00	6,621.28	6,500.00	
5. SNOW REMOVAL	0.00	0.00	0.00	
6. ELEVATOR MAINTENANCE/CONTRACT	0.00	0.00	0.00	
7. GROUNDS	15,500.00	14,330.54	15,500.00	$1075/mo, $1200 p
8. SERVICES	1,650.00	1,604.50	1,650.00	
9. ANNUAL CAPITAL BUDGET *(From Part V - Operating)*	21,270.00	20,642.69	22,480.00	
10. OTHER OPERATING EXPENSES *(Itemize)*	0.00	720.00	0.00	Security Camera m
11. SUB-TOTAL MAINT. & OPERATING *(1 thru 10)*	92,520.00	88,948.41	96,030.00	
12. ELECTRICITY ☐	6,500.00	6,758.49	6,500.00	
13. WATER ☐	300.00	362.01	350.00	
14. SEWER ☐	350.00	396.50	400.00	
15. FUEL *(Oil/Coal/Gas)*	0.00	0.00	0.00	
16. GARBAGE & TRASH REMOVAL	7,900.00	9,784.19	9,500.00	$782/mo + extra w
17. OTHER UTILITIES	0.00	0.00	0.00	
18. SUB-TOTAL UTILITIES *(12 thru 17)*	15,050.00	17,301.19	16,750.00	
19. SITE MANAGEMENT PAYROLL	30,000.00	29,349.10	30,700.00	
20. MANAGEMENT FEE	54,312.00	54,312.00	59,520.00	$75+$5 LIHTC
21. PROJECT AUDITING EXPENSE	5,400.00	5,405.00	5,500.00	DHG
22. PROJECT BOOKKEEPING/ACCOUNTING	0.00	0.00	0.00	
23. LEGAL EXPENSES	500.00	270.00	400.00	
24. ADVERTISING	200.00	123.56	200.00	
25. TELEPHONE & ANSWERING SERVICE	2,450.00	2,469.36	3,000.00	inc Ring Central
26. OFFICE SUPPLIES	3,000.00	3,793.85	2,800.00	
27. OFFICE FURNITURE & EQUIPMENT	0.00	0.00	0.00	
28. TRAINING EXPENSE	850.00	1,058.45	1,045.00	
29. HEALTH INS. & OTHER EMP. BENEFITS	7,500.00	8,878.00	15,525.00	5% 401k + Health
30. PAYROLL TAXES	4,780.00	3,964.75	4,450.00	8%
31. WORKER'S COMPENSATION	1,461.00	1,469.34	1,530.00	2.75%
32. OTHER ADMINISTRATIVE EXPENSES *(Itemize)*	11,000.00	9,901.74	13,425.00	see comments
33. SUB-TOTAL ADMINISTRATIVE *(19 thru 32)*	121,453.00	120,995.15	138,095.00	
34. REAL ESTATE TAXES	46,600.00	46,720.29	46,000.00	
35. SPECIAL ASSESSMENTS	0.00	0.00	0.00	
36. OTHER TAXES, LICENSES & PERMITS	0.00	0.00	0.00	
37. PROPERTY & LIABILITY INSURANCE	16,400.00	16,280.17	18,000.00	10% inc
38. FIDELITY COVERAGE INSURANCE	50.00	0.00	50.00	
39. OTHER INSURANCE	0.00	0.00	0.00	
40. SUB-TOTAL TAXES & INSURANCE *(34 thru 39)*	63,050.00	63,000.46	64,050.00	
41. TOTAL O&M EXPENSES *(11+18+33+40)*	292,073.00	290,245.21	314,925.00	

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PART III—ACCOUNT BUDGETING/STATUS

	CURRENT BUDGET	ACTUAL	PROPOSED BUDGET	COMMENTS or (YTD)
RESERVE ACCOUNT:				
1. BEGINNING BALANCE	173,623.35	160,869.46	191,680.00	
2. TRANSFER TO RESERVE	43,300.00	43,636.33	43,300.00	add'l $22,800
TRANSFER FROM RESERVE				
3. OPERATING DEFICIT	0.00	0.00	0.00	
4. ANNUAL CAPITAL BUDGET *(Part V - Reserve)*	26,100.00	27,506.00	36,950.00	
5. BUILDING & EQUIPMENT REPAIR	0.00	0.00	0.00	
6. OTHER NON-OPERATING EXPENSES	0.00	0.00	0.00	
7. TOTAL *(3 thru 6)*	(26,100.00)	(27,506.00)	(36,950.00)	
8. ENDING BALANCE *[(1+2)-7]*	190,823.35	176,999.79	198,030.00	
GENERAL OPERATING ACCOUNT:*				
BEGINNING BALANCE		65,995.70		
ENDING BALANCE		74,848.41		
REAL ESTATE TAX AND INSURANCE ESCROW ACCOUNT:*				
BEGINNING BALANCE		20,558.73		
ENDING BALANCE		17,484.52		
TENANT SECURITY DEPOSIT ACCOUNT:*				
BEGINNING BALANCE		10,600.00		
ENDING BALANCE		10,800.00		

*(*Complete upon submission of actual expenses.)*

NUMBER OF APPLICANTS ON THE WAITING LIST	0	RESERVE ACCT. REQ. BALANCE	51,139.00
NUMBER OF APPLICANTS NEEDING RA	0	AMOUNT AHEAD/BEHIND	918.00

PART IV—RENT SCHEDULE AND UTILITY ALLOWANCE

A. CURRENT APPROVED RENTS/ UTILITY ALLOWANCE

UNIT DESCRIPTION			RENTAL RATES			POTENTIAL INCOME FROM EACH RATE			
BR SIZE	UNIT TYPE	NUMBER	BASIC	NOTE RATE	HUD	BASIC	NOTE RATE	HUD	UTILITY ALLOWANCE
1.00	n	18.00	478.00	606.00	0.00	103,248.00	130,896.00	0.00	133.00
2.00	n	44.00	575.00	737.00	0.00	303,600.00	389,136.00	0.00	156.00
0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
				CURRENT RENT TOTALS:		406,848.00	520,032.00	0.00	
						BASIC	NOTE	HUD	

B. PROPOSED RENTS - Effective Date: 12/_01/_2022_____

UNIT DESCRIPTION			RENTAL RATES			POTENTIAL INCOME FROM EACH RATE		
BR SIZE	UNIT TYPE	NUMBER	BASIC	NOTE RATE	HUD	BASIC	NOTE RATE	HUD
1.00	n	18.00	503.00	631.00	0.00	108,648.00	136,296.00	0.00
2.00	n	44.00	607.00	769.00	0.00	320,496.00	406,032.00	0.00
0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00
				PROPOSED RENT TOTALS:		429,144.00	542,328.00	0.00
						BASIC	NOTE	HUD

C. PROPOSED UTILITY ALLOWANCE - Effective Date: 12/_01/_2022_____

MONTHLY DOLLAR ALLOWANCES

BR SIZE	UNIT TYPE	NUMBER	ELECTRIC	GAS	WATER	SEWER	TRASH	OTHER	TOTAL
1.00	n	18.00	83.00	0.00	34.00	39.00	0.00	0.00	156.00
2.00	n	44.00	103.00	0.00	43.00	49.00	0.00	0.00	195.00
0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

PART V - ANNUAL CAPITAL BUDGET

	Proposed Number of Units/Items	Proposed from Reserve	Actual from Reserve	Proposed from Operating	Actual from Operating	Actual Total Cost	Total Actual Units/Items
Appliances:							
Range	3.00	0.00	0.00	1,200.00	352.31	352.31	1.00
Refrigerator	3.00	0.00	0.00	1,800.00	0.00	0.00	0.00
Range Hood	12.00	0.00	0.00	780.00	0.00	0.00	0.00
Washers & Dryers	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other:	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Carpet & Vinyl:							
1BR	3.00	0.00	0.00	6,000.00	2,227.43	2,227.43	1.00
2BR	4.00	7,950.00	0.00	2,650.00	12,787.80	12,787.80	6.00
3BR	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4BR	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other:	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cabinets:							
Kitchens	1.00	3,500.00	0.00	0.00	0.00	0.00	0.00
Bathrooms	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other:	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Doors:							
Exterior	3.00	0.00	0.00	1,200.00	0.00	0.00	0.00
Interior	15.00	0.00	0.00	2,100.00	0.00	0.00	0.00
Other:	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Window Coverings:							
List:	125.00	0.00	0.00	3,125.00	1,904.23	1,904.23	76.00
Other:	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Heating & Air Conditioning:							
Heating	5.00	25,500.00	0.00	0.00	0.00	0.00	0.00
Air Conditioning	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other:	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Plumbing:							
Water Heater	6.00	0.00	0.00	3,000.00	3,204.87	3,204.87	5.00
Bath Sinks	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Kitchen Sinks	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Faucets	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Toilets	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Major Electrical:							
List:		0.00	5,950.00	0.00	0.00	5,950.00	
Other:		0.00	0.00	0.00	0.00	0.00	
Structures:							
Windows	2.00	0.00	0.00	400.00	85.83	85.83	1.00
Screens	15.00	0.00	0.00	225.00	0.00	0.00	0.00
Walls		0.00	0.00	0.00	0.00	0.00	
Roofing		0.00	0.00	0.00	0.00	0.00	
Siding		0.00	0.00	0.00	0.00	0.00	
Exterior Painting		0.00	0.00	0.00	0.00	0.00	
Other		0.00	0.00	0.00	0.00	0.00	
Paving:							
Asphalt		0.00	0.00	0.00	0.00	0.00	
Concrete		0.00	0.00	0.00	0.00	0.00	
Seal & Stripe		0.00	0.00	0.00	0.00	0.00	
Other:		0.00	0.00	0.00	0.00	0.00	
Landscape & Grounds:							
Landscaping		0.00	0.00	0.00	0.00	0.00	
Lawn Equipment		0.00	0.00	0.00	0.00	0.00	
Fencing		0.00	0.00	0.00	0.00	0.00	
Recreation Area		0.00	0.00	0.00	0.00	0.00	
Signs		0.00	0.00	0.00	0.00	0.00	
Other:		0.00	0.00	0.00	0.00	0.00	
Accessibility Features:							
List:		0.00	0.00	0.00	80.22	80.22	
Other:		0.00	0.00	0.00	0.00	0.00	
Automation Equipment:							
Site Management		0.00	0.00	0.00	0.00	0.00	
Common Area		0.00	0.00	0.00	0.00	0.00	
Other:		0.00	0.00	0.00	0.00	0.00	
Other:							
List:		0.00	12,156.00	0.00	0.00	12,156.00	
List:		0.00	9,400.00	0.00	0.00	9,400.00	
List:		0.00	0.00	0.00	0.00	0.00	
TOTAL CAPITAL EXPENSES:	197	36,950.00	27,506.00	22,480.00	20,642.69	48,148.69	90

PART VI -- SIGNATURES, DATES AND COMMENTS

Warning: Section 1001 of Title 18, United States Code provides: "Whoever, in any matter within the jurisdiction of any department or agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined under this title or imprisoned not more than five years, or both.

I HAVE READ THE ABOVE WARNING STATEMENT AND I HEREBY CERTIFY THAT THE FOREGOING INFORMATION IS COMPLETE AND ACCURATE TO THE BEST OF MY KNOWLEDGE.

(DATE)

(Signature of Borrower or Borrower's Representative)

(Title)

AGENCY APPROVAL *(Rural Development Approval Official):*	DATE:

COMMENTS:

PART II, LINE 32 - $9,901.74

credit reports - $3,050
travel - 634.39
tenant relations - 68.13
annual software fee - $2,049.22
other Admin exp - $1,000
tax credit fees - $3,100

FORVIS

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

To the Partners
New Chester Townhouses, A Limited Partnership
Columbia, South Carolina

USDA Rural Development
744A Wilson Street
Chester, South Carolina 29706

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of New Chester Townhouses, A Limited Partnership (the "Partnership"), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of operations, partners' capital (deficit), and cash flows for the years then ended and the related notes to the financial statements, and have issued our report thereon dated March 1, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered the Partnership's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control. Accordingly, we do not express an opinion on the effectiveness of the Partnership's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Partnership's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Partnership's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Partnership's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Partnership's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

FORVIS, LLP

Greenville, South Carolina
March 1, 2023

FORVIS

Independent Auditor's Report on Compliance for Each Major RD Program and Report On Internal Control Over Compliance Required by the Consolidated Audit Guide for Audits of RD Programs

To the Partners
New Chester Townhouses, A Limited Partnership
Columbia, South Carolina

Report on Compliance for Major RD Program

Opinion on Major RD Program

We have audited New Chester Townhouses, A Limited Partnership's (the "Partnership") compliance with the types of compliance requirements described in the *Audit Guide for Audits of RD Programs* (the "Guide") that could have a direct and material effect on the Partnership's major U.S. Department of Rural Development ("RD") programs for the year ended December 31, 2022. The Partnership's major RD programs and the related direct and material compliance requirements are as follows:

Name of Major RD Program	Direct and Material Compliance Requirements
• Section 515 Rural Rental Housing Loans	Mortgage status, replacement reserve, return on investment or return to owner, equity skimming, cash receipts, cash disbursements, tenant security deposits, management functions, unauthorized change of ownership or acquisition of liabilities and unauthorized loans of project funds.

In our opinion, the Partnership complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major RD programs for the year ended December 31, 2022.

Basis for Opinion on Major RD Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Our responsibilities under those standards and the Guide are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Partnership and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major RD programs. Our audit does not provide a legal determination of the Partnership's compliance with the compliance requirements.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Partnership's RD programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Partnership's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Guide will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Partnership's compliance with the requirements of its major RD programs as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Guide, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Partnership's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Partnership's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

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Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a RD program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a RD program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a RD program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

FORVIS, LLP

Greenville, South Carolina
March 1, 2023

NEW CHESTER TOWNHOUSES, A LIMITED PARTNERSHIP
Schedule of Findings and Questioned Costs
Years Ended December 31, 2022 and 2021

For the Years Ended December 31, 2022 and 2021:

There were no findings or questioned costs for the years ended December 31, 2022 and 2021.

NEW CHESTER TOWNHOUSES, A LIMITED PARTNERSHIP
Schedule of Lead Auditor
Year Ended December 31, 2022

Auditor Information:	**FORVIS, LLP** **11 Brendan Way** **Greenville, SC 29615**
Phone Number:	**864.213.5378**
Auditor Contact:	**Mike Kelly, CPA**
Auditor Contact Title:	**Partner**
Auditor Contact Email:	**mike.kelly@forvis.com**

New Chester Townhouses, A Limited Partnership

Independent Auditor's Report, Financial Statements, and Supplementary Information

December 31, 2023 and 2022

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FORVIS

Independent Auditor's Report

To the Partners
New Chester Townhouses, A Limited Partnership
Columbia, South Carolina

Opinion
We have audited the accompanying financial statements of New Chester Townhouses, A Limited Partnership (the "Partnership"), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations, partners' deficit, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Partnership as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Partnership and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Partnership's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance, and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Partnership's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 16-26 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated March 1, 2024, on our consideration of the Partnership's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Partnership's internal control over financial reporting and compliance.

FORVIS, LLP

March 1, 2024
Greenville, South Carolina

NEW CHESTER TOWNHOUSES, A LIMITED PARTNERSHIP
Balance Sheets
December 31, 2023 and 2022

Assets

	2023	2022
Current assets:		
Cash	$ 34,664	$ 74,848
Accounts receivable, tenants	3,080	162
Prepaid expenses	7,024	6,767
Total current assets	44,768	81,777
Restricted deposits and funded reserves:		
Cash, security deposits	10,950	10,800
Cash, escrow	30,147	17,485
Cash, reserve for replacements	197,147	177,000
Cash, operating reserve	93,778	93,769
	332,022	299,054
Rental property, at cost:		
Land	289,034	289,034
Land improvements	108,197	108,197
Buildings and building improvements	2,005,314	1,997,882
Furniture and equipment	23,429	16,692
	2,425,974	2,411,805
Accumulated depreciation	(1,795,703)	(1,766,622)
	630,271	645,183
Total assets	$ 1,007,061	$ 1,026,014

(continued)

NEW CHESTER TOWNHOUSES, A LIMITED PARTNERSHIP
Balance Sheets, (continued)
December 31, 2023 and 2022

Liabilities and Partners' Deficit

	2023	2022
Current liabilities:		
Current maturities of mortgages payable	$ 28,676	$ 27,625
Accounts payable	1,371	1,403
Accrued expenses	5,205	4,508
Total current liabilities	35,252	33,536
Deposits and prepayment liabilities:		
Prepaid rents	4,808	3,065
Security deposits	10,950	10,800
	15,758	13,865
Long-term liabilities:		
Mortgages payable, net of current maturities	1,470,126	1,498,462
Loan from partners	118,146	118,146
Total long-term liabilities	1,588,272	1,616,608
Total liabilities	1,639,282	1,664,009
Total partners' deficit	(632,221)	(637,995)
Total liabilities and partners' deficit	$ 1,007,061	$ 1,026,014

See accompanying notes.

NEW CHESTER TOWNHOUSES, A LIMITED PARTNERSHIP
Statements of Operations
For the Years Ended December 31, 2023 and 2022

	2023	2022
Revenue:		
Apartments	$ 443,997	$ 417,613
Less tenant allowances	(11,189)	(5,489)
Less Overages	(3,664)	(5,524)
Potential Rental Income	429,144	406,600
Less vacancies	(5,063)	(1,028)
Less concessions	442	(249)
Net rental revenue	424,523	405,323
Interest income	477	172
Tenant charges	3,469	5,675
Other	274	231
	428,743	411,401
Expenses and non-operating (income):		
Interest subsidy income	(19,280)	(19,280)
Interest subsidy expense	19,280	19,280
Administrative	139,021	120,998
Maintenance	122,684	101,104
Taxes and insurance	66,551	63,000
Utilities	21,056	17,301
Bad debts	389	362
Depreciation	29,081	27,736
Interest	27,480	28,486
Investor asset management fee	1,000	1,000
Partnership management fee	2,500	2,500
	409,762	362,487
Net income	$ 18,981	$ 48,914

See accompanying notes.

NEW CHESTER TOWNHOUSES, A LIMITED PARTNERSHIP

Statements of Partners' Deficit

For the Years Ended December 31, 2023 and 2022

	2023	2022
Partners' deficit, beginning	$ (637,995)	$ (673,673)
Net income	18,981	48,914
Distributions	(13,207)	(13,236)
Partners' deficit, ending	$ (632,221)	$ (637,995)

See accompanying notes.

NEW CHESTER TOWNHOUSES, A LIMITED PARTNERSHIP
Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Net income	$ 18,981	$ 48,914
Adjustments to reconcile net income to net cash provided by operating activities:		
Bad debts	389	362
Depreciation	29,081	27,736
Net changes in operating assets and liabilities:		
Increase:		
Accounts receivable, tenants	(3,307)	2,467
Prepaid expenses	(257)	(5,489)
(Increase) decrease:		
Accounts payable	(32)	747
Accrued expenses	697	204
Prepaid rents	1,743	1,840
Tenant security deposits	150	200
Net cash provided by operating activities	47,445	76,981
Cash flows from investing activities:		
Purchase of rental property	(14,169)	(15,350)
Net cash used by investing activities	(14,169)	(15,350)
Cash flows from financing activities:		
Principal payments on mortgages payable	(27,285)	(26,278)
Distributions to partners	(13,207)	(13,236)
Net cash used by financing activities	(40,492)	(39,514)
NET (DECREASE) INCREASE IN CASH, RESTRICTED DEPOSITS, AND FUNDED RESERVES	(7,216)	22,117
CASH, RESTRICTED DEPOSITS AND FUNDED RESERVES, BEGINNING	373,902	351,785
CASH, RESTRICTED DEPOSITS AND FUNDED RESERVES, ENDING	$ 366,686	$ 373,902

Reconciliation of cash, restricted deposits, and funded reserves reported within the balance sheets that sum to the total of the same such amounts shown in the statements of cash flows:

Cash	$ 34,664	$ 74,848
Cash, security deposits	10,950	10,800
Cash, escrow	30,147	17,485
Cash, reserve for replacements	197,147	177,000
Cash, operating reserve	93,778	93,769
Total cash, restricted deposits, and funded reserves	$ 366,686	$ 373,902

NEW CHESTER TOWNHOUSES, A LIMITED PARTNERSHIP

Notes to Financial Statements
December 31, 2023 and 2022

1. Organization and Significant Accounting Policies

Organization - New Chester Townhouses, A Limited Partnership (the "Partnership") was organized to acquire, rehab, own, maintain and operate a 62-unit rental housing project for persons of low and moderate income pursuant to Sections 515(b) and 521 of the Housing Act of 1949, as amended, which provides for interest and rental subsidies. The Partnership is located in the city of Chester, South Carolina. The major activities of the Partnership are governed by the partnership agreement and the USDA Rural Development ("RD"). Annual distributions to the partners are limited by RD to 8% of the borrowers' initial capital investment of $209,200. The partnership agreement provides that the Partnership is to terminate on December 31, 2054 unless terminated earlier in accordance with the terms of the partnership agreement.

In September 2020, the partnership agreement was amended to admit a new general partner, CAHEC Preservation, LLC with a .01% special limited partnership interest and permit the withdrawal of the original special limited partner, WWJ, LLC. Additionally, 35% of the limited partnership interest was transferred from Boston Capital Tax Credit Fund IV, L.P., to CAHEC Preservation, LLC in 2020. The remaining 64.99% limited partnership interest remained with Boston Capital Tax Credit Fund IV, L.P until 2022 when 63.99% was transferred to CAHEC Preservation, LLC and the remaining 1% was transferred to CAHEC Restoration, LLC.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Method of Accounting - The financial statements of the Partnership are prepared on the accrual basis of accounting, and include only those assets, liabilities and results of operations of the partners which relate to the business of the Partnership.

Cash - For purposes of reporting cash flows, the Company includes all cash investments which are not subject to withdrawal restrictions or penalties and certificates of deposit with a maturity of three months or less as cash.

Restricted Cash - Restricted cash consists of tenant security deposits, escrow deposits held for property taxes and insurance, and reserves for operating deficit and replacement reserves. The tenant security deposit account represents cash restricted for purpose of refunding tenants' security deposit paid at the move-in date. Security deposits are refunded to the tenants at the time of move-out in accordance with the tenant lease agreement, subject to cleaning and repairs of incidental to normal wear on the tenant unit.

Organization and Significant Accounting Policies (continued)

Rental Property - Rental property is recorded at cost. Improvements are capitalized, while expenditures for maintenance and repairs are expensed as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in net loss on the statements of operations. The rental property is depreciated over the estimated service lives under the straight-line method as follows:

Land improvements	15 years
Buildings and building improvements	10 to 40 years
Furniture and equipment	3 to 10 years

The Partnership reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property including the low income housing tax credits and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of real estate exceeds the fair value of such property. There were no impairment losses recognized in 2023 or 2022.

Income Taxes - Earnings of the Partnership are taxed directly to the partners; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes.

Allocation of Profits, Losses and Distributions - All profits and losses are allocated among the partners in proportion to their respective percentage interest in the Partnership at the end of each calendar year. Distributions are allocated to the individual partner based on a formula in the partnership agreement.

Concentrations of Credit Risk - The Partnership maintains its cash in financial institutions insured by the Federal Deposit Insurance Corporation ("FDIC"). Deposit accounts, at times, may exceed federally insured limits. The Partnership has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Accounts Receivable, Tenants and Bad Debts - Tenant receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Rental Income - Rents are recognized for residential units as they are earned. Advance receipts of rental income are deferred until earned. All leases between the Partnership and tenants of the residential units are operating leases.

Subsequent Events Evaluation - The Partnership evaluated the effect subsequent events would have on the financial statements through March 1, 2024, which is the date the financial statements were available to be issued.

2. Mortgages Payable

On January 1, 2006, the Partnership assumed a fifty year mortgage from Chester Townhouses Phase 1 Apartments, A Limited Partnership that was issued by RD in the amount of $854,209. The mortgage is secured by the rental property. The loan agreement provides for the following:

The interest rate is 5.375% per annum. However, the Partnership signed an interest credit agreement as provided in Section 515 of Title V of the Housing Act of 1949 effective January 1, 2006, with RD which reduces the payments to an amount equivalent to a loan at a 1% interest rate. Any tenant, based on their income level, may be required to pay rents in excess of the basic rental charges approved by RD. This excess rental is required to be paid to RD as additional interest. The monthly mortgage payments are $1,812 plus excess rental income received. During the years ended December 31, 2023 and 2022, total interest expense of the mortgage was $13,296 and $13,584, respectively.

The loan agreement imposes restrictions on cash disbursements, admittance of and distribution to the partners, and prohibits the transfer or encumbrance of title to the property. Additionally, the general partner must maintain a minimum of five percent financial interest in the Partnership. The Partnership was in compliance with these regulations at December 31, 2023.

The mortgage requires the Partnership to use housing for the purpose of housing people eligible for occupancy under Section 515 for a thirty year period beginning January 1, 2006. After thirty years the Partnership can request to repay the mortgage. Also, if at any time it appears to RD that the Partnership may be able to obtain a loan from a responsible cooperative or private credit source at reasonable rates and terms for loans for similar purposes and periods of time, the Partnership must, at RD's request, apply for and accept a loan in sufficient amount to pay this note in full. Upon this refinancing, the rental restrictions by RD would be lifted.

On December 28, 2006, the Partnership obtained a thirty year mortgage issued by RD in the amount of $600,000. The loan is secured by income derived from the property. The loan agreement provides for the following:

Mortgages Payable (continued)

The interest rate is at 5.375% per annum. However, the Partnership signed an interest credit agreement as provided in Section 515 of Title V of the Housing Act of 1949 effective January 1, 2006, with RD which reduces the payments to an amount equivalent to a loan at a 1% interest rate. Any tenant, based on their income level, may be required to pay rents in excess of the basic rental charges approved by RD. This excess rental is required to be paid to RD as additional interest. Principal and interest are payable in 359 regular amortized installments beginning on February 1, 2007. The installments are calculated based on an amortization of fifty years. The monthly mortgage payments are $1,273 plus excess rental income received. If not paid sooner, the final installment of the entire indebtedness is due thirty years from the date of the note. During the years ended December 31, 2023 and 2022, total interest expense of the mortgage was $9,933 and $10,384, respectively.

On December 28, 2006, the Partnership obtained a thirty year mortgage issued by the South Carolina State Housing Finance and Development Authority in the amount of $400,000. The mortgage is secured by the rental property. The loan agreement provides for the following:

The interest rate is two percent (2%) per annum. Principal and interest are payable in 360 equal installments of $1,478 beginning on March 15, 2007. The note may be prepaid in full or part without penalty. The Partnership has not requested to prepay the mortgage as of December 31, 2023. During the years ended December 31, 2023 and 2022, total interest expense of the mortgage was $4,251 and $4,518, respectively.

Principal maturities of the three loans are as follows at December 31, 2023:

2024	$ 28,676
2025	29,775
2026	30,925
2027	32,129
2028	33,388
Thereafter	1,343,909
Total	$ 1,498,802

3. Transactions with Related Parties

Notes with General Partner - The non-interest bearing residual receipt notes are payable to the general partner for reimbursement of construction cost overruns paid by them in the amount of $118,146. The notes are payable upon:

a. Cash flow available in excess of the maximum cumulative amount permitted to be distributed under RD regulations subject to permission of RD.
b. Prior to dissolution, cash available from a capital transaction.
c. Upon dissolution of the Partnership.

Transactions with Related Parties (continued)

Management Fee –During the years ended December 31, 2023 and 2022, the Partnership incurred expenses amounting to $59,520 and $54,312, respectively, paid to CAHEC Management, Inc., an affiliate of CAHEC Preservation, for services rendered in connection with the leasing and operation of the project. The fees for these services equaled $75 and $68 per occupied unit per month during 2023 and 2022, respectively. Additionally, an add-on management fee of $5 per unit per month was paid to CAHEC Management, Inc during the years ended December 31, 2023 and 2022. As of December 31, 2023 and 2022, $20 and $252, respectively, of management fees remained payable to CAHEC Management, Inc.

Payroll and Related Benefits - During the years ended December 31, 2023 and 2022, the Partnership incurred payroll and related benefits, paid on behalf of the Partnership by the management company, which amounted to approximately $73,000 and $68,000, respectively. As of December 31, 2023 and 2022, $446 and $- of payroll and related benefits were payable to CAHEC Management, Inc, respectively.

Property Insurance - The Partnership purchased its property insurance from Rural Housing Reinsurance Co. International, LTD. An affiliate of the managing member is a minority shareholder in Rural Housing Reinsurance Co. International, LTD. Total fees of $17,947 and $16,366 were paid during 2023 and 2022, respectively. There were no amounts due to Rural Housing Reinsurance Co. International, LTD. as of December 31, 2023 and 2022.

Investor Asset Management Fee - The Partnership is required to pay the investment limited partners, a cumulative, annual investor asset management fee of $1,000, provided that the investor asset management fee shall be subject to RD restrictions related to annual distributions. Investor asset management fees of $1,000 were incurred in 2023 and 2022. There were no investor asset management fees payable at December 31, 2023 or 2022.

Partnership Management Fee - In accordance with the partnership agreement, the Partnership shall pay to the general partner a partnership management fee in the amount of $2,500 from available net cash flow as defined in the partnership agreement. In the event that cash flows are not sufficient to pay the full amount, the unpaid portion shall be accrued and remain payable on a cumulative basis from cash flow in the future after the payment of the investor asset management fee to the limited partner. Partnership management fees of $2,500 were incurred in 2023 and 2022. There was no partnership management fees payable at December 31, 2023 and 2022.

Other Reimbursable Expenses – As of December 31, 2023, the Partnership was owed $21 from CAHEC MM, LLC for other reimbursable expenses. As of December 31, 2022, $375 remained payable from CAHEC MM, LLC for other reimbursable expenses.

4. Partners' Equity Contributions

The Partnership has one special limited partner, CAHEC Preservation LLC, and two investment limited partners – CAHEC Preservation, LLC and CAHEC Restoration, LLC. As of December 31, 2023, the special limited partner and the investment limited partners have made equity contributions of $691,528.

5. Operating Reserve

The partnership agreement requires the Partnership to fund an operating reserve account in the initial amount of $90,200 with proceeds from the second and third installments of the limited partner's capital contributions. After the lease-up date, funds in the reserve shall be used to pay the operating costs and expenses of the Partnership to the extent the Partnership's collected gross receipts are insufficient for such purpose. The operating reserve is to be held in an interest-bearing segregated account. The general partner shall give notice to the limited partner of any intended use of the reserve. The limited partner shall have five business days to approve or reject such use, after which time the general partner may assume approval. Any interest earned shall remain within the operating reserve.

An analysis of the reserve for the year ended December 31, 2023 is as follows:

Balance, beginning	$ 93,769
Interest income	9
Balance, ending	$ 93,778

6. Reserve for Replacements

According to the loan agreements with RD, a reserve for replacements account shall be funded annually in the amount of $20,500 until the reserve balance reaches $205,000. All withdrawals from the reserve require approval from RD.

An analysis of the reserve for the year ended December 31, 2023 is as follows:

Balance, beginning	$ 177,000
Funding	43,499
Interest income	453
Withdrawals	(23,806)
Balance, ending	$ 197,147

As of December 31, 2023, the funding of the reserve was in compliance with the loan agreement.

7. Current Vulnerability Due to Certain Concentrations

Concentration in Affordable Housing Market

The Partnership's sole asset is New Chester Townhouses. The Partnership's operations are concentrated in the affordable housing real estate market. In addition, the Partnership operates in a heavily regulated environment. The operations of the Partnership are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, RD and the State Housing Agency. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by RD or the State Housing Agency. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Concentration in Government Funding

The Company received 65% and 63% of gross revenue from RD in the form of rental assistance and interest reduction subsidy payments during the years ended December 31, 2023 and 2022.

NEW CHESTER TOWNHOUSES, A LIMITED PARTNERSHIP
Schedule of Required Supplemental Information
Year Ended December 31, 2023

1. **Management Fee Calculation**

The management fee is based on a fee per unit occupied by tenants during the month.

Per Occupied Unit Management Fee:

Total qualified units (62 x 12 months)	744
Less: Vacancies	-
Total occupied units	744
Fee per unit (effective January 2023)	$ 75
Total occupied unit management fee expenses	$ 55,800

Add-On Management Fee per Unit:

Total qualified units (62 x 12 months)	744
Multiple subsidies add-on	$ 5
Total add-on management fee expense	$ 3,720
Management fee expense	$ 59,520

2. **Insurance Disclosure**

The Partnership maintains insurance coverage as follows:

	Deductible	Coverage
Property coverage on buildings	$ 5,000	$ 6,797,724
Comprehensive business liability	$ -	$ 2,000,000
Fidelity	$ 15,000	$ 2,000,000

NEW CHESTER TOWNHOUSES, A LIMITED PARTNERSHIP
Schedule of Required Supplemental Information
Year Ended December 31, 2023

3. Return to Owner

In accordance with the loan agreement, the annual return to owner is as follows:

Maximum return to owner	$ 16,736
Budgeted return to owner	$ 16,736
Return to owner paid:	
Investor asset management fees	$ 1,000
Investment limited partners distribution	13,207
Partner management fee	2,500
Owner subsidy	29
	$ 16,736

4. Schedule of Changes in Rental Property

	Beginning Balance	Additions	Disposals	Ending Balance
Land	$ 289,034	$ -	$ -	$ 289,034
Land improvements	108,197	-	-	108,197
Furniture and equipment	16,692	6,737	-	23,429
Buildings and building improvements	1,997,882	7,432	-	2,005,314
Total rental property	$ 2,411,805	$ 14,169	$ -	$ 2,425,974
Accumulated depreciation				
Land improvements	$ (108,197)	$ -	$ -	$ (108,197)
Furniture and equipment	(6,266)	(2,12C8)	-	(8,394)
Buildings and building improvements	(1,652,159)	(26,953)	-	(1,679,112)
Total accumulated depreciation	$ (1,766,622)	$ (29,081)	$ -	$ (1,795,703)

Fixed asset additions for the year ended December 31, 2023

Security System - $5,404
Cameras - $1,333
Plumbing - $7,432

Fixed asset disposals for the year ended December 31, 2023

None.

NEW CHESTER TOWNHOUSES, A LIMITED PARTNERSHIP

Schedule of Expenses

For the Years Ended December 31, 2023 and 2022

	2023	2022
Operating and Maintenance Expenses		
Maintenance and repairs - payroll	$ 23,555	$ 24,205
Maintenance and repairs - supplies	14,092	8,513
Maintenance and repairs - contract	15,888	12,311
Painting	8,291	6,621
Grounds	19,745	14,331
Services	1,997	1,605
Annual capital budget	37,998	32,798
Other operating expenses	1,118	720
Total operating and maintenance expenses	$ 122,684	$ 101,104
Utility Expenses		
Electricity	$ 8,710	$ 6,758
Water	564	362
Sewer	644	397
Garbage and trash removal	11,138	9,784
Total utility expenses	$ 21,056	$ 17,301
Administrative Expenses		
Site management payroll	$ 30,566	$ 29,349
Management fee	59,520	54,312
Project audit fee	5,550	5,405
Legal expense	130	270
Advertising	139	124
Telephone and answering service	2,868	2,469
Office supplies	5,599	3,798
Training expense	1,220	1,058
Health insurance and other employee benefits	13,376	8,878
Payroll taxes	3,785	3,965
Workers' compensation	1,265	1,469
Other administrative expenses	15,003	9,901
Total administrative expenses	$ 139,021	$ 120,998
Taxes and Insurance Expenses		
Real estate taxes	$ 48,704	$ 46,720
Property and liability insurance	17,815	16,280
Other taxes, licenses and permits	32	-
Total taxes and insurance expenses	$ 66,551	$ 63,000

Position 3

Form RD 3560-10
(02-05)

FORM APPROVED
OMB NO. 0575-0189

MULTI-FAMILY HOUSING
BORROWER BALANCE SHEET

PART I - BALANCE SHEET

PROJECT NAME	BORROWER NAME	BORROWER ID AND PROJECT NO.
Chester Townhouses I	Chester I	792450022 019

ASSETS	CURRENT YEAR (01 - 01 - 2023) / (12 - 31 - 2023)	PRIOR YEAR (01 - 01 - 2022) / (12 - 31 - 2022)	COMMENTS
CURRENT ASSETS			
1. GENERAL OPERATING ACCOUNT	34664.42	74848.41	incl $300 petty cash
2. R.E. TAX & INSURANCE ACCOUNT	30147.47	17484.52	
3. RESERVE ACCOUNT	197145.91	176999.79	
4. SECURITY DEPOSIT ACCOUNT	10950.00	10800.00	
5. OTHER CASH *(identify)*	0.00	0.00	
6. OTHER *(identify)*	0.00	0.00	
7. TOTAL ACCOUNTS RECEIVABLE *(Attach list)*	3079.97		
ACCTS RCVBL 0-30 DAYS $ 3079.97		162.00	AR Tenant $835
ACCTS RCVBL 30-60 DAYS $ 0.00		0.00	AR Related $1294; AR
ACCTS RCVBL 60-90 DAYS $ 0.00		0.00	
ACCTS RCVBL OVER 90 DAYS $ 0.00		0.00	
8. LESS: ALLOWANCE FOR DOUBTFUL ACCOUNTS	0.00	0.00	
9. INVENTORIES *(supplies)*	(0.00)	(0.00)	
10. PREPAYMENTS	7023.44	6767.13	PP Ins, PP Software fe
11. _____	93778.41	93769.01	ODR
12. **TOTAL CURRENT ASSETS** *(Add 1 thru 11)*	376789.62	380830.86	
FIXED ASSETS			
13. LAND	397231.00	397231.00	
14. BUILDINGS	2005314.35	1997882.35	
15. LESS: ACCUMULATED DEPRECIATION	(1787308.92)	(1760356.53)	
16. FURNITURE & EQUIPMENT	23428.51	16692.21	
17. LESS: ACCUMULATED DEPRECIATION	(8394.30)	(6266.07)	
18. _____	0.00	0.00	
19. **TOTAL FIXED ASSETS** *(Add 13 thru 18)*	630270.64	645182.96	
OTHER ASSETS			
20. _____	0.00	0.00	
21. **TOTAL ASSETS** *(Add 12, 19, and 20)*	1007060.26	1026013.82	
LIABILITIES AND OWNERS EQUITY			
CURRENT LIABILITIES			
22. TOTAL ACCOUNTS PAYABLE *(Attach list)*	7884.37		
ACCTS PAYABLE 0-30 DAYS $ 7884.37		5476.10	AP $1371.19/WC
ACCTS PAYABLE 30-60 DAYS $ 0.00		0.00	Acc Mgmt $20/oth accr
ACCTS PAYABLE 60-90 DAYS $ 0.00		0.00	Ppd Rnt $4807.93
ACCTS PAYABLE OVER 90 DAYS $ 0.00		0.00	
23. NOTES PAYABLE *(Attach list)*	3500.00	3500.00	AMF, PAF
24. SECURITY DEPOSITS	10950.00	10800.00	
25. **TOTAL CURRENT LIABILITIES** *(Add 22 thru 24)*	22334.37	19776.10	

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0189. The time required to complete this information collection is estimated to average 2 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

LONG-TERM LIABILITIES

26.	NOTES PAYABLE RURAL DEVELOPMENT	1293579.16	1307372.68	usda
27.	OTHER *(Identify)* _____	323368.90	336859.60	n/p home mtg,n/p gp,work a
28.	**TOTAL LONG-TERM LIABILITIES** *(Add 26 and 27)*.	1616948.06	1644232.28	
29.	**TOTAL LIABILITIES** *(Add 25 and 28)*	1639282.43	1664008.38	
30.	OWNER'S EQUITY (Net Worth) *(21 minus 29)*	-632222.17	-637994.56	
31.	**TOTAL LIABILITIES AND OWNER'S EQUITY** *(Add 29 and 30)*	1007060.26	1026013.82	

Warning: **Section 1001 of Title 18, United States Code provides: "Whoever, in any matter within the jurisdiction of any department or agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined under this title or imprisoned not more than five years, or both.**

I HAVE READ THE ABOVE WARNING STATEMENT AND I HEREBY CERTIFY THE FOREGOING INFORMATION IS COMPLETE AND ACCURATE TO THE BEST OF MY KNOWLEDGE.

_____ _____

(Date) *(Signature of Borrower or Borrower's Representative)*

_____

(Title)

PART II - THIRD PARTY VERIFICATION OF REVIEW

I/We have reviewed the borrower's records. The accompanying balance sheet, and statement of actual budget and income on Form RD 3560-7, is a fair presentation of the borrower's records.

I/We certify that no identity of interest exists between me/us and any individual or organization doing business with the project or borrower.

_____ _____

(Date) *(Signature)*

_____

(Name and Title)

_____

(Address)

☐ In lieu of the above verification and signature, a review completed, dated and signed by a person or firm qualified by license or certification is attached.

Position 3

Form RD 3560-7
(Rev. 05-06)

MULTIPLE FAMILY HOUSING PROJECT BUDGET/ UTILITY ALLOWANCE

FORM APPROVED
OMB NO.0575-0189

PROJECT NAME	BORROWER NAME	BORROWER ID AND PROJECT NO.
Chester Townhouses I	Chester I	792450022 019
Loan/Transfer Amount $ 0.00	Note Rate Payment $ 0.00	IC Payment $ 3,085.24

Reporting Period: ☑ Annual ☐ Quarterly ☐ Monthly

Budget Type: ☐ Initial ☑ Regular Report ☐ Rent Change ☐ SNR ☐ Other Servicing

Project Rental Type: ☑ Family ☐ Elderly ☐ Congregate ☐ Group Home ☐ Mixed ☐ LH

Profit Type: ☐ Full Profit ☑ Limited Profit ☐ Non-Profit

The following utilities are master metered: ☐ Electricity ☐ Gas ☐ Water ☐ Sewer ☐ Trash ☐ Other _____

☐ I hereby request ____0____ units of RA. Current number of RA units ___54___.

Borrower Accounting Method: ☐ Cash ☑ Accrual

PART I—CASH FLOW STATEMENT

	CURRENT BUDGET	ACTUAL	PROPOSED BUDGET	COMMENTS or (YTD)
BEGINNING DATES	(01 - 01- 202)	(01 - 01 - 2023)	(01 - 01 - 2024)	(- -)
ENDING DATES	(12 - 31- 202)	(12 - 31 - 2023)	(12 - 31- 2024)	(- -)
OPERATIONAL CASH SOURCES				
1. RENTAL INCOME	429,144.00	170,593.00	458,880.00	
2. RHS RENTAL ASSISTANCE RECEIVED		268,783.00		
3. APPLICATION FEES RECEIVED		1,605.00		
4. LAUNDRY AND VENDING	0.00	0.00	0.00	
5. INTEREST INCOME	50.00	467.71	350.00	
6. TENANT CHARGES	5,000.00	1,864.41	4,000.00	
7. OTHER - PROJECT SOURCES	0.00	274.00	0.00	WC '22 Refund
8. LESS *(Vacancy and Contingency Allowance)*	(4,000.00)		(4,580.00)	
9. LESS *(Agency Approved Incentive Allowance)*	(0.00)		(0.00)	
10. SUB-TOTAL *[(1 thru 7) - (8 & 9)]*	430,194.00	443,587.12	458,650.00	
NON-OPERATIONAL CASH SOURCES				
11. CASH - NON PROJECT	0.00	0.00	0.00	
12. AUTHORIZED LOAN *(Non-RHS)*	0.00	0.00	0.00	
13. TRANSFER FROM RESERVE	36,950.00	23,806.37	78,050.00	
14. SUB-TOTAL *(11 thru 13)*	36,950.00	23,806.37	78,050.00	
15. **TOTAL CASH SOURCES** *(10+14)*	467,144.00	467,393.49	536,700.00	
OPERATIONAL CASH USES				
16. TOTAL O&M EXPENSES *(From Part II)*	314,925.00	339,647.02	343,841.00	
17. RHS DEBT PAYMENT	37,023.00	37,022.88	37,023.00	
18. RHS PAYMENT *(Overage)*		3,664.00		
19. RHS PAYMENT *(Late Fee)*		0.00		
20. REDUCTION IN PRIOR YEAR PAYABLES		0.00		
21. TENANT UTILITY PAYMENTS		11,189.00		
22. TRANSFER TO RESERVE	43,300.00	43,952.49	43,300.00	
23. RETURN TO OWNER /NP ASSET MANAGEMENT FEE .	16,736.00	16,736.00	16,736.00	
24. SUB-TOTAL *(16 thru 23)*	411,984.00	452,211.39	440,900.00	
NON-OPERATIONAL CASH USES				
25. AUTHORIZED DEBT PAYMENT (Non-RHS)	17,742.00	17,741.76	17,742.00	HOME MTG PMT
26. ANNUAL CAPITAL BUDGET *(From Part III, Lines 4-6)*	36,950.00	23,806.37	78,050.00	
27. MISCELLANEOUS	300.00	389.00	0.00	Bad Debt
28. SUB-TOTAL *(25 thru 27)*	54,992.00	41,937.13	95,792.00	
29. **TOTAL CASH USES** *(24+28)*	466,976.00	494,148.52	536,692.00	
30. **NET CASH (DEFICIT)** *(15–29)*	168.00	- 26,755.03	8.00	
CASH BALANCE				
31. BEGINNING CASH BALANCE	10,000.00	92,332.93	10,000.00	
32. ACCRUAL TO CASH ADJUSTMENT		- 766.01		
33. ENDING CASH BALANCE *(30+31+32)*	10,168.00	64,811.89	10,008.00	

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PART II—OPERATING AND MAINTENANCE EXPENSE SCHEDULE

	CURRENT BUDGET	ACTUAL	PROPOSED BUDGET	COMMENTS or (YTD)
1. MAINTENANCE AND REPAIRS PAYROLL	24,900.00	23,554.96	25,450.00	
2. MAINTENANCE AND REPAIRS SUPPLY	12,000.00	14,091.68	12,000.00	
3. MAINTENANCE AND REPAIRS CONTRACT	13,000.00	15,887.58	14,450.00	$2300 p/w
4. PAINTING	6,500.00	8,290.80	7,000.00	
5. SNOW REMOVAL	0.00	0.00	0.00	
6. ELEVATOR MAINTENANCE/CONTRACT	0.00	0.00	0.00	
7. GROUNDS	15,500.00	19,745.27	19,700.00	$1125/mo, $1400 p
8. SERVICES	1,650.00	1,997.00	1,200.00	
9. ANNUAL CAPITAL BUDGET *(From Part V - Operating)*	22,480.00	28,360.53	23,745.00	
10. OTHER OPERATING EXPENSES *(Itemize)*	0.00	1,118.40	1,400.00	sec 115/mo
11. SUB-TOTAL MAINT. & OPERATING *(1 thru 10)*	96,030.00	113,046.22	104,945.00	
12. ELECTRICITY ☐	6,500.00	8,710.05	9,000.00	
13. WATER ☐	350.00	564.17	800.00	
14. SEWER ☐	400.00	644.21	900.00	
15. FUEL *(Oil/Coal/Gas)*	0.00	0.00	0.00	
16. GARBAGE & TRASH REMOVAL	9,500.00	11,137.75	10,200.00	$821/mo + extra w
17. OTHER UTILITIES	0.00	0.00	0.00	
18. SUB-TOTAL UTILITIES *(12 thru 17)*	16,750.00	21,056.18	20,900.00	
19. SITE MANAGEMENT PAYROLL	30,700.00	30,566.34	31,000.00	
20. MANAGEMENT FEE	59,520.00	59,520.00	63,240.00	$80+$5 LIHTC
21. PROJECT AUDITING EXPENSE	5,500.00	5,550.00	5,750.00	DHG
22. PROJECT BOOKKEEPING/ACCOUNTING	0.00	0.00	0.00	
23. LEGAL EXPENSES	400.00	130.00	400.00	
24. ADVERTISING	200.00	139.17	200.00	
25. TELEPHONE & ANSWERING SERVICE	3,000.00	2,868.28	3,000.00	inc Ring Central
26. OFFICE SUPPLIES	2,800.00	5,570.49	4,000.00	
27. OFFICE FURNITURE & EQUIPMENT	0.00	0.00	0.00	
28. TRAINING EXPENSE	1,045.00	1,219.93	1,600.00	
29. HEALTH INS. & OTHER EMP. BENEFITS	15,525.00	13,375.91	18,500.00	5% 401k + Health
30. PAYROLL TAXES	4,450.00	3,784.95	4,516.00	8%
31. WORKER'S COMPENSATION	1,530.00	1,265.48	1,270.00	2.25%
32. OTHER ADMINISTRATIVE EXPENSES *(Itemize)*	13,425.00	15,002.60	13,920.00	see comments
33. SUB-TOTAL ADMINISTRATIVE *(19 thru 32)*	138,095.00	138,993.15	147,396.00	
34. REAL ESTATE TAXES	46,000.00	48,704.26	47,250.00	
35. SPECIAL ASSESSMENTS	0.00	0.00	0.00	
36. OTHER TAXES, LICENSES & PERMITS	0.00	32.00	0.00	UFAS Manual
37. PROPERTY & LIABILITY INSURANCE	18,000.00	17,815.21	23,350.00	10% inc
38. FIDELITY COVERAGE INSURANCE	50.00	0.00	0.00	
39. OTHER INSURANCE	0.00	0.00	0.00	
40. SUB-TOTAL TAXES & INSURANCE *(34 thru 39)*	64,050.00	66,551.47	70,600.00	
41. TOTAL O&M EXPENSES *(11+18+33+40)*	314,925.00	339,647.02	343,841.00	

If master metered check box on front.

PART III—ACCOUNT BUDGETING/STATUS

	CURRENT BUDGET	ACTUAL	PROPOSED BUDGET	COMMENTS or (YTD)
RESERVE ACCOUNT:				
1. BEGINNING BALANCE	191,680.00	176,999.79	204,310.00	
2. TRANSFER TO RESERVE	43,300.00	43,952.49	43,300.00	add'l $22,800
TRANSFER FROM RESERVE				
3. OPERATING DEFICIT	0.00	0.00	0.00	
4. ANNUAL CAPITAL BUDGET *(Part V - Reserve)*	36,950.00	23,806.37	78,050.00	
5. BUILDING & EQUIPMENT REPAIR	0.00	0.00	0.00	
6. OTHER NON-OPERATING EXPENSES	0.00	0.00	0.00	
7. TOTAL *(3 thru 6)*	(36,950.00)	(23,806.37)	(78,050.00)	
8. ENDING BALANCE *[(1+2)-7]*	198,030.00	197,145.91	169,560.00	
GENERAL OPERATING ACCOUNT:*				
BEGINNING BALANCE		74,848.41		
ENDING BALANCE		34,664.42		
REAL ESTATE TAX AND INSURANCE ESCROW ACCOUNT:*				
BEGINNING BALANCE		17,484.52		
ENDING BALANCE		30,147.47		
TENANT SECURITY DEPOSIT ACCOUNT:*				
BEGINNING BALANCE		10,800.00		
ENDING BALANCE		10,950.00		

*(*Complete upon submission of actual expenses.)*

NUMBER OF APPLICANTS ON THE WAITING LIST	0	RESERVE ACCT. REQ. BALANCE	51,139.00
NUMBER OF APPLICANTS NEEDING RA	0	AMOUNT AHEAD/BEHIND	918.00

PART IV—RENT SCHEDULE AND UTILITY ALLOWANCE

A. CURRENT APPROVED RENTS/ UTILITY ALLOWANCE

UNIT DESCRIPTION			RENTAL RATES			POTENTIAL INCOME FROM EACH RATE			
BR SIZE	UNIT TYPE	NUMBER	BASIC	NOTE RATE	HUD	BASIC	NOTE RATE	HUD	UTILITY ALLOWANCE
1.00	n	18.00	503.00	631.00	0.00	108,648.00	136,296.00	0.00	156.00
2.00	n	44.00	607.00	769.00	0.00	320,496.00	406,032.00	0.00	195.00
0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CURRENT RENT TOTALS:						429,144.00	542,328.00	0.00	
						BASIC	NOTE	HUD	

B. PROPOSED RENTS - Effective Date: 12 / 01 / 2023

UNIT DESCRIPTION			RENTAL RATES			POTENTIAL INCOME FROM EACH RATE		
BR SIZE	UNIT TYPE	NUMBER	BASIC	NOTE RATE	HUD	BASIC	NOTE RATE	HUD
1	N	18.00	538.00	666.00	0.00	116,208.00	143,856.00	0.00
2	N	44.00	649.00	811.00	0.00	342,672.00	428,208.00	0.00
0		0.00	0.00	0.00	0.00	0.00	0.00	0.00
0		0.00	0.00	0.00	0.00	0.00	0.00	0.00
0		0.00	0.00	0.00	0.00	0.00	0.00	0.00
0		0.00	0.00	0.00	0.00	0.00	0.00	0.00
0		0.00	0.00	0.00	0.00	0.00	0.00	0.00
0		0.00	0.00	0.00	0.00	0.00	0.00	0.00
PROPOSED RENT TOTALS:						458,880.00	572,064.00	0.00
						BASIC	NOTE	HUD

C. PROPOSED UTILITY ALLOWANCE - Effective Date: 12 / 01 / 2023

MONTHLY DOLLAR ALLOWANCES

BR SIZE	UNIT TYPE	NUMBER	ELECTRIC	GAS	WATER	SEWER	TRASH	OTHER	TOTAL
1.00	N	18.00	79.00	0.00	35.00	42.00	0.00	0.00	156.00
2.00	N	44.00	100.00	0.00	46.00	55.00	0.00	0.00	201.00
0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

PART V - ANNUAL CAPITAL BUDGET

	Proposed Number of Units/Items	Proposed from Reserve	Actual from Reserve	Proposed from Operating	Actual from Operating	Actual Total Cost	Total Actual Units/Items
Appliances:							
Range	4.00	0.00	626.40	2,000.00	2,575.80	3,202.20	5.00
Refrigerator	5.00	1,400.00	835.92	2,100.00	0.00	835.92	1.00
Range Hood	12.00	0.00	0.00	720.00	0.00	0.00	0.00
Washers & Dryers	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other:	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Carpet & Vinyl:							
1BR	4.00	8,400.00	0.00	1,200.00	3,013.23	3,013.23	1.00
2BR	6.00	16,200.00	7,246.40	0.00	13,027.26	20,273.6	18.00
3BR	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4BR	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other:	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cabinets:							
Kitchens	1.00	3,700.00	0.00	0.00	0.00	0.00	0.00
Bathrooms	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other:	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Doors:							
Exterior	3.00	0.00	0.00	1,125.00	312.91	312.91	4.00
Interior	15.00	0.00	0.00	2,250.00	0.00	0.00	0.00
Other:	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Window Coverings:							
List:	150.00	0.00	0.00	3,600.00	1,827.60	1,827.60	70.00
Other:	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Heating & Air Conditioning:							
Heating	7.00	38,500.00	0.00	0.00	4,920.00	4,920.00	2.00
Air Conditioning	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other:	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Plumbing:							
Water Heater	6.00	0.00	1,444.97	3,900.00	1,351.13	2,796.10	4.00
Bath Sinks	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Kitchen Sinks	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Faucets	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Toilets	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Major Electrical:							
List:		0.00	0.00	0.00	0.00	0.00	
Other:		0.00	0.00	0.00	0.00	0.00	
Structures:							
Windows	2.00	0.00	0.00	400.00	0.00	0.00	0.00
Screens	10.00	0.00	0.00	150.00	0.00	0.00	0.00
Walls		0.00	0.00	0.00	0.00	0.00	
Roofing		0.00	0.00	0.00	0.00	0.00	
Siding		0.00	0.00	0.00	0.00	0.00	
Exterior Painting		0.00	0.00	0.00	0.00	0.00	
Other		0.00	0.00	0.00	0.00	0.00	
Paving:							
Asphalt		0.00	0.00	0.00	0.00	0.00	
Concrete		0.00	0.00	0.00	0.00	0.00	
Seal & Stripe		0.00	0.00	0.00	0.00	0.00	
Other:		0.00	0.00	0.00	0.00	0.00	
Landscape & Grounds:							
Landscaping		0.00	0.00	0.00	0.00	0.00	
Lawn Equipment		0.00	0.00	0.00	0.00	0.00	
Fencing		0.00	0.00	0.00	0.00	0.00	
Recreation Area		0.00	0.00	0.00	0.00	0.00	
Signs		0.00	0.00	0.00	0.00	0.00	
Other:		0.00	0.00	0.00	0.00	0.00	
Accessibility Features:							
List:		0.00	0.00	0.00	0.00	0.00	
Other:		9,850.00	0.00	0.00	0.00	0.00	
Automation Equipment:							
Site Management		0.00	0.00	1,200.00	0.00	0.00	
Common Area		0.00	0.00	0.00	0.00	0.00	
Other:		0.00	5,403.70	0.00	0.00	5,403.70	
Other:							
List:		0.00	8,248.98	2,550.00	0.00	8,248.98	
List:		0.00	0.00	2,550.00	1,332.60	1,332.60	
List:		0.00	0.00	0.00	0.00	0.00	
TOTAL CAPITAL EXPENSES:	225	78,050.00	23,806.37	23,745.00	28,360.53	52,166.90	105

PART VI -- SIGNATURES, DATES AND COMMENTS

Warning: Section 1001 of Title 18, United States Code provides: "Whoever, in any matter within the jurisdiction of any department or agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined under this title or imprisoned not more than five years, or both.

I HAVE READ THE ABOVE WARNING STATEMENT AND I HEREBY CERTIFY THAT THE FOREGOING INFORMATION IS COMPLETE AND ACCURATE TO THE BEST OF MY KNOWLEDGE.

(DATE)

(Signature of Borrower or Borrower's Representative)

(Title)

AGENCY APPROVAL *(Rural Development Approval Official):*	DATE:

COMMENTS:

FORVIS

Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards*

Independent Auditor's Report

To the Partners
New Chester Townhouses, A Limited Partnership
Columbia, South Carolina

USDA Rural Development
744A Wilson Street
Chester, South Carolina 29706

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of New Chester Townhouses, A Limited Partnership (the "Partnership"), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations, partners' deficit, and cash flows for the years then ended and the related notes to the financial statements, and have issued our report thereon dated March 1, 2024.

Report on Internal Control Over Financial Reporting
In planning and performing our audits of the financial statements, we considered the Partnership's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control. Accordingly, we do not express an opinion on the effectiveness of the Partnership's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Partnership's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Partnership's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Partnership's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Partnership's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

FORVIS, LLP

Greenville, South Carolina
March 1, 2024

FORVIS

Report on Compliance for Each Major RD Program and Report On Internal Control Over Compliance Required by the Consolidated Audit Guide for Audits of RD Programs

Independent Auditor's Report

To the Partners
New Chester Townhouses, A Limited Partnership
Columbia, South Carolina

Report on Compliance for Major RD Program

Opinion on Major RD Program
We have audited New Chester Townhouses, A Limited Partnership's (the "Partnership") compliance with the types of compliance requirements described in the *Audit Guide for Audits of RD Programs* (the "Guide") that could have a direct and material effect on the Partnership's major U.S. Department of Rural Development ("RD") programs for the year ended December 31, 2023. The Partnership's major RD programs and the related direct and material compliance requirements are as follows:

Name of Major RD Program	Direct and Material Compliance Requirements
• Section 515 Rural Rental Housing Loans	Mortgage status, replacement reserve, return on investment or return to owner, equity skimming, cash receipts, cash disbursements, tenant security deposits, management functions, unauthorized change of ownership or acquisition of liabilities and unauthorized loans of project funds.

In our opinion, the Partnership complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major RD programs for the year ended December 31, 2023.

Basis for Opinion on Major RD Program
We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Our responsibilities under those standards and the Guide are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Partnership and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major RD programs. Our audit does not provide a legal determination of the Partnership's compliance with the compliance requirements.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Partnership's RD programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Partnership's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Guide will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Partnership's compliance with the requirements of its major RD programs as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Guide, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Partnership's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Partnership's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

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Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a RD program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a RD program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a RD program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

FORVIS, LLP

Greenville, South Carolina
March 1, 2024

NEW CHESTER TOWNHOUSES, A LIMITED PARTNERSHIP
Schedule of Findings and Questioned Costs
Years Ended December 31, 2023 and 2022

For the Years Ended December 31, 2023 and 2022:

There were no findings or questioned costs for the years ended December 31, 2023 and 2022.

NEW CHESTER TOWNHOUSES, A LIMITED PARTNERSHIP
Schedule of Lead Auditor
Year Ended December 31, 2023

Auditor Information:	**FORVIS, LLP** **11 Brendan Way** **Greenville, SC 29615**
Phone Number:	**864.213.5378**
Auditor Contact:	**Mike Kelly, CPA**
Auditor Contact Title:	**Partner**
Auditor Contact Email:	**mike.kelly@forvis.com**

New Chester Townhouses, A Limited Partnership

Independent Auditor's Report, Financial Statements, and Supplementary Information

December 31, 2024 and 2023

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Independent Auditor's Report

To the Partners
New Chester Townhouses, A Limited Partnership
Columbia, South Carolina

Opinion

We have audited the accompanying financial statements of New Chester Townhouses, A Limited Partnership (the "Partnership"), which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of operations, partners' deficit, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Partnership as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Partnership and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Partnership's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance, and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Partnership's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 17-27 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated February 28, 2025, on our consideration of the Partnership's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Partnership's internal control over financial reporting and compliance.

Forvis Mazars, LLP

February 28, 2025
Greenville, South Carolina

NEW CHESTER TOWNHOUSES, A LIMITED PARTNERSHIP
Balance Sheets
December 31, 2024 and 2023

Assets

	2024	2023
Current assets:		
Cash	$ 64,373	$ 34,664
Accounts receivable, tenants	1,810	3,080
Prepaid expenses	7,150	7,024
Total current assets	73,333	44,768
Restricted deposits and funded reserves:		
Cash, security deposits	11,050	10,950
Cash, escrow	30,875	30,147
Cash, reserve for replacements	90,722	197,147
Cash, operating reserve	94,419	93,778
	227,066	332,022
Rental property, at cost:		
Land	289,034	289,034
Land improvements	108,197	108,197
Buildings and building improvements	2,112,920	2,005,314
Furniture and equipment	23,600	23,429
	2,533,751	2,425,974
Accumulated depreciation	(1,831,815)	(1,795,703)
	701,936	630,271
Total assets	$ 1,002,335	$ 1,007,061

(continued)

NEW CHESTER TOWNHOUSES, A LIMITED PARTNERSHIP
Balance Sheets, (continued)
December 31, 2024 and 2023

Liabilities and Partners' Deficit

	2024	2023
Current liabilities:		
Current maturities of mortgages payable	$ 29,984	$ 28,676
Accounts payable	2,660	1,371
Accrued expenses	4,426	5,205
Total current liabilities	37,070	35,252
Deposits and prepayment liabilities:		
Prepaid rents	7,032	4,808
Security deposits	11,050	10,950
	18,082	15,758
Long-term liabilities:		
Mortgages payable, net of current maturities	1,439,572	1,470,126
Loan from partners	118,146	118,146
Total long-term liabilities	1,557,718	1,588,272
Total liabilities	1,612,870	1,639,282
Total partners' deficit	(610,535)	(632,221)
Total liabilities and partners' deficit	$ 1,002,335	$ 1,007,061

See accompanying notes.

NEW CHESTER TOWNHOUSES, A LIMITED PARTNERSHIP
Statements of Operations
For the Years Ended December 31, 2024 and 2023

	2024	2023
Revenue:		
Apartments	$ 478,552	$ 443,997
Less tenant allowances	(13,880)	(11,189)
Less Overages	(5,792)	(3,664)
Potential Rental Income	458,880	429,144
Less vacancies	(1,054)	(5,063)
Less concessions	(1,662)	442
Net rental revenue	456,164	424,523
Interest income	1,085	477
Tenant charges	3,072	3,469
Other	8	274
	460,329	428,743
Expenses and non-operating (income):		
Interest subsidy income	(19,280)	(19,280)
Interest subsidy expense	19,280	19,280
Administrative	144,502	139,021
Maintenance	123,630	122,684
Taxes and insurance	71,411	66,551
Utilities	20,457	21,056
Bad debts	-	389
Depreciation	36,388	29,081
Interest	25,519	27,480
Investor asset management fee	1,000	1,000
Partnership management fee	2,500	2,500
	425,407	409,762
Net income	$ 34,922	$ 18,981

See accompanying notes.

NEW CHESTER TOWNHOUSES, A LIMITED PARTNERSHIP
Statements of Partners' Deficit
For the Years Ended December 31, 2024 and 2023

	2024	2023
Partners' deficit, beginning	$ (632,221)	$ (637,995)
Net income	34,922	18,981
Distributions	(13,236)	(13,207)
Partners' deficit, ending	$ (610,535)	$ (632,221)

See accompanying notes.

NEW CHESTER TOWNHOUSES, A LIMITED PARTNERSHIP
Statements of Cash Flows
For the Years Ended December 31, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Net income	$ 34,922	$ 18,981
Adjustments to reconcile net income to net cash provided by operating activities:		
Bad debts	-	389
Depreciation	36,388	29,081
Net changes in operating assets and liabilities:		
(Increase) decrease:		
Accounts receivable, tenants	1,270	(3,307)
Prepaid expenses	(126)	(257)
Increase (decrease):		
Accounts payable	1,289	(32)
Accrued expenses	(779)	697
Prepaid rents	2,224	1,743
Tenant security deposits	100	150
Net cash provided by operating activities	75,288	47,445
Cash flows from investing activities:		
Purchase of rental property	(108,053)	(14,169)
Net cash used by investing activities	(108,053)	(14,169)
Cash flows from financing activities:		
Principal payments on mortgages payable	(29,246)	(27,285)
Distributions to partners	(13,236)	(13,207)
Net cash used by financing activities	(42,482)	(40,492)
NET DECREASE IN CASH, RESTRICTED DEPOSITS, AND FUNDED RESERVES	(75,247)	(7,216)
CASH, RESTRICTED DEPOSITS AND FUNDED RESERVES, BEGINNING	366,686	373,902
CASH, RESTRICTED DEPOSITS AND FUNDED RESERVES, ENDING	$ 291,439	$ 366,686
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	$ 25,519	$ 27,480

Reconciliation of cash, restricted deposits, and funded reserves reported within the balance sheets that sum to the total of the same such amounts shown in the statements of cash flows:

Cash	$ 64,373	$ 34,664
Cash, security deposits	11,050	10,950
Cash, escrow	30,875	30,147
Cash, reserve for replacements	90,722	197,147
Cash, operating reserve	94,419	93,778
Total cash, restricted deposits, and funded reserves	$ 291,439	$ 366,686

NEW CHESTER TOWNHOUSES, A LIMITED PARTNERSHIP

Notes to Financial Statements
December 31, 2024 and 2023

1. Organization and Significant Accounting Policies

Organization - New Chester Townhouses, A Limited Partnership (the "Partnership") was organized to acquire, rehab, own, maintain and operate a 62-unit rental housing project for persons of low and moderate income pursuant to Sections 515(b) and 521 of the Housing Act of 1949, as amended, which provides for interest and rental subsidies. The Partnership is located in the city of Chester, South Carolina. The major activities of the Partnership are governed by the partnership agreement and the USDA Rural Development ("RD"). Annual distributions to the partners are limited by RD to 8% of the borrowers' initial capital investment of $209,200. The partnership agreement provides that the Partnership is to terminate on December 31, 2054 unless terminated earlier in accordance with the terms of the partnership agreement.

In September 2020, the partnership agreement was amended to admit a new general partner, CAHEC Preservation, LLC with a .01% special limited partnership interest and permit the withdrawal of the original special limited partner, WWJ, LLC. Additionally, 35% of the limited partnership interest was transferred from Boston Capital Tax Credit Fund IV, L.P., to CAHEC Preservation, LLC in 2020. The remaining 64.99% limited partnership interest remained with Boston Capital Tax Credit Fund IV, L.P until 2022 when 63.99% was transferred to CAHEC Preservation, LLC and the remaining 1% was transferred to CAHEC Restoration, LLC.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Method of Accounting - The financial statements of the Partnership are prepared on the accrual basis of accounting, and include only those assets, liabilities and results of operations of the partners which relate to the business of the Partnership.

Cash - For purposes of reporting cash flows, the Company includes all cash investments which are not subject to withdrawal restrictions or penalties and certificates of deposit with a maturity of three months or less as cash.

Organization and Significant Accounting Policies (continued)

Restricted Cash - Restricted cash consists of tenant security deposits, escrow deposits held for property taxes and insurance, and reserves for operating deficit and replacement reserves. The tenant security deposit account represents cash restricted for purpose of refunding tenants' security deposit paid at the move-in date. Security deposits are refunded to the tenants at the time of move-out in accordance with the tenant lease agreement, subject to cleaning and repairs of incidental to normal wear on the tenant unit.

Rental Property - Rental property is recorded at cost. Improvements are capitalized, while expenditures for maintenance and repairs are expensed as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in net income on the statements of operations. The rental property is depreciated over the estimated service lives under the straight-line method as follows:

Land improvements	15 years
Buildings and building improvements	10 to 40 years
Furniture and equipment	3 to 10 years

The Partnership reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property including the low income housing tax credits and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of real estate exceeds the fair value of such property. There were no impairment losses recognized in 2024 or 2023.

Income Taxes - Earnings of the Partnership are taxed directly to the partners; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes.

Allocation of Profits, Losses and Distributions - All profits and losses are allocated among the partners in proportion to their respective percentage interest in the Partnership at the end of each calendar year. Distributions are allocated to the individual partner based on a formula in the partnership agreement.

Organization and Significant Accounting Policies (continued)

Concentrations of Credit Risk - The Partnership maintains its cash in financial institutions insured by the Federal Deposit Insurance Corporation ("FDIC"). Deposit accounts, at times, may exceed federally insured limits. The Partnership has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Accounts Receivable, Tenants and Bad Debts - Tenant receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Rental Income - Rents are recognized for residential units as they are earned. Advance receipts of rental income are deferred until earned. All leases between the Partnership and tenants of the residential units are operating leases.

Subsequent Events Evaluation - The Partnership evaluated the effect subsequent events would have on the financial statements through February 28, 2025, which is the date the financial statements were available to be issued.

2. Mortgages Payable

On January 1, 2006, the Partnership assumed a fifty year mortgage from Chester Townhouses Phase 1 Apartments, A Limited Partnership that was issued by RD in the amount of $854,209. The mortgage is secured by the rental property. The loan agreement provides for the following:

The interest rate is 5.375% per annum. However, the Partnership signed an interest credit agreement as provided in Section 515 of Title V of the Housing Act of 1949 effective January 1, 2006, with RD which reduces the payments to an amount equivalent to a loan at a 1% interest rate. Any tenant, based on their income level, may be required to pay rents in excess of the basic rental charges approved by RD. This excess rental is required to be paid to RD as additional interest. The monthly mortgage payments are $1,812 plus excess rental income received. During the years ended December 31, 2024 and 2023, total interest expense of the mortgage was $12,660 and $13,296, respectively.

The loan agreement imposes restrictions on cash disbursements, admittance of and distribution to the partners, and prohibits the transfer or encumbrance of title to the property. Additionally, the general partner must maintain a minimum of five percent financial interest in the Partnership. The Partnership was in compliance with these regulations at December 31, 2024.

Mortgages Payable (continued)

The mortgage requires the Partnership to use housing for the purpose of housing people eligible for occupancy under Section 515 for a thirty year period beginning January 1, 2006. After thirty years the Partnership can request to repay the mortgage. Also, if at any time it appears to RD that the Partnership may be able to obtain a loan from a responsible cooperative or private credit source at reasonable rates and terms for loans for similar purposes and periods of time, the Partnership must, at RD's request, apply for and accept a loan in sufficient amount to pay this note in full. Upon this refinancing, the rental restrictions by RD would be lifted.

On December 28, 2006, the Partnership obtained a thirty year mortgage issued by RD in the amount of $600,000. The loan is secured by income derived from the property. The loan agreement provides for the following:

The interest rate is at 5.375% per annum. However, the Partnership signed an interest credit agreement as provided in Section 515 of Title V of the Housing Act of 1949 effective January 1, 2006, with RD which reduces the payments to an amount equivalent to a loan at a 1% interest rate. Any tenant, based on their income level, may be required to pay rents in excess of the basic rental charges approved by RD. This excess rental is required to be paid to RD as additional interest. Principal and interest are payable in 359 regular amortized installments beginning on February 1, 2007. The installments are calculated based on an amortization of fifty years. The monthly mortgage payments are $1,273 plus excess rental income received. If not paid sooner, the final installment of the entire indebtedness is due thirty years from the date of the note. During the years ended December 31, 2024 and 2023, total interest expense of the mortgage was $8,880 and $9,933, respectively.

On December 28, 2006, the Partnership obtained a thirty year mortgage issued by the South Carolina State Housing Finance and Development Authority in the amount of $400,000. The mortgage is secured by the rental property. The loan agreement provides for the following:

The interest rate is two percent (2%) per annum. Principal and interest are payable in 360 equal installments of $1,478 beginning on March 15, 2007. The note may be prepaid in full or part without penalty. The Partnership has not requested to prepay the mortgage as of December 31, 2024. During the years ended December 31, 2024 and 2023, total interest expense of the mortgage was $3,979 and $4,251, respectively.

Mortgages Payable (continued)

Principal maturities of the three loans are as follows at December 31, 2024:

2025	$ 29,984
2026	31,145
2027	32,361
2028	33,633
2029	34,966
Thereafter	1,307,467
Total	$ 1,469,556

3. Transactions with Related Parties

Notes with General Partner - The non-interest bearing residual receipt notes are payable to the general partner for reimbursement of construction cost overruns paid by them in the amount of $118,146. The notes are payable upon:

a. Cash flow available in excess of the maximum cumulative amount permitted to be distributed under RD regulations subject to permission of RD.
b. Prior to dissolution, cash available from a capital transaction.
c. Upon dissolution of the Partnership.

Management Fee - During the years ended December 31, 2024 and 2023, the Partnership incurred expenses amounting to $63,240 and $59,520, respectively, paid to CAHEC Management, Inc., an affiliate of CAHEC Preservation, for services rendered in connection with the leasing and operation of the project. The fees for these services equaled $80 and $75 per occupied unit per month during 2024 and 2023, respectively. Additionally, an add-on management fee of $5 per unit per month was paid to CAHEC Management, Inc during the years ended December 31, 2024 and 2023. As of December 31, 2024 and 2023, $240 and $20, respectively, of management fees remained payable to CAHEC Management, Inc.

Payroll and Related Benefits - During the years ended December 31, 2024 and 2023, the Partnership incurred payroll and related benefits, paid on behalf of the Partnership by the management company, which amounted to approximately $74,000 and $73,000, respectively. As of December 31, 2024 and 2023, $- and $446 of payroll and related benefits were payable to CAHEC Management, Inc, respectively.

Transactions with Related Parties (continued)

Property Insurance - During the years ended December 31, 2024 and 2023, the Partnership purchased its property insurance from Rural Housing Reinsurance Co. International, LTD. CAHEC Management, Inc., an affiliate of the general partner, is a minority shareholder in Rural Housing Reinsurance Co. International, LTD. Total fees of $22,914 and $17,947, respectively, were paid during the years ended December 31, 2024 and 2023. There was no amount due to Rural Housing Reinsurance Co. International, LTD. as of December 31, 2024 and 2023.

Investor Asset Management Fee - The Partnership is required to pay the investment limited partners, a cumulative, annual investor asset management fee of $1,000, provided that the investor asset management fee shall be subject to RD restrictions related to annual distributions. Investor asset management fees of $1,000 were incurred in both 2024 and 2023. There were no investor asset management fees payable at December 31, 2024 or 2023.

Partnership Management Fee - In accordance with the partnership agreement, the Partnership shall pay to the general partner a partnership management fee in the amount of $2,500 from available net cash flow as defined in the partnership agreement. In the event that cash flows are not sufficient to pay the full amount, the unpaid portion shall be accrued and remain payable on a cumulative basis from cash flow in the future after the payment of the investor asset management fee to the limited partner. Partnership management fees of $2,500 were incurred in 2024 and 2023. There was no partnership management fees payable at December 31, 2024 and 2023.

Other Reimbursable Expenses – As of December 31, 2024, $924 remained payable to CAHEC MM, LLC for other reimbursable expenses. As of December 31, 2023, the Partnership was owed $21 from CAHEC MM, LLC for other reimbursable expenses.

4. Partners' Equity Contributions

The Partnership has one special limited partner, CAHEC Preservation LLC, and two investment limited partners – CAHEC Preservation, LLC and CAHEC Restoration, LLC. As of December 31, 2024, the special limited partner and the investment limited partners have made equity contributions of $691,528.

5. Operating Reserve

The partnership agreement requires the Partnership to fund an operating reserve account in the initial amount of $90,200 with proceeds from the second and third installments of the limited partner's capital contributions. After the lease-up date, funds in the reserve shall be used to pay the operating costs and expenses of the Partnership to the extent the Partnership's collected gross receipts are insufficient for such purpose. The operating reserve is to be held in an interest-bearing segregated account. The general partner shall give notice to the limited partner of any intended use of the reserve. The limited partner shall have five business days to approve or reject such use, after which time the general partner may assume approval. Any interest earned shall remain within the operating reserve.

An analysis of the reserve for the year ended December 31, 2024 is as follows:

Balance, beginning	$ 93,778
Interest income	641
Balance, ending	$ 94,419

6. Reserve for Replacements

According to the loan agreements with RD, a reserve for replacements account shall be funded annually in the amount of $20,500 until the reserve balance reaches $205,000. All withdrawals from the reserve require approval from RD.

An analysis of the reserve for the year ended December 31, 2024 is as follows:

Balance, beginning	$ 197,147
Funding	43,547
Interest income	272
Withdrawals	(150,244)
Balance, ending	$ 90,722

As of December 31, 2024, the funding of the reserve was in compliance with the loan agreement.

7. Current Vulnerability Due to Certain Concentrations

Concentration in Affordable Housing Market - The Partnership's sole asset is New Chester Townhouses. The Partnership's operations are concentrated in the affordable housing real estate market. In addition, the Partnership operates in a heavily regulated environment. The operations of the Partnership are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, RD and the State Housing Agency. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by RD or the State Housing Agency. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Concentration in Government Funding - The Partnership received 65% of gross revenue from RD in the form of rental assistance and interest reduction subsidy payments during both years ended December 31, 2024 and 2023.

Low-Income Housing Vulnerability - The Partnership's low-income housing credits are contingent on its ability to maintain compliance with applicable requirements of Section 42. Failure to maintain compliance with occupant eligibility, and/or unit gross rent, or to correct noncompliance within a specified period could result in recapture of previously taken tax credits plus interest. In addition, such potential noncompliance may require an adjustment to contributed capital by the limited partners.

Supplementary Information

NEW CHESTER TOWNHOUSES, A LIMITED PARTNERSHIP
Schedule of Required Supplemental Information
Year Ended December 31, 2024

1. Management Fee Calculation

The management fee is based on a fee per unit occupied by tenants during the month.

Per Occupied Unit Management Fee:

Total qualified units (62 x 12 months)	744
Less: Vacancies	-
Total occupied units	744
Fee per unit (effective January 2024)	$ 80
Total occupied unit management fee expenses	$ 59,520

Add-On Management Fee per Unit:

Total qualified units (62 x 12 months)	744
Multiple subsidies add-on	$ 5
Total add-on management fee expense	$ 3,720
Management fee expense	$ 63,240

2. Insurance Disclosure

The Partnership maintains insurance coverage as follows:

	Deductible	Coverage
Property coverage on buildings	$ 5,000	$ 7,341,542
Comprehensive business liability	$ -	$ 2,000,000
Fidelity	$ 15,000	$ 2,000,000

3. Return to Owner

In accordance with the loan agreement, the annual return to owner is as follows:

Maximum return to owner	$ 16,736
Budgeted return to owner	$ 16,736
Return to owner paid:	
Investor asset management fees	$ 1,000
Limited partners distribution	13,236
Partner management fee	2,500
	$ 16,736

4. Schedule of Changes in Rental Property

	Beginning Balance	Additions	Disposals	Ending Balance
Land	$ 289,034	$ -	$ -	$ 289,034
Land improvements	108,197	-	-	108,197
Furniture and equipment	23,429	447	(276)	23,600
Buildings and building improvements	2,005,314	107,606	-	2,112,920
Total rental property	$ 2,425,974	$ 108,053	$ (276)	$ 2,533,751
Accumulated depreciation				
Land improvements	$ (108,197)	$ -	$ -	$ (108,197)
Furniture and equipment	(8,394)	(2,015)	276	(10,133)
Buildings and building improvements	(1,679,112)	(34,373)	-	(1,713,485)
Total accumulated depreciation	$ (1,795,703)	$ (36,388)	$ 276	$ (1,831,815)

Fixed asset additions for the year ended December 31, 2024

Panels/breakers - $82,517
Re-pipe - $12,000
Tub/shower - $13,089
Check scanner - $447

Fixed asset disposals for the year ended December 31, 2024

Check scanner - $276

NEW CHESTER TOWNHOUSES, A LIMITED PARTNERSHIP

Schedule of Expenses

For the Years Ended December 31, 2024 and 2023

	2024	2023
Operating and Maintenance Expenses		
Maintenance and repairs - payroll	$ 24,217	$ 23,555
Maintenance and repairs - supplies	14,031	14,092
Maintenance and repairs - contract	7,122	15,888
Painting	2,300	8,291
Grounds	21,088	19,745
Services	2,032	1,997
Annual capital budget	50,643	37,998
Other operating expenses	2,197	1,118
Total operating and maintenance expenses	$ 123,630	$ 122,684
Utility Expenses		
Electricity	$ 8,847	$ 8,710
Water	618	564
Sewer	273	644
Garbage and trash removal	10,719	11,138
Total utility expenses	$ 20,457	$ 21,056
Administrative Expenses		
Site management payroll	$ 32,298	$ 30,566
Management fee	63,240	59,520
Project audit fee	5,825	5,550
Legal expense	80	130
Advertising	779	139
Telephone and answering service	2,658	2,868
Office supplies	5,581	5,599
Training expense	996	1,220
Health insurance and other employee benefits	11,388	13,376
Payroll taxes	4,056	3,785
Workers' compensation	1,183	1,265
Other administrative expenses	16,418	15,003
Total administrative expenses	$ 144,502	$ 139,021
Taxes and Insurance Expenses		
Real estate taxes	$ 48,848	$ 48,704
Property and liability insurance	22,500	17,815
Other taxes, licenses and permits	63	32
Total taxes and insurance expenses	$ 71,411	$ 66,551

Position 3

Form RD 3560-10
(02-05)

FORM APPROVED
OMB NO. 0575-0189

MULTI-FAMILY HOUSING
BORROWER BALANCE SHEET

PART I - BALANCE SHEET

PROJECT NAME	BORROWER NAME	BORROWER ID AND PROJECT NO.
Chester Townhouses I	Chester I	792450022 019

	CURRENT YEAR	PRIOR YEAR	COMMENTS
BEGINNING DATES>	(01 - 01 -2024)	(01- 01 -2023)	
ASSETS ENDING DATES>	(12 - 31 -2024)	(12- 31 -2023)	
CURRENT ASSETS			
1. GENERAL OPERATING ACCOUNT	64,373.22	34,664.42	incl $300 petty cash
2. R.E. TAX & INSURANCE ACCOUNT	30,874.52	30,147.47	
3. RESERVE ACCOUNT	90,722.32	197,145.91	
4. SECURITY DEPOSIT ACCOUNT	11,050.00	10,950.00	
5. OTHER CASH *(identify)*	0.00	0.00	
6. OTHER *(identify)*	0.00	0.00	
7. TOTAL ACCOUNTS RECEIVABLE *(Attach list)*	1,810.98		
ACCTS RCVBL 0-30 DAYS $ 1,810.98		3,079.97	AR Tenant $24.46
ACCTS RCVBL 30-60 DAYS $ 0.00		0.00	AR Misc 1786.52
ACCTS RCVBL 60-90 DAYS $ 0.00		0.00	
ACCTS RCVBL OVER 90 DAYS $ 0.00		0.00	
8. LESS: ALLOWANCE FOR DOUBTFUL ACCOUNTS	0.00	0.00	
9. INVENTORIES *(supplies)*	(0.00)	(0.00)	
10. PREPAYMENTS	7,149.54	7,023.44	PP Ins, PP Software fe
11. _____	94,418.91	93,778.41	ODR
12. **TOTAL CURRENT ASSETS** *(Add 1 thru 11)*	300,399.49	376,789.62	
FIXED ASSETS			
13. LAND	397,231.00	397,231.00	
14. BUILDINGS	2,112,919.53	2,005,314.35	
15. LESS: ACCUMULATED DEPRECIATION	(1,821,682.64)	(1,787,308.92)	
16. FURNITURE & EQUIPMENT	23,600.01	23,428.51	
17. LESS: ACCUMULATED DEPRECIATION	(10,133.05)	(8,394.30)	
18. _____	0.00	0.00	
19. **TOTAL FIXED ASSETS** *(Add 13 thru 18)*	701,934.85	630,270.64	
OTHER ASSETS			
20. _____	0.00	0.00	
21. **TOTAL ASSETS** *(Add 12, 19, and 20)*	1,002,334.34	1,007,060.26	
LIABILITIES AND OWNERS EQUITY			
CURRENT LIABILITIES			
22. TOTAL ACCOUNTS PAYABLE *(Attach list)*	10,619.00		
ACCTS PAYABLE 0-30 DAYS $ 10,619.00		7,884.37	AP $2660.13/WC 60.41
ACCTS PAYABLE 30-60 DAYS $ 0.00		0.00	Acc Mgmt $240/oth acc
ACCTS PAYABLE 60-90 DAYS $ 0.00		0.00	Ppd Rnt $7032.37
ACCTS PAYABLE OVER 90 DAYS $ 0.00		0.00	
23. NOTES PAYABLE *(Attach list)*	3,500.00	3,500.00	AMF, PAF
24. SECURITY DEPOSITS	11,050.00	10,950.00	
25. **TOTAL CURRENT LIABILITIES** *(Add 22 thru 24)*	25,169.00	22,334.37	

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0189. The time required to complete this information collection is estimated to average 2 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

LONG-TERM LIABILITIES

26.	NOTES PAYABLE RURAL DEVELOPMENT	1,278,096.07	1,293,579.16	usda
27.	OTHER *(Identify)* _____	309,605.86	323,368.90	n/p home mtg,n/p gp,work a
28.	**TOTAL LONG-TERM LIABILITIES** *(Add 26 and 27)*.	1,587,701.93	1,616,948.06	
29.	**TOTAL LIABILITIES** *(Add 25 and 28)*	1,612,870.93	1,639,282.43	
30.	OWNER'S EQUITY (Net Worth) *(21 minus 29)*	-610,536.59	-632,222.17	
31.	**TOTAL LIABILITIES AND OWNER'S EQUITY** *(Add 29 and 30)*	1,002,334.34	1,007,060.26	

Warning: **Section 1001 of Title 18, United States Code provides: "Whoever, in any matter within the jurisdiction of any department or agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined under this title or imprisoned not more than five years, or both.**

I HAVE READ THE ABOVE WARNING STATEMENT AND I HEREBY CERTIFY THE FOREGOING INFORMATION IS COMPLETE AND ACCURATE TO THE BEST OF MY KNOWLEDGE.

_____ _____

(Date) *(Signature of Borrower or Borrower's Representative)*

_____

(Title)

PART II - THIRD PARTY VERIFICATION OF REVIEW

I/We have reviewed the borrower's records. The accompanying balance sheet, and statement of actual budget and income on Form RD 3560-7, is a fair presentation of the borrower's records.

I/We certify that no identity of interest exists between me/us and any individual or organization doing business with the project or borrower.

_____ _____

(Date) *(Signature)*

_____

(Name and Title)

_____

(Address)

☐ In lieu of the above verification and signature, a review completed, dated and signed by a person or firm qualified by license or certification is attached.

Position 3

Form RD 3560-7
(Rev. 05-06)

MULTIPLE FAMILY HOUSING PROJECT BUDGET/ UTILITY ALLOWANCE

FORM APPROVED
OMB NO.0575-0189

PROJECT NAME	BORROWER NAME	BORROWER ID AND PROJECT NO.
Chester Townhouses I	Chester I	792450022 019
Loan/Transfer Amount $ 0.00	Note Rate Payment $ 0.00	IC Payment $ 3,085.24

Reporting Period	Budget Type	Project Rental Type	Profit Type	The following utilities are master metered:	I hereby request
☑ Annual	☐ Initial	☑ Family	☐ Full Profit	☐ Electricity ☐ Gas	0.00 units of RA. Current number
☐ Quarterly	☑ Regular Report	☐ Elderly	☑ Limited Profit	☐ Water ☐ Sewer	of RA units 54.00.
☐ Monthly	☐ Rent Change	☐ Congregate	☐ Non-Profit	☐ Trash	Borrower Accounting Method
	☐ SNR	☐ Group Home		☐ Other _____	☐ Cash ☑ Accrual
	☐ Other Servicing	☐ Mixed ☐ LH			

PART I—CASH FLOW STATEMENT

	CURRENT BUDGET	ACTUAL	PROPOSED BUDGET	COMMENTS or (YTD)
BEGINNING DATES	(01 - 01 - 2024)	(01 - 01 - 2024)	(01 - 01 - 2025)	(- -)
ENDING DATES	(12 - 31 - 2024)	(12 - 31 - 2024)	(12 - 31 - 2025)	(- -)
OPERATIONAL CASH SOURCES				
1. RENTAL INCOME	458,880.00	184,143.00	484,920.00	
2. RHS RENTAL ASSISTANCE RECEIVED		291,693.00		
3. APPLICATION FEES RECEIVED		945.00		
4. LAUNDRY AND VENDING	0.00	0.00	0.00	
5. INTEREST INCOME	350.00	284.23	350.00	
6. TENANT CHARGES	4,000.00	2,126.77	4,000.00	
7. OTHER - PROJECT SOURCES	0.00	7.86	0.00	WC refund '23
8. LESS *(Vacancy and Contingency Allowance)*	(4,580.00)		(4,580.00)	
9. LESS *(Agency Approved Incentive Allowance)*	(0.00)		(0.00)	
10. SUB-TOTAL *[(1 thru 7) - (8 & 9)]*	458,650.00	479,199.86	484,690.00	
NON-OPERATIONAL CASH SOURCES				
11. CASH - NON PROJECT	0.00	0.00	0.00	
12. AUTHORIZED LOAN *(Non-RHS)*	0.00	0.00	0.00	
13. TRANSFER FROM RESERVE	78,050.00	150,243.98	92,400.00	
14. SUB-TOTAL *(11 thru 13)*	78,050.00	150,243.98	92,400.00	
15. **TOTAL CASH SOURCES** *(10+14)*	536,700.00	629,443.84	577,090.00	
OPERATIONAL CASH USES				
16. TOTAL O&M EXPENSES *(From Part II)*	343,841.00	334,384.50	369,700.00	
17. RHS DEBT PAYMENT	37,023.00	37,022.88	37,023.00	
18. RHS PAYMENT *(Overage)*		5,792.00		
19. RHS PAYMENT *(Late Fee)*		0.00		
20. REDUCTION IN PRIOR YEAR PAYABLES		0.00		
21. TENANT UTILITY PAYMENTS		13,880.00		
22. TRANSFER TO RESERVE	43,300.00	43,820.39	43,300.00	
23. RETURN TO OWNER /NP ASSET MANAGEMENT FEE	16,736.00	16,736.00	16,736.00	
24. SUB-TOTAL *(16 thru 23)*	440,900.00	451,635.77	466,759.00	
NON-OPERATIONAL CASH USES				
25. AUTHORIZED DEBT PAYMENT (Non-RHS)	17,742.00	17,741.76	17,742.00	HOME MTG PMT
26. ANNUAL CAPITAL BUDGET *(From Part III, Lines 4-6)*	78,050.00	133,507.98	92,400.00	
27. MISCELLANEOUS	0.00	0.00	0.00	Bad Debt
28. SUB-TOTAL *(25 thru 27)*	95,792.00	151,249.74	110,142.00	
29. **TOTAL CASH USES** *(24+28)*	536,692.00	602,885.51	576,901.00	
30. **NET CASH (DEFICIT)** *(15–29)*	8.00	26,558.33	189.00	
CASH BALANCE				
31. BEGINNING CASH BALANCE	10,000.00	64,811.89	68,220.00	
32. ACCRUAL TO CASH ADJUSTMENT		3,877.52		95247.74
33. ENDING CASH BALANCE *(30+31+32)*	10,008.00	95,247.74	68,409.00	

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PART II—OPERATING AND MAINTENANCE EXPENSE SCHEDULE

	CURRENT BUDGET	ACTUAL	PROPOSED BUDGET	COMMENTS or (YTD)
1. MAINTENANCE AND REPAIRS PAYROLL	25,450.00	24,217.24	27,500.00	
2. MAINTENANCE AND REPAIRS SUPPLY	12,000.00	14,030.91	13,000.00	
3. MAINTENANCE AND REPAIRS CONTRACT	14,450.00	7,121.50	14,450.00	$2750 p/w
4. PAINTING	7,000.00	2,299.78	7,000.00	
5. SNOW REMOVAL	0.00	0.00	0.00	
6. ELEVATOR MAINTENANCE/CONTRACT	0.00	0.00	0.00	
7. GROUNDS	19,700.00	21,087.53	20,000.00	$1238/mo, $1450 p
8. SERVICES	1,200.00	2,032.00	1,200.00	
9. ANNUAL CAPITAL BUDGET *(From Part V - Operating)*	23,745.00	25,185.22	27,585.00	
10. OTHER OPERATING EXPENSES *(Itemize)*	1,400.00	2,197.08	1,400.00	sec 115/mo
11. SUB-TOTAL MAINT. & OPERATING *(1 thru 10)*	104,945.00	98,171.26	112,135.00	
12. ELECTRICITY ☐	9,000.00	8,846.96	9,000.00	
13. WATER	800.00	618.26	800.00	
14. SEWER	900.00	273.02	700.00	
15. FUEL *(Oil/Coal/Gas)*	0.00	0.00	0.00	
16. GARBAGE & TRASH REMOVAL	10,200.00	10,719.12	11,300.00	$821/mo + extra w
17. OTHER UTILITIES	0.00	0.00	0.00	
18. SUB-TOTAL UTILITIES *(12 thru 17)*	20,900.00	20,457.36	21,800.00	
19. SITE MANAGEMENT PAYROLL	31,000.00	32,298.02	34,500.00	
20. MANAGEMENT FEE	63,240.00	63,240.00	66,960.00	$85+$5 LIHTC
21. PROJECT AUDITING EXPENSE	5,750.00	5,825.00	6,000.00	DHG
22. PROJECT BOOKKEEPING/ACCOUNTING	0.00	0.00	0.00	
23. LEGAL EXPENSES	400.00	80.00	400.00	
24. ADVERTISING	200.00	779.09	200.00	
25. TELEPHONE & ANSWERING SERVICE	3,000.00	2,658.29	3,000.00	inc Ring Central
26. OFFICE SUPPLIES	4,000.00	5,424.51	4,500.00	
27. OFFICE FURNITURE & EQUIPMENT	0.00	0.00	0.00	
28. TRAINING EXPENSE	1,600.00	995.74	1,600.00	
29. HEALTH INS. & OTHER EMP. BENEFITS	18,500.00	11,387.98	16,500.00	5% 401k + Health
30. PAYROLL TAXES	4,516.00	4,056.20	4,960.00	8%
31. WORKER'S COMPENSATION	1,270.00	1,183.12	1,395.00	2.25%
32. OTHER ADMINISTRATIVE EXPENSES *(Itemize)*	13,920.00	16,417.52	15,150.00	see comments
33. SUB-TOTAL ADMINISTRATIVE *(19 thru 32)*	147,396.00	144,345.47	155,165.00	
34. REAL ESTATE TAXES	47,250.00	48,847.79	50,800.00	
35. SPECIAL ASSESSMENTS	0.00	0.00	0.00	
36. OTHER TAXES, LICENSES & PERMITS	0.00	62.50	0.00	
37. PROPERTY & LIABILITY INSURANCE	23,350.00	22,500.12	29,800.00	
38. FIDELITY COVERAGE INSURANCE	0.00	0.00	0.00	
39. OTHER INSURANCE	0.00	0.00	0.00	
40. SUB-TOTAL TAXES & INSURANCE *(34 thru 39)*	70,600.00	71,410.41	80,600.00	
41. TOTAL O&M EXPENSES *(11+18+33+40)*	343,841.00	334,384.50	369,700.00	

If master metered check box on front.

PART III—ACCOUNT BUDGETING/STATUS

	CURRENT BUDGET	ACTUAL	PROPOSED BUDGET	COMMENTS or (YTD)
RESERVE ACCOUNT:				
1. BEGINNING BALANCE	204,310.00	197,145.91	210,000.00	
2. TRANSFER TO RESERVE	43,300.00	43,820.39	43,300.00	add'l $22,800
TRANSFER FROM RESERVE				
3. OPERATING DEFICIT	0.00	16,736.00	0.00	RTO
4. ANNUAL CAPITAL BUDGET *(Part V - Reserve)*	78,050.00	133,507.98	92,400.00	
5. BUILDING & EQUIPMENT REPAIR	0.00	0.00	0.00	
6. OTHER NON-OPERATING EXPENSES	0.00	0.00	0.00	
7. TOTAL *(3 thru 6)*	(78,050.00)	(150,243.98)	(92,400.00)	
8. ENDING BALANCE *[(1+2)-7]*	169,560.00	90,722.32	160,900.00	

GENERAL OPERATING ACCOUNT:*		
BEGINNING BALANCE	34,664.42	
ENDING BALANCE	64,373.22	
REAL ESTATE TAX AND INSURANCE ESCROW ACCOUNT:*		
BEGINNING BALANCE	30,147.47	
ENDING BALANCE	30,874.52	
TENANT SECURITY DEPOSIT ACCOUNT:*		
BEGINNING BALANCE	10,950.00	
ENDING BALANCE	11,050.00	

*(*Complete upon submission of actual expenses.)*

NUMBER OF APPLICANTS ON THE WAITING LIST	0.00	RESERVE ACCT. REQ. BALANCE	51,139.00
NUMBER OF APPLICANTS NEEDING RA	0.00	AMOUNT AHEAD/BEHIND	918.00

PART IV—RENT SCHEDULE AND UTILITY ALLOWANCE

A. CURRENT APPROVED RENTS/ UTILITY ALLOWANCE

UNIT DESCRIPTION			RENTAL RATES			POTENTIAL INCOME FROM EACH RATE			
BR SIZE	UNIT TYPE	NUMBER	BASIC	NOTE RATE	HUD	BASIC	NOTE RATE	HUD	UTILITY ALLOWANCE
1	N	18	538.00	666.00	0.00	116,208.00	143,856.00	0.00	156.00
2	N	44	649.00	811.00	0.00	342,672.00	428,208.00	0.00	201.00
0		0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0		0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0		0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0		0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0		0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0		0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
				CURRENT RENT TOTALS:		458,880.00	572,064.00	0.00	
						BASIC	NOTE	HUD	

B. PROPOSED RENTS - Effective Date: 12 / 01 2024

UNIT DESCRIPTION			RENTAL RATES			POTENTIAL INCOME FROM EACH RATE		
BR SIZE	UNIT TYPE	NUMBER	BASIC	NOTE RATE	HUD	BASIC	NOTE RATE	HUD
1	N	18	573.00	639.00	0.00	123,768.00	138,024.00	0.00
2	N	44	684.00	750.00	0.00	361,152.00	396,000.00	0.00
0		0	0.00	0.00	0.00	0.00	0.00	0.00
0		0	0.00	0.00	0.00	0.00	0.00	0.00
0		0	0.00	0.00	0.00	0.00	0.00	0.00
0		0	0.00	0.00	0.00	0.00	0.00	0.00
0		0	0.00	0.00	0.00	0.00	0.00	0.00
0		0	0.00	0.00	0.00	0.00	0.00	0.00
				PROPOSED RENT TOTALS:		484,920.00	534,024.00	0.00
						BASIC	NOTE	HUD

C. PROPOSED UTILITY ALLOWANCE - Effective Date: 12 / 01 2024

MONTHLY DOLLAR ALLOWANCES

BR SIZE	UNIT TYPE	NUMBER	ELECTRIC	GAS	WATER	SEWER	TRASH	OTHER	TOTAL
1	N	18	95.00	0.00	34.00	42.00	0.00	0.00	171.00
2	N	44	114.00	0.00	46.00	56.00	0.00	0.00	216.00
0		0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0		0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0		0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0		0	0.00	0.00	0.00	0.00	0.00	0.00	0.00

PART V - ANNUAL CAPITAL BUDGET

	Proposed Number of Units/Items	Proposed from Reserve	Actual from Reserve	Proposed from Operating	Actual from Operating	Actual Total Cost	Total Actual Units/Items
Appliances:							
Range	5	2,100.00	0.00	1,400.00	0.00	0.00	0
Refrigerator	5	3,000.00	0.00	2,000.00	1,576.80	1,576.80	1
Range Hood	6	0.00	0.00	360.00	410.65	410.65	0
Washers & Dryers	0	0.00	0.00	0.00	0.00	0.00	0
Other:	0	0.00	0.00	0.00	0.00	0.00	0
Carpet & Vinyl:							
1BR	6	11,200.00	0.00	5,600.00	2,754.53	2,754.53	2
2BR	8	21,000.00	1,946.04	3,000.00	674.60	2,620.64	2
3BR	0	0.00	0.00	0.00	0.00	0.00	0
4BR	0	0.00	0.00	0.00	0.00	0.00	0
Other:	0	0.00	0.00	0.00	0.00	0.00	0
Cabinets:							
Kitchens	1	4,500.00	0.00	0.00	261.82	261.82	1
Bathrooms	2	0.00	0.00	500.00	0.00	0.00	0
Other:	0	0.00	0.00	0.00	0.00	0.00	0
Doors:							
Exterior	3	0.00	0.00	1,125.00	153.27	153.27	1
Interior	15	0.00	0.00	2,250.00	0.00	0.00	0
Other:	0	0.00	0.00	0.00	0.00	0.00	0
Window Coverings:							
List:	160	0.00	0.00	8,000.00	1,117.18	1,117.18	20
Other:	0	0.00	0.00	0.00	0.00	0.00	0
Heating & Air Conditioning:							
Heating	8	48,000.00	6,188.05	0.00	11,488.55	17,676.60	10
Air Conditioning	0	0.00	0.00	0.00	0.00	0.00	0
Other:	0	0.00	0.00	0.00	0.00	0.00	0
Plumbing:							
Water Heater	8	2,600.00	621.00	2,600.00	3,504.74	4,125.74	3
Bath Sinks	0	0.00	0.00	0.00	0.00	0.00	0
Kitchen Sinks	0	0.00	0.00	0.00	0.00	0.00	0
Faucets	0	0.00	0.00	0.00	0.00	0.00	0
Toilets	0	0.00	0.00	0.00	0.00	0.00	0
Other	0	0.00	0.00	0.00	0.00	0.00	0
Major Electrical:							
List:		0.00	8,116.47	0.00	0.00	8,116.47	
Other:		0.00	74,401.00	0.00	0.00	74,401.00	
Structures:							
Windows	3	0.00	0.00	600.00	0.00	0.00	0
Screens	10	0.00	0.00	150.00	0.00	0.00	0
Walls		0.00	0.00	0.00	0.00	0.00	
Roofing		0.00	0.00	0.00	0.00	0.00	
Siding		0.00	0.00	0.00	0.00	0.00	
Exterior Painting		0.00	0.00	0.00	0.00	0.00	
Other		0.00	0.00	0.00	0.00	0.00	
Paving:							
Asphalt		0.00	0.00	0.00	0.00	0.00	
Concrete		0.00	0.00	0.00	0.00	0.00	
Seal & Stripe		0.00	0.00	0.00	0.00	0.00	
Other:		0.00	0.00	0.00	0.00	0.00	
Landscape & Grounds:							
Landscaping		0.00	0.00	0.00	0.00	0.00	
Lawn Equipment		0.00	0.00	0.00	0.00	0.00	
Fencing		0.00	0.00	0.00	0.00	0.00	
Recreation Area		0.00	0.00	0.00	0.00	0.00	
Signs		0.00	0.00	0.00	0.00	0.00	
Other:		0.00	0.00	0.00	0.00	0.00	
Accessibility Features:							
List:		0.00	0.00	0.00	0.00	0.00	
Other:		0.00	0.00	0.00	0.00	0.00	
Automation Equipment:							
Site Management		0.00	0.00	0.00	447.50	447.50	
Common Area		0.00	0.00	0.00	0.00	0.00	
Other:		0.00	0.00	0.00	0.00	0.00	
Other:							
List:		0.00	17,147.71	0.00	2,795.58	19,943.29	
List:		0.00	25,087.71	0.00	0.00	25,087.71	
List:		0.00	0.00	0.00	0.00	0.00	
TOTAL CAPITAL EXPENSES:	240	92,400.00	133,507.98	27,585.00	25,185.22	158,693.20	40

PART VI -- SIGNATURES, DATES AND COMMENTS

Warning: Section 1001 of Title 18, United States Code provides: "Whoever, in any matter within the jurisdiction of any department or agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined under this title or imprisoned not more than five years, or both.

I HAVE READ THE ABOVE WARNING STATEMENT AND I HEREBY CERTIFY THAT THE FOREGOING INFORMATION IS COMPLETE AND ACCURATE TO THE BEST OF MY KNOWLEDGE.

(DATE)

(Signature of Borrower or Borrower's Representative)

(Title)

AGENCY APPROVAL *(Rural Development Approval Official):*	DATE:

COMMENTS:

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Report On Internal Control Over Financial Reporting and On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards*

Independent Auditor's Report

To the Partners
New Chester Townhouses, A Limited Partnership
Columbia, South Carolina

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of New Chester Townhouses, A Limited Partnership (the "Partnership"), which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of operations, partners' deficit, and cash flows for the years then ended and the related notes to the financial statements, and have issued our report thereon dated February 28, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered the Partnership's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control. Accordingly, we do not express an opinion on the effectiveness of the Partnership's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Partnership's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Partnership's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Partnership's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Partnership's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Forvis Mazars, LLP

Greenville, South Carolina
February 28, 2025

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Report on Compliance for Each Major RD Program and Report On Internal Control Over Compliance Required by the Consolidated Audit Guide for Audits of RD Programs

Independent Auditor's Report

To the Partners
New Chester Townhouses, A Limited Partnership
Columbia, South Carolina

Report on Compliance for Major RD Program

Opinion on Major RD Program

We have audited New Chester Townhouses, A Limited Partnership's (the "Partnership") compliance with the types of compliance requirements described in the *Audit Guide for Audits of RD Programs* (the "Guide") that could have a direct and material effect on the Partnership's major U.S. Department of Rural Development ("RD") programs for the year ended December 31, 2024. The Partnership's major RD programs and the related direct and material compliance requirements are as follows:

Name of Major RD Program	Direct and Material Compliance Requirements
• Section 515 Rural Rental Housing Loans	Mortgage status, replacement reserve, return on investment or return to owner, equity skimming, cash receipts, cash disbursements, tenant security deposits, management functions, unauthorized change of ownership or acquisition of liabilities and unauthorized loans of project funds.

In our opinion, the Partnership complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major RD programs for the year ended December 31, 2024.

Basis for Opinion on Major RD Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Our responsibilities under those standards and the Guide are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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We are required to be independent of the Partnership and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major RD programs. Our audit does not provide a legal determination of the Partnership's compliance with the compliance requirements.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Partnership's RD programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Partnership's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Guide will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Partnership's compliance with the requirements of its major RD programs as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Guide, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Partnership's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Partnership's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

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Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a RD program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a RD program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a RD program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

Forvis Mazars, LLP

Greenville, South Carolina
February 28, 2025

NEW CHESTER TOWNHOUSES, A LIMITED PARTNERSHIP
Schedule of Findings and Questioned Costs
Years Ended December 31, 2024 and 2023

For the Years Ended December 31, 2024 and 2023:

There were no findings or questioned costs for the years ended December 31, 2024 and 2023.

NEW CHESTER TOWNHOUSES, A LIMITED PARTNERSHIP
Schedule of Lead Auditor
Year Ended December 31, 2024

Auditor Information:	**Forvis Mazars, LLP** **11 Brendan Way** **Greenville, SC 29615**
Phone Number:	**864.213.5378**
Auditor Contact:	**Mike Kelly, CPA**
Auditor Contact Title:	**Partner**
Auditor Contact Email:	**mike.kelly@us.forvismazars.com**

New Chester Townhouses, A Limited Partnership

Independent Auditor's Report, Financial Statements, and Supplementary Information

December 31, 2025 and 2024

New Chester Townhouses, A Limited Partnership
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December 31, 2025 and 2024

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Independent Auditor's Report

Partners
New Chester Townhouses, A Limited Partnership
Columbia, South Carolina

Opinion

We have audited the accompanying financial statements of New Chester Townhouses, A Limited Partnership (the "Partnership"), which comprise the balance sheets as of December 31, 2025 and 2024, and the related statements of operations, partners' deficit, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Partnership as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Partnership and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Partnership's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance, and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Partnership's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 17-27 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated February 27, 2026, on our consideration of the Partnership's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Partnership's internal control over financial reporting and compliance.

Forvis Mazars, LLP

Greenville, South Carolina
February 27, 2026

NEW CHESTER TOWNHOUSES, A LIMITED PARTNERSHIP
Balance Sheets
December 31, 2025 and 2024

Assets

	2025	2024
Current assets:		
Cash	$ 71,262	$ 64,373
Accounts receivable, tenants	4,902	1,810
Prepaid expenses	7,986	7,150
Total current assets	84,150	73,333
Restricted deposits and funded reserves:		
Cash, security deposits	11,250	11,050
Cash, escrow	2,227	30,875
Cash, reserve for replacements	67,493	90,722
Cash, operating reserve	92,807	94,419
	173,777	227,066
Rental property, at cost:		
Land	289,034	289,034
Land improvements	108,197	108,197
Buildings and building improvements	2,138,588	2,112,920
Furniture and equipment	23,600	23,600
	2,559,419	2,533,751
Accumulated depreciation	(1,870,258)	(1,831,815)
	689,161	701,936
Total assets	$ 947,088	$ 1,002,335

NEW CHESTER TOWNHOUSES, A LIMITED PARTNERSHIP
Balance Sheets, (continued)
December 31, 2025 and 2024

Liabilities and Partners' Deficit

	2025	2024
Current liabilities:		
Current maturities of mortgages payable	$ 31,145	$ 29,984
Accounts payable	1,940	2,660
Accrued expenses	7,569	4,426
Total current liabilities	40,654	37,070
Deposits and prepayment liabilities:		
Prepaid rents	4,043	7,032
Security deposits	11,250	11,050
	15,293	18,082
Long-term liabilities:		
Mortgages payable, net of current maturities	1,408,763	1,439,572
Loan from partners	118,146	118,146
Total long-term liabilities	1,526,909	1,557,718
Total liabilities	1,582,856	1,612,870
Total partners' deficit	(635,768)	(610,535)
Total liabilities and partners' deficit	$ 947,088	$ 1,002,335

See accompanying notes.

NEW CHESTER TOWNHOUSES, A LIMITED PARTNERSHIP
Statements of Operations
For the Years Ended December 31, 2025 and 2024

	2025	2024
Revenue:		
Apartments	$ 498,962	$ 478,552
Less: Tenant allowances	(12,237)	(13,880)
Less: Overages	(1,805)	(5,792)
Potential Rental Income	484,920	458,880
Less: Vacancies	(3,162)	(1,054)
Less: Concessions	(1,260)	(1,662)
Net rental revenue	480,498	456,164
Interest income	4,732	1,085
Tenant charges	6,684	3,072
Other	146	8
	492,060	460,329
Expenses and non-operating (income):		
Interest subsidy income	(19,280)	(19,280)
Interest subsidy expense	19,280	19,280
Administrative	153,165	144,502
Maintenance	181,005	123,630
Taxes and insurance	81,700	71,411
Utilities	18,480	20,457
Bad debts	2,648	-
Depreciation	38,443	36,388
Interest	25,116	25,519
Investor asset management fee	1,000	1,000
Partnership management fee	2,500	2,500
	504,057	425,407
Net (loss) income	$ (11,997)	$ 34,922

See accompanying notes.

NEW CHESTER TOWNHOUSES, A LIMITED PARTNERSHIP
Statements of Partners' Deficit
For the Years Ended December 31, 2025 and 2024

	2025	2024
Partners' deficit, beginning	$ (610,535)	$ (632,221)
Net (loss) income	(11,997)	34,922
Distributions	(13,236)	(13,236)
Partners' deficit, ending	$ (635,768)	$ (610,535)

See accompanying notes.

NEW CHESTER TOWNHOUSES, A LIMITED PARTNERSHIP
Statements of Cash Flows
For the Years Ended December 31, 2025 and 2024

	2025	2024
Cash flows from operating activities:		
Net (loss) income	$ (11,997)	$ 34,922
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Bad debts	2,648	-
Depreciation	38,443	36,388
Net changes in operating assets and liabilities:		
(Increase) decrease:		
Accounts receivable, tenants	(5,740)	1,270
Prepaid expenses	(836)	(126)
Increase (decrease):		
Accounts payable	(720)	1,289
Accrued expenses	3,143	(779)
Prepaid rents	(2,989)	2,224
Tenant security deposits	200	100
Net cash provided by operating activities	22,152	75,288
Cash flows from investing activities:		
Purchase of rental property	(25,668)	(108,053)
Net cash used by investing activities	(25,668)	(108,053)
Cash flows from financing activities:		
Principal payments on mortgages payable	(29,648)	(29,246)
Distributions to partners	(13,236)	(13,236)
Net cash used by financing activities	(42,884)	(42,482)
NET DECREASE IN CASH, RESTRICTED DEPOSITS, AND FUNDED RESERVES	(46,400)	(75,247)
CASH, RESTRICTED DEPOSITS AND FUNDED RESERVES, BEGINNING	291,439	366,686
CASH, RESTRICTED DEPOSITS AND FUNDED RESERVES, ENDING	$ 245,039	$ 291,439
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	$ 25,116	$ 25,519

Reconciliation of cash, restricted deposits, and funded reserves reported within the balance sheets that sum to the total of the same such amounts shown in the statements of cash flows:

Cash	$ 71,262	$ 64,373
Cash, security deposits	11,250	11,050
Cash, escrow	2,227	30,875
Cash, reserve for replacements	67,493	90,722
Cash, operating reserve	92,807	94,419
Total cash, restricted deposits, and funded reserves	$ 245,039	$ 291,439

See accompanying notes.

NEW CHESTER TOWNHOUSES, A LIMITED PARTNERSHIP

Notes to Financial Statements
December 31, 2025 and 2024

1. Organization and Significant Accounting Policies

Organization - New Chester Townhouses, A Limited Partnership (the "Partnership") was organized to acquire, rehab, own, maintain and operate a 62-unit rental housing project for persons of low and moderate income pursuant to Sections 515(b) and 521 of the Housing Act of 1949, as amended, which provides for interest and rental subsidies. The Partnership is located in the city of Chester, South Carolina. The major activities of the Partnership are governed by the partnership agreement and the USDA Rural Development ("RD"). Annual distributions to the partners are limited by RD to 8% of the borrowers' initial capital investment of $209,200. The partnership agreement provides that the Partnership is to terminate on December 31, 2054 unless terminated earlier in accordance with the terms of the partnership agreement.

In September 2020, the partnership agreement was amended to admit a new general partner, CAHEC Preservation, LLC with a .01% special limited partnership interest and permit the withdrawal of the original special limited partner, WWJ, LLC. Additionally, 35% of the limited partnership interest was transferred from Boston Capital Tax Credit Fund IV, L.P., to CAHEC Preservation, LLC in 2020. The remaining 64.99% limited partnership interest remained with Boston Capital Tax Credit Fund IV, L.P until 2022 when 63.99% was transferred to CAHEC Preservation, LLC and the remaining 1% was transferred to CAHEC Restoration, LLC.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Method of Accounting - The financial statements of the Partnership are prepared on the accrual basis of accounting, and include only those assets, liabilities and results of operations of the partners which relate to the business of the Partnership.

Cash - For purposes of reporting cash flows, the Partnership includes all cash investments which are not subject to withdrawal restrictions or penalties and certificates of deposit with a maturity of three months or less as cash.

Organization and Significant Accounting Policies (continued)

Restricted Cash - Restricted cash consists of tenant security deposits, escrow deposits held for property taxes and insurance, and reserves for operating deficit and replacement reserves. The tenant security deposit account represents cash restricted for purpose of refunding tenants' security deposit paid at the move-in date. Security deposits are refunded to the tenants at the time of move-out in accordance with the tenant lease agreement, subject to cleaning and repairs of incidental to normal wear on the tenant unit.

Rental Property - Rental property is recorded at cost. Improvements are capitalized, while expenditures for maintenance and repairs are expensed as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in net (loss) income on the statements of operations. The rental property is depreciated over the estimated service lives under the straight-line method as follows:

Land improvements	15 years
Buildings and building improvements	10 to 40 years
Furniture and equipment	3 to 10 years

The Partnership reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property including the low income housing tax credits and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of real estate exceeds the fair value of such property. There were no impairment losses recognized in 2025 or 2024.

Income Taxes - Earnings of the Partnership are taxed directly to the partners; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes.

Allocation of Profits, Losses and Distributions - All profits and losses are allocated among the partners in proportion to their respective percentage interest in the Partnership at the end of each calendar year. Distributions are allocated to the individual partner based on a formula in the partnership agreement.

Organization and Significant Accounting Policies (continued)

Concentrations of Credit Risk - The Partnership maintains its cash in financial institutions insured by the Federal Deposit Insurance Corporation ("FDIC"). Deposit accounts, at times, may exceed federally insured limits. The Partnership has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Accounts Receivable, Tenants and Bad Debts - Tenant receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Rental Income - Rents are recognized for residential units as they are earned. Advance receipts of rental income are deferred until earned. All leases between the Partnership and tenants of the residential units are operating leases.

Subsequent Events Evaluation - The Partnership evaluated the effect subsequent events would have on the financial statements through February 27, 2026, which is the date the financial statements were available to be issued.

2. Mortgages Payable

On January 1, 2006, the Partnership assumed a fifty year mortgage from Chester Townhouses Phase 1 Apartments, A Limited Partnership that was issued by RD in the amount of $854,209. The mortgage is secured by the rental property. The loan agreement provides for the following:

The interest rate is 5.375% per annum. However, the Partnership signed an interest credit agreement as provided in Section 515 of Title V of the Housing Act of 1949 effective January 1, 2006, with RD which reduces the payments to an amount equivalent to a loan at a 1% interest rate. Any tenant, based on their income level, may be required to pay rents in excess of the basic rental charges approved by RD. This excess rental is required to be paid to RD as additional interest. The monthly mortgage payments are $1,812 plus excess rental income received. During the years ended December 31, 2025 and 2024, total interest expense of the mortgage was $12,160 and $12,660, respectively.

The loan agreement imposes restrictions on cash disbursements, admittance of and distribution to the partners, and prohibits the transfer or encumbrance of title to the property. Additionally, the general partner must maintain a minimum of five percent financial interest in the Partnership. The Partnership was in compliance with these regulations at December 31, 2025.

Mortgages Payable (continued)

The mortgage requires the Partnership to use housing for the purpose of housing people eligible for occupancy under Section 515 for a thirty year period beginning January 1, 2006. After thirty years the Partnership can request to repay the mortgage. Also, if at any time it appears to RD that the Partnership may be able to obtain a loan from a responsible cooperative or private credit source at reasonable rates and terms for loans for similar purposes and periods of time, the Partnership must, at RD's request, apply for and accept a loan in sufficient amount to pay this note in full. Upon this refinancing, the rental restrictions by RD would be lifted.

On December 28, 2006, the Partnership obtained a thirty year mortgage issued by RD in the amount of $600,000. The loan is secured by income derived from the property. The loan agreement provides for the following:

The interest rate is at 5.375% per annum. However, the Partnership signed an interest credit agreement as provided in Section 515 of Title V of the Housing Act of 1949 effective January 1, 2006, with RD which reduces the payments to an amount equivalent to a loan at a 1% interest rate. Any tenant, based on their income level, may be required to pay rents in excess of the basic rental charges approved by RD. This excess rental is required to be paid to RD as additional interest. Principal and interest are payable in 359 regular amortized installments beginning on February 1, 2007. The installments are calculated based on an amortization of fifty years. The monthly mortgage payments are $1,273 plus excess rental income received. If not paid sooner, the final installment of the entire indebtedness is due thirty years from the date of the note. During the years ended December 31, 2025 and 2024, total interest expense of the mortgage was $9,255 and $8,880, respectively.

On December 28, 2006, the Partnership obtained a thirty year mortgage issued by the South Carolina State Housing Finance and Development Authority in the amount of $400,000. The mortgage is secured by the rental property. The loan agreement provides for the following:

The interest rate is two percent (2%) per annum. Principal and interest are payable in 360 equal installments of $1,478 beginning on March 15, 2007. The note may be prepaid in full or part without penalty. The Partnership has not requested to prepay the mortgage as of December 31, 2025. During the years ended December 31, 2025 and 2024, total interest expense of the mortgage was $3,701 and $3,979, respectively.

Mortgages Payable (continued)

Principal maturities of the three loans are as follows at December 31, 2025:

2026	$ 31,145
2027	32,362
2028	33,633
2029	34,966
2030	36,182
Thereafter	1,271,620
Total	$ 1,439,908

3. Transactions with Related Parties

Notes with General Partner - The non-interest bearing residual receipt notes are payable to the general partner for reimbursement of construction cost overruns paid by them in the amount of $118,146. The notes are payable upon:

a. Cash flow available in excess of the maximum cumulative amount permitted to be distributed under RD regulations subject to permission of RD.
b. Prior to dissolution, cash available from a capital transaction.
c. Upon dissolution of the Partnership.

Management Fee - During the years ended December 31, 2025 and 2024, the Partnership incurred expenses amounting to $66,960 and $63,240, respectively, paid to CAHEC Management, Inc., an affiliate of CAHEC Preservation, for services rendered in connection with the leasing and operation of the project. The fees for these services equaled $85 and $80 per occupied unit per month during 2025 and 2024, respectively. Additionally, an add-on management fee of $5 per unit per month was paid to CAHEC Management, Inc during the years ended December 31, 2025 and 2024. As of December 31, 2025 and 2024, $360 and $240, respectively, of management fees remained payable to CAHEC Management, Inc.

Payroll and Related Benefits - During the years ended December 31, 2025 and 2024, the Partnership incurred payroll and related benefits, paid on behalf of the Partnership by the management company, which amounted to approximately $91,000 and $74,000, respectively. As of December 31, 2025 and 2024, $390 and $- of payroll and related benefits remained payable to CAHEC Management, Inc., respectively.

Transactions with Related Parties (continued)

Property Insurance - During the years ended December 31, 2025 and 2024, the Partnership purchased its property insurance from Rural Housing Reinsurance Co. International, LTD. CAHEC Management, Inc., an affiliate of the general partner, is a minority shareholder in Rural Housing Reinsurance Co. International, LTD. Total fees of $31,147 and $22,914, respectively, were paid during the years ended December 31, 2025 and 2024. There was no amount due to Rural Housing Reinsurance Co. International, LTD. as of December 31, 2025 and 2024.

Investor Asset Management Fee - The Partnership is required to pay the investment limited partners, a cumulative, annual investor asset management fee of $1,000, provided that the investor asset management fee shall be subject to RD restrictions related to annual distributions. Investor asset management fees of $1,000 were incurred in both 2025 and 2024. There were no investor asset management fees payable at December 31, 2025 or 2024.

Partnership Management Fee - In accordance with the partnership agreement, the Partnership shall pay to the general partner a partnership management fee in the amount of $2,500 from available net cash flow as defined in the partnership agreement. In the event that cash flows are not sufficient to pay the full amount, the unpaid portion shall be accrued and remain payable on a cumulative basis from cash flow in the future after the payment of the investor asset management fee to the limited partner. Partnership management fees of $2,500 were incurred in 2025 and 2024. There was no partnership management fees payable at December 31, 2025 and 2024.

Other Reimbursable Expenses – As of December 31, 2025 and 2024, $1,700 and $924 remained payable to CAHEC MM, LLC for other reimbursable expenses, respectively.

4. Partners' Equity Contributions

The Partnership has one special limited partner, CAHEC Preservation LLC, and two investment limited partners – CAHEC Preservation, LLC and CAHEC Restoration, LLC. As of December 31, 2025, the special limited partner and the investment limited partners have made equity contributions of $691,528.

5. Operating Reserve

The partnership agreement requires the Partnership to fund an operating reserve account in the initial amount of $90,200 with proceeds from the second and third installments of the limited partner's capital contributions. After the lease-up date, funds in the reserve shall be used to pay the operating costs and expenses of the Partnership to the extent the Partnership's collected gross receipts are insufficient for such purpose. The operating reserve is to be held in an interest-bearing segregated account. The general partner shall give notice to the limited partner of any intended use of the reserve. The limited partner shall have five business days to approve or reject such use, after which time the general partner may assume approval. Any interest earned shall remain within the operating reserve.

An analysis of the reserve for the year ended December 31, 2025 is as follows:

Balance, beginning	$ 94,419
Bank fees	(4,639)
Interest income	3,027
Balance, ending	$ 92,807

6. Reserve for Replacements

According to the loan agreements with RD, a reserve for replacements account shall be funded annually in the amount of $20,500 until the reserve balance reaches $205,000. All withdrawals from the reserve require approval from RD.

An analysis of the reserve for the year ended December 31, 2025 is as follows:

Balance, beginning	$ 90,722
Funding	41,847
Interest income	1,689
Withdrawals	(66,765)
Balance, ending	$ 67,493

As of December 31, 2025, the funding of the reserve was in compliance with the loan agreement.

7. Current Vulnerability Due to Certain Concentrations

Concentration in Affordable Housing Market - The Partnership's sole asset is New Chester Townhouses. The Partnership's operations are concentrated in the affordable housing real estate market. In addition, the Partnership operates in a heavily regulated environment. The operations of the Partnership are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, RD and the State Housing Agency. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by RD or the State Housing Agency. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Concentration in Government Funding - The Partnership received 65% of gross revenue from RD in the form of rental assistance and interest reduction subsidy payments during both years ended December 31, 2025 and 2024.

Low-Income Housing Vulnerability - The Partnership's low-income housing credits are contingent on its ability to maintain compliance with applicable requirements of Section 42. Failure to maintain compliance with occupant eligibility, and/or unit gross rent, or to correct noncompliance within a specified period could result in recapture of previously taken tax credits plus interest. In addition, such potential noncompliance may require an adjustment to contributed capital by the limited partners.

Supplementary Information

NEW CHESTER TOWNHOUSES, A LIMITED PARTNERSHIP
Schedule of Required Supplemental Information
Year Ended December 31, 2025

1. Management Fee Calculation

The management fee is based on a fee per unit occupied by tenants during the month.

Per Occupied Unit Management Fee:

Total qualified units (62 x 12 months)	744
Less: Vacancies	-
Total occupied units	744
Fee per unit (effective January 2025)	$ 85
Total occupied unit management fee expenses	$ 63,240

Add-On Management Fee per Unit:

Total qualified units (62 x 12 months)	744
Multiple subsidies add-on	$ 5
Total add-on management fee expense	$ 3,720
Management fee expense	$ 66,960

2. Insurance Disclosure

The Partnership maintains insurance coverage as follows:

	Deductible	Coverage
Property coverage on buildings	$ 5,000	$ 7,708,619
Comprehensive business liability	$ -	$ 2,000,000
Fidelity	$ 15,000	$ 2,000,000

3. Return to Owner

In accordance with the loan agreement, the annual return to owner is as follows:

Maximum return to owner	$ 16,736
Budgeted return to owner	$ 16,736
Return to owner paid:	
Investor asset management fees	$ 1,000
Limited partners distribution	13,236
Partner management fee	2,500
	$ 16,736

4. Schedule of Changes in Rental Property

	Beginning Balance	Additions	Disposals	Ending Balance
Land	$ 289,034	$ -	$ -	$ 289,034
Land improvements	108,197	-	-	108,197
Furniture and equipment	23,600	-	-	23,600
Buildings and building improvements	2,112,920	25,668	-	2,138,588
Total rental property	$ 2,533,751	$ 25,668	$ -	$ 2,559,419
Accumulated depreciation				
Land improvements	$ (108,197)	$ -	$ -	$ (108,197)
Furniture and equipment	(10,133)	(2,217)	-	(12,350)
Buildings and building improvements	(1,713,485)	(36,226)	-	(1,749,711)
Total accumulated depreciation	$ (1,831,815)	$ (38,443)	$ -	$ (1,870,258)

Fixed asset additions for the year ended December 31, 2025

Tub/shower - $25,668

Fixed asset disposals for the year ended December 31, 2025

None

NEW CHESTER TOWNHOUSES, A LIMITED PARTNERSHIP

Schedule of Expenses

For the Years Ended December 31, 2025 and 2024

	2025	2024
Operating and Maintenance Expenses		
Maintenance and repairs - payroll	$ 40,230	$ 24,217
Maintenance and repairs - supplies	18,027	14,031
Maintenance and repairs - contract	22,227	7,122
Painting	3,579	2,300
Grounds	22,025	21,088
Services	2,102	2,032
Annual capital budget	70,084	50,643
Other operating expenses	2,731	2,197
Total operating and maintenance expenses	$ 181,005	$ 123,630
Utility Expenses		
Electricity	$ 7,600	$ 8,847
Water	801	618
Sewer	242	273
Garbage and trash removal	9,837	10,719
Total utility expenses	$ 18,480	$ 20,457
Administrative Expenses		
Site management payroll	$ 33,784	$ 32,298
Management fee	66,960	63,240
Project audit fee	6,050	5,825
Legal expense	340	80
Advertising	21	779
Telephone and answering service	3,049	2,658
Office supplies	7,960	5,581
Training expense	1,065	996
Health insurance and other employee benefits	11,976	11,388
Payroll taxes	5,362	4,056
Workers' compensation	1,122	1,183
Other administrative expenses	15,476	16,418
Total administrative expenses	$ 153,165	$ 144,502
Taxes and Insurance Expenses		
Real estate taxes	$ 51,222	$ 48,848
Property and liability insurance	30,461	22,500
Other taxes, licenses and permits	17	63
Total taxes and insurance expenses	$ 81,700	$ 71,411

Position 3

Form RD 3560-10
(02-05)

FORM APPROVED
OMB NO. 0575-0189

MULTI-FAMILY HOUSING
BORROWER BALANCE SHEET

PART I - BALANCE SHEET

PROJECT NAME	BORROWER NAME	BORROWER ID AND PROJECT NO.
Chester Townhouses I	Chester I	792450022 019

	CURRENT YEAR	PRIOR YEAR	COMMENTS
BEGINNING DATES>	(01 - 01 -2025)	(01- 01 -2024)	
ASSETS ENDING DATES>	(12 - 31 -2025)	(12- 31 -2024)	
CURRENT ASSETS			
1. GENERAL OPERATING ACCOUNT	71,262.36	64,373.22	incl $300 petty cash
2. R.E. TAX & INSURANCE ACCOUNT	2,226.52	30,874.52	
3. RESERVE ACCOUNT	67,493.53	90,722.32	
4. SECURITY DEPOSIT ACCOUNT	11,250.00	11,050.00	
5. OTHER CASH *(identify)*	0.00	0.00	
6. OTHER *(identify)*	0.00	0.00	
7. TOTAL ACCOUNTS RECEIVABLE *(Attach list)*	4,902.33		
ACCTS RCVBL 0-30 DAYS $ 4,902.33		1,810.98	AR Tenant $598
ACCTS RCVBL 30-60 DAYS $ 0.00		0.00	AR Misc $4104.33
ACCTS RCVBL 60-90 DAYS $ 0.00		0.00	AR Related Parties $20
ACCTS RCVBL OVER 90 DAYS $ 0.00		0.00	
8. LESS: ALLOWANCE FOR DOUBTFUL ACCOUNTS	0.00	0.00	
9. INVENTORIES *(supplies)*	(0.00)	(0.00)	
10. PREPAYMENTS	7,985.21	7,149.54	PP Ins, PP Software fe
11. _____	92,806.76	94,418.91	ODR
12. **TOTAL CURRENT ASSETS** *(Add 1 thru 11)*	257,926.71	300,399.49	
FIXED ASSETS			
13. LAND	397,231.00	397,231.00	
14. BUILDINGS	2,138,588.32	2,112,919.53	
15. LESS: ACCUMULATED DEPRECIATION	(1,857,908.84)	(1,821,682.64)	
16. FURNITURE & EQUIPMENT	23,600.01	23,600.01	
17. LESS: ACCUMULATED DEPRECIATION	(12,350.38)	(10,133.05)	
18. _____	0.00	0.00	
19. **TOTAL FIXED ASSETS** *(Add 13 thru 18)*	689,160.11	701,934.85	
OTHER ASSETS			
20. _____	0.00	0.00	
21. **TOTAL ASSETS** *(Add 12, 19, and 20)*	947,086.82	1,002,334.34	
LIABILITIES AND OWNERS EQUITY			
CURRENT LIABILITIES			
22. TOTAL ACCOUNTS PAYABLE *(Attach list)*	10,051.32		
ACCTS PAYABLE 0-30 DAYS $ 10,051.32		10,619.00	AP $1275.75 AP Misc $
ACCTS PAYABLE 30-60 DAYS $ 0.00		0.00	Acc Mgmt $360 oth acc
ACCTS PAYABLE 60-90 DAYS $ 0.00		0.00	Ppd Rnt $4043.00
ACCTS PAYABLE OVER 90 DAYS $ 0.00		0.00	
23. NOTES PAYABLE *(Attach list)*	3,500.00	3,500.00	AMF, PAF
24. SECURITY DEPOSITS	11,250.00	11,050.00	
25. **TOTAL CURRENT LIABILITIES** *(Add 22 thru 24)*	24,801.32	25,169.00	

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0189. The time required to complete this information collection is estimated to average 2 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

LONG-TERM LIABILITIES

26.	NOTES PAYABLE RURAL DEVELOPMENT	1,262,487.91	1,278,096.07	usda
27.	OTHER *(Identify)* _____	295,565.12	309,605.86	n/p home mtg,n/p gp,work a
28.	**TOTAL LONG-TERM LIABILITIES** *(Add 26 and 27)*.	1,558,053.03	1,587,701.93	
29.	**TOTAL LIABILITIES** *(Add 25 and 28)*	1,582,854.35	1,612,870.93	
30.	OWNER'S EQUITY (Net Worth) *(21 minus 29)*	-635,767.53	-610,536.59	
31.	**TOTAL LIABILITIES AND OWNER'S EQUITY** *(Add 29 and 30)*	947,086.82	1,002,334.34	

Warning: **Section 1001 of Title 18, United States Code provides: "Whoever, in any matter within the jurisdiction of any department or agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined under this title or imprisoned not more than five years, or both.**

I HAVE READ THE ABOVE WARNING STATEMENT AND I HEREBY CERTIFY THE FOREGOING INFORMATION IS COMPLETE AND ACCURATE TO THE BEST OF MY KNOWLEDGE.

_____ _____

(Date) *(Signature of Borrower or Borrower's Representative)*

_____

(Title)

PART II - THIRD PARTY VERIFICATION OF REVIEW

I/We have reviewed the borrower's records. The accompanying balance sheet, and statement of actual budget and income on Form RD 3560-7, is a fair presentation of the borrower's records.

I/We certify that no identity of interest exists between me/us and any individual or organization doing business with the project or borrower.

_____ _____

(Date) *(Signature)*

_____

(Name and Title)

_____

(Address)

☐ In lieu of the above verification and signature, a review completed, dated and signed by a person or firm qualified by license or certification is attached.

Position 3

Form RD 3560-7
(Rev. 05-06)

MULTIPLE FAMILY HOUSING PROJECT BUDGET/ UTILITY ALLOWANCE

FORM APPROVED
OMB NO.0575-0189

PROJECT NAME	BORROWER NAME	BORROWER ID AND PROJECT NO.
Chester Townhouses I	Chester I	792450022 019
Loan/Transfer Amount $ 0.0000	Note Rate Payment $ 0.0000	IC Payment $ 3085.2400

Reporting Period	Budget Type	Project Rental Type	Profit Type	The following utilities are master metered:	
☑ Annual	☐ Initial	☑ Family	☐ Full Profit	☐ Electricity ☐ Gas	☐ I hereby request 0.00 units of RA. Current number of RA units 54.00.
☐ Quarterly	☐ Regular Report	☐ Elderly	☑ Limited Profit	☐ Water ☐ Sewer	
☐ Monthly	☑ Rent Change	☐ Congregate	☐ Non-Profit	☐ Trash	Borrower Accounting Method
	☐ SNR	☐ Group Home		☐ Other _____	☐ Cash ☑ Accrual
	☐ Other Servicing	☐ Mixed ☐ LH			

PART I—CASH FLOW STATEMENT

	CURRENT BUDGET	ACTUAL	PROPOSED BUDGET	COMMENTS or (YTD)
BEGINNING DATES	(01 - 01 - 2025)	(01 - 01 - 2025)	(01 - 01 - 2026)	(- -)
ENDING DATES	(12 - 31 - 2025)	(12 - 31 - 2025)	(12 - 31 - 2026)	(- -)
OPERATIONAL CASH SOURCES				
1. RENTAL INCOME	484920.0000	192962.0000	511704.0000	
2. RHS RENTAL ASSISTANCE RECEIVED		304638.0000		
3. APPLICATION FEES RECEIVED		1015.0000		
4. LAUNDRY AND VENDING	0.0000	0.0000	0.0000	
5. INTEREST INCOME	350.0000	1704.3300	1500.0000	
6. TENANT CHARGES	4000.0000	5669.1300	4000.0000	
7. OTHER - PROJECT SOURCES	0.0000	146.4400	0.0000	WC '24 Refund, Ur
8. LESS *(Vacancy and Contingency Allowance)*	(4580.0000)		(5000.0000)	
9. LESS *(Agency Approved Incentive Allowance)*	(0.0000)		(0.0000)	
10. SUB-TOTAL *[(1 thru 7) - (8 & 9)]*	484690.0000	506134.9000	512204.0000	
NON-OPERATIONAL CASH SOURCES				
11. CASH - NON PROJECT	0.0000	0.0000	0.0000	
12. AUTHORIZED LOAN *(Non-RHS)*	0.0000	0.0000	0.0000	
13. TRANSFER FROM RESERVE	92400.0000	66764.6300	82075.0000	
14. SUB-TOTAL *(11 thru 13)*	92400.0000	66764.6300	82075.0000	
15. **TOTAL CASH SOURCES** *(10+14)*	577090.0000	572899.5300	594279.0000	
OPERATIONAL CASH USES				
16. TOTAL O&M EXPENSES *(From Part II)*	369700.0000	392716.9100	397131.0000	
17. RHS DEBT PAYMENT	37023.0000	37022.8800	37023.0000	
18. RHS PAYMENT *(Overage)*		1805.0000		
19. RHS PAYMENT *(Late Fee)*		0.0000		
20. REDUCTION IN PRIOR YEAR PAYABLES		0.0000		
21. TENANT UTILITY PAYMENTS		15297.0000		
22. TRANSFER TO RESERVE	43300.0000	43535.8400	43300.0000	
23. RETURN TO OWNER /NP ASSET MANAGEMENT FEE .	16736.0000	16736.0000	16736.0000	
24. SUB-TOTAL *(16 thru 23)*	466759.0000	507113.6300	494190.0000	
NON-OPERATIONAL CASH USES				
25. AUTHORIZED DEBT PAYMENT (Non-RHS)	17742.0000	17741.7600	17742.0000	HOME MTG PMT
26. ANNUAL CAPITAL BUDGET *(From Part III, Lines 4-6)*	92400.0000	66764.6300	82075.0000	
27. MISCELLANEOUS	0.0000	2648.0000	0.0000	Bad Debt
28. SUB-TOTAL *(25 thru 27)*	110142.0000	87154.3900	99817.0000	
29. **TOTAL CASH USES** *(24+28)*	576901.0000	594268.0200	594007.0000	
30. **NET CASH (DEFICIT)** *(15–29)*	189.0000	-21368.4900	272.0000	
CASH BALANCE				
31. BEGINNING CASH BALANCE	68220.0000	95247.7400	74426.2000	
32. ACCRUAL TO CASH ADJUSTMENT		-390.3700		
33. ENDING CASH BALANCE *(30+31+32)*	68409.0000	73488.8800	74698.2000	

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PART II—OPERATING AND MAINTENANCE EXPENSE SCHEDULE

	CURRENT BUDGET	ACTUAL	PROPOSED BUDGET	COMMENTS or (YTD)
1. MAINTENANCE AND REPAIRS PAYROLL	27500.0000	40230.1400	35500.0000	
2. MAINTENANCE AND REPAIRS SUPPLY	13000.0000	18025.8600	16000.0000	
3. MAINTENANCE AND REPAIRS CONTRACT	14450.0000	22226.2200	15000.0000	$3600 pw; 1600 qc
4. PAINTING	7000.0000	3578.5300	4500.0000	
5. SNOW REMOVAL	0.0000	0.0000	0.0000	
6. ELEVATOR MAINTENANCE/CONTRACT	0.0000	0.0000	0.0000	
7. GROUNDS	20000.0000	22025.0000	20506.0000	$1238/mo, $1650 p
8. SERVICES	1200.0000	2102.0000	1200.0000	
9. ANNUAL CAPITAL BUDGET *(From Part V - Operating)*	27585.0000	28988.8600	28800.0000	
10. OTHER OPERATING EXPENSES *(Itemize)*	1400.0000	2730.8800	1400.0000	sec 115/mo
11. SUB-TOTAL MAINT. & OPERATING *(1 thru 10)*	112135.0000	139907.4900	122906.0000	
12. ELECTRICITY *If master metered check box on front.*	9000.0000	7600.1500	8000.0000	
13. WATER	800.0000	801.1500	800.0000	
14. SEWER	700.0000	242.1500	600.0000	
15. FUEL *(Oil/Coal/Gas)*	0.0000	0.0000	0.0000	
16. GARBAGE & TRASH REMOVAL	11300.0000	9836.5200	11000.0000	
17. OTHER UTILITIES	0.0000	0.0000	0.0000	
18. SUB-TOTAL UTILITIES *(12 thru 17)*	21800.0000	18479.9700	20400.0000	
19. SITE MANAGEMENT PAYROLL	34500.0000	33784.3700	34500.0000	
20. MANAGEMENT FEE	66960.0000	66960.0000	66960.0000	$85+$5 LIHTC
21. PROJECT AUDITING EXPENSE	6000.0000	6050.0000	6100.0000	DHG
22. PROJECT BOOKKEEPING/ACCOUNTING	0.0000	0.0000	0.0000	
23. LEGAL EXPENSES	400.0000	340.0000	400.0000	
24. ADVERTISING	200.0000	21.0300	200.0000	
25. TELEPHONE & ANSWERING SERVICE	3000.0000	3048.6200	3000.0000	inc Ring Central
26. OFFICE SUPPLIES	4500.0000	7424.0500	5500.0000	
27. OFFICE FURNITURE & EQUIPMENT	0.0000	0.0000	0.0000	
28. TRAINING EXPENSE	1600.0000	1065.4800	1600.0000	
29. HEALTH INS. & OTHER EMP. BENEFITS	16500.0000	11975.9800	16500.0000	5% 401k + Health
30. PAYROLL TAXES	4960.0000	5361.8000	5600.0000	8%
31. WORKER'S COMPENSATION	1395.0000	1122.0100	1575.0000	2.25%
32. OTHER ADMINISTRATIVE EXPENSES *(Itemize)*	15150.0000	15476.2400	16390.0000	see comments
33. SUB-TOTAL ADMINISTRATIVE *(19 thru 32)*	155165.0000	152629.5800	158325.0000	
34. REAL ESTATE TAXES	50800.0000	51222.4500	55000.0000	
35. SPECIAL ASSESSMENTS	0.0000	0.0000	0.0000	
36. OTHER TAXES, LICENSES & PERMITS	0.0000	16.5000	0.0000	Business filing & s
37. PROPERTY & LIABILITY INSURANCE	29800.0000	30460.9200	40500.0000	
38. FIDELITY COVERAGE INSURANCE	0.0000	0.0000	0.0000	
39. OTHER INSURANCE	0.0000	0.0000	0.0000	
40. SUB-TOTAL TAXES & INSURANCE *(34 thru 39)*	80600.0000	81699.8700	95500.0000	
41. TOTAL O&M EXPENSES *(11+18+33+40)*	369700.0000	392716.9100	397131.0000	

PART III—ACCOUNT BUDGETING/STATUS

	CURRENT BUDGET	ACTUAL	PROPOSED BUDGET	COMMENTS or (YTD)
RESERVE ACCOUNT:				
1. BEGINNING BALANCE	210000.0000	90722.3200	80000.0000	
2. TRANSFER TO RESERVE	43300.0000	43535.8400	43300.0000	add'l $22.800
TRANSFER FROM RESERVE				
3. OPERATING DEFICIT	0.0000	0.0000	0.0000	
4. ANNUAL CAPITAL BUDGET *(Part V - Reserve)*	92400.0000	66764.6300	82075.0000	
5. BUILDING & EQUIPMENT REPAIR	0.0000	0.0000	0.0000	
6. OTHER NON-OPERATING EXPENSES	0.0000	0.0000	0.0000	
7. TOTAL *(3 thru 6)*	(92400.0000)	(66764.6300)	(82075.0000)	
8. ENDING BALANCE *[(1+2)-7]*	160900.0000	67493.5300	41225.0000	
GENERAL OPERATING ACCOUNT:*				
BEGINNING BALANCE		64373.2200		
ENDING BALANCE		71262.3600		
REAL ESTATE TAX AND INSURANCE ESCROW ACCOUNT:*				
BEGINNING BALANCE		30874.5200		
ENDING BALANCE		2226.5200		
TENANT SECURITY DEPOSIT ACCOUNT:*				
BEGINNING BALANCE		11050.0000		
ENDING BALANCE		11250.0000		

*(*Complete upon submission of actual expenses.)*

NUMBER OF APPLICANTS ON THE WAITING LIST	0	RESERVE ACCT. REQ. BALANCE	51139.0000
NUMBER OF APPLICANTS NEEDING RA	0	AMOUNT AHEAD/BEHIND	918.0000

PART IV—RENT SCHEDULE AND UTILITY ALLOWANCE

A. CURRENT APPROVED RENTS/ UTILITY ALLOWANCE

UNIT DESCRIPTION			RENTAL RATES			POTENTIAL INCOME FROM EACH RATE			
BR SIZE	UNIT TYPE	NUMBER	BASIC	NOTE RATE	HUD	BASIC	NOTE RATE	HUD	UTILITY ALLOWANCE
1	N	18	573.0000	639.0000	0.0000	123768.0000	138024.0000	0.0000	171.0000
2	N	44	684.0000	750.0000	0.0000	361152.0000	396000.0000	0.0000	216.0000
0		0	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0		0	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0		0	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0		0	0.0000	0.0000	0.00	0.0000	0.0000	0.0000	0.0000
0		0	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0		0	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
				CURRENT RENT TOTALS:		484920.0000	534024.0000	0.0000	
						BASIC	NOTE	HUD	

B. PROPOSED RENTS - Effective Date: 12/01/2025

UNIT DESCRIPTION			RENTAL RATES			POTENTIAL INCOME FROM EACH RATE		
BR SIZE	UNIT TYPE	NUMBER	BASIC	NOTE RATE	HUD	BASIC	NOTE RATE	HUD
1	N	18	609.0000	675.0000	0.0000	131544.0000	145800.0000	0.0000
2	N	44	720.0000	786.0000	0.0000	380160.0000	415008.0000	0.0000
0		0	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0		0	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0		0	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0		0	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0		0	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0		0	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
				PROPOSED RENT TOTALS:		511704.0000	560808.0000	0.0000
						BASIC	NOTE	HUD

C. PROPOSED UTILITY ALLOWANCE - Effective Date: 12/01/2025

MONTHLY DOLLAR ALLOWANCES

BR SIZE	UNIT TYPE	NUMBER	ELECTRIC	GAS	WATER	SEWER	TRASH	OTHER	TOTAL
1	N	18	90.0000	0.0000	36.0000	45.0000	0.0000	0.0000	171.0000
2	N	44	107.0000	0.0000	49.0000	60.0000	0.0000	0.0000	216.0000
0		0	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0		0	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0		0	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0		0	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

PART V - ANNUAL CAPITAL BUDGET

	Proposed Number of Units/Items	Proposed from Reserve	Actual from Reserve	Proposed from Operating	Actual from Operating	Actual Total Cost	Total Actual Units/Items
Appliances:							
Range	5	2,100.00	0.00	1,400.00	1,769.13	1,769.13	2
Refrigerator	5	3,000.00	0.00	2,000.00	1,626.97	1,626.97	2
Range Hood	6	0.00	0.00	450.00	0.00	0.00	0
Washers & Dryers	0	0.00	0.00	0.00	0.00	0.00	0
Other:	0	0.00	0.00	0.00	0.00	0.00	0
Carpet & Vinyl:							
1BR	3	7,000.00	0.00	3,500.00	0.00	0.00	0
2BR	8	31,500.00	0.00	4,500.00	2,459.35	2,459.35	3
3BR	0	0.00	0.00	0.00	0.00	0.00	0
4BR	0	0.00	0.00	0.00	0.00	0.00	0
Other:	0	0.00	0.00	0.00	0.00	0.00	0
Cabinets:							
Kitchens	1	4,700.00	0.00	0.00	0.00	0.00	0
Bathrooms	8	2,400.00	0.00	0.00	0.00	0.00	0
Other:	0	0.00	0.00	0.00	0.00	0.00	0
Doors:							
Exterior	3	1,125.00	0.00	0.00	0.00	0.00	0
Interior	15	2,250.00	0.00	0.00	0.00	0.00	0
Other:	0	0.00	0.00	0.00	0.00	0.00	0
Window Coverings:							
List:	80	0.00	0.00	4,000.00	2,126.32	2,126.32	85
Other:	0	0.00	0.00	0.00	0.00	0.00	0
Heating & Air Conditioning:							
Heating	5	28,000.00	21,647.52	7,000.00	18,212.72	39,860.24	16
Air Conditioning	0	0.00	0.00	0.00	0.00	0.00	0
Other:	0	0.00	0.00	0.00	0.00	0.00	0
Plumbing:							
Water Heater	8	0.00	0.00	5,200.00	1,261.37	1,261.37	2
Bath Sinks	0	0.00	0.00	0.00	0.00	0.00	0
Kitchen Sinks	0	0.00	0.00	0.00	0.00	0.00	0
Faucets	0	0.00	0.00	0.00	0.00	0.00	0
Toilets	0	0.00	0.00	0.00	0.00	0.00	0
Other	0	0.00	7,630.00	0.00	0.00	7,630.00	2
Major Electrical:							
List:		0.00	0.00	0.00	0.00	0.00	
Other:		0.00	0.00	0.00	0.00	0.00	
Structures:							
Windows	3	0.00	0.00	600.00	855.88	855.88	3
Screens	10	0.00	0.00	150.00	0.00	0.00	0
Walls		0.00	0.00	0.00	0.00	0.00	
Roofing		0.00	0.00	0.00	0.00	0.00	
Siding		0.00	0.00	0.00	0.00	0.00	
Exterior Painting		0.00	0.00	0.00	0.00	0.00	
Other		0.00	0.00	0.00	0.00	0.00	
Paving:							
Asphalt		0.00	0.00	0.00	0.00	0.00	
Concrete		0.00	0.00	0.00	0.00	0.00	
Seal & Stripe		0.00	0.00	0.00	0.00	0.00	
Other:		0.00	0.00	0.00	0.00	0.00	
Landscape & Grounds:							
Landscaping		0.00	0.00	0.00	0.00	0.00	
Lawn Equipment		0.00	0.00	0.00	0.00	0.00	
Fencing		0.00	0.00	0.00	0.00	0.00	
Recreation Area		0.00	0.00	0.00	0.00	0.00	
Signs		0.00	0.00	0.00	0.00	0.00	
Other:		0.00	0.00	0.00	0.00	0.00	
Accessibility Features:							
List:		0.00	0.00	0.00	0.00	0.00	
Other:		0.00	20,813.81	0.00	0.00	20,813.81	
Automation Equipment:							
Site Management		0.00	0.00	0.00	677.12	677.12	
Common Area		0.00	0.00	0.00	0.00	0.00	
Other:		0.00	0.00	0.00	0.00	0.00	
Other:							
List:		0.00	9,689.41	0.00	0.00	9,689.41	
List:		0.00	6,983.89	0.00	0.00	6,983.89	
List:		0.00	0.00	0.00	0.00	0.00	
TOTAL CAPITAL EXPENSES:	160	82075.000(	66764.630(	28800.000(	28988.860(	95753.490(	115

PART VI -- SIGNATURES, DATES AND COMMENTS

Warning: Section 1001 of Title 18, United States Code provides: "Whoever, in any matter within the jurisdiction of any department or agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined under this title or imprisoned not more than five years, or both.

I HAVE READ THE ABOVE WARNING STATEMENT AND I HEREBY CERTIFY THAT THE FOREGOING INFORMATION IS COMPLETE AND ACCURATE TO THE BEST OF MY KNOWLEDGE.

(DATE)

(Signature of Borrower or Borrower's Representative)

(Title)

AGENCY APPROVAL *(Rural Development Approval Official):*	DATE:

COMMENTS:

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Report On Internal Control Over Financial Reporting and On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards*

Independent Auditor's Report

Partners
New Chester Townhouses, A Limited Partnership
Columbia, South Carolina

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of New Chester Townhouses, A Limited Partnership (the "Partnership"), which comprise the balance sheet as of December 31, 2025, and the related statements of operations, partners' deficit, and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated February 27, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Partnership's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control. Accordingly, we do not express an opinion on the effectiveness of the Partnership's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Partnership's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Partnership's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Partnership's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Partnership's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Forvis Mazars, LLP

Greenville, South Carolina
February 27, 2026

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Report on Compliance for Each Major RD Program and Report On Internal Control Over Compliance Required by the Consolidated Audit Guide for Audits of RD Programs

Independent Auditor's Report

Partners
New Chester Townhouses, A Limited Partnership
Columbia, South Carolina

Report on Compliance for Major RD Program

Opinion on Major RD Program

We have audited New Chester Townhouses, A Limited Partnership's (the "Partnership") compliance with the types of compliance requirements described in the *Audit Guide for Audits of RD Programs* (the "Guide") that could have a direct and material effect on the Partnership's major U.S. Department of Rural Development ("RD") programs for the year ended December 31, 2025. The Partnership's major RD programs and the related direct and material compliance requirements are as follows:

Name of Major RD Program	Direct and Material Compliance Requirements
• Section 515 Rural Rental Housing Loans	Mortgage status, replacement reserve, return on investment or return to owner, equity skimming, cash receipts, cash disbursements, tenant security deposits, management functions, unauthorized change of ownership or acquisition of liabilities and unauthorized loans of project funds.

In our opinion, the Partnership complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major RD programs for the year ended December 31, 2025.

Basis for Opinion on Major RD Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Our responsibilities under those standards and the Guide are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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We are required to be independent of the Partnership and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major RD programs. Our audit does not provide a legal determination of the Partnership's compliance with the compliance requirements.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Partnership's RD programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Partnership's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Guide will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Partnership's compliance with the requirements of its major RD programs as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Guide, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Partnership's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Partnership's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

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Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a RD program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a RD program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a RD program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

Forvis Mazars, LLP

Greenville, South Carolina
February 27, 2026

NEW CHESTER TOWNHOUSES, A LIMITED PARTNERSHIP
Schedule of Findings and Questioned Costs
Year Ended December 31, 2025

For the Year Ended December 31, 2025:

There were no findings or questioned costs for the year ended December 31, 2025.

NEW CHESTER TOWNHOUSES, A LIMITED PARTNERSHIP
Schedule of Lead Auditor
Year Ended December 31, 2025

Auditor Information:	**Forvis Mazars, LLP** **11 Brendan Way** **Greenville, SC 29615**
Phone Number:	**864.213.5378**
Auditor Contact:	**Mike Kelly, CPA**
Auditor Contact Title:	**Partner**
Auditor Contact Email:	**mike.kelly@us.forvismazars.com**

CAHEC Management, Inc.

Site Manager: Wendy Sawyer

Regional Manager: Amanda Rodgers

To: Compliance: Carissa - 6494

Accountant: Brandon G - 6526

Subject: 2026 Approved Budgets/Rent Increase/Utility Allowance changes where applicable

Date: December 5, 2025

Property Name: Chester Townhouses

Enclosed is copy of the Approval Letter from USDA, Rural Development concerning the 2026 budget, as well as the possible rent and/or utility change for your property.

You must take the following action if you have a rent or utility change:

SITE MANAGER:

_____ If you have any existing residents with vouchers, please provide a copy to the Housing Authority.

_____Give each resident a copy of the RD Approval letter (if provided by RD), along with completed Rent and Utility Change Notice explaining how this change will affect their rent on the effective date. If RD does not send an approved letter, then give each resident another copy of the NOTICE TO TENANTS OF PROPROSED RENT AND UTILITY ALLOWANCE CHANGE and write "APPROVED" at the top of the page.

_____ Get each resident to sign a new lease addendum (with the effective date of the rent change) completed in accordance to the Rent and Utility Change Notice.

_____ Pull each tenant file and ***make a copy*** of the latest Tenant Certification. At the top of page 1 of the copy, write "Rent Change Effective _____." On page 2 of the copy, one-line through lines 29 and 30 and put the new rent and utility amounts out to the side, and recalculate lines 31 through 33. Both you and the resident should initial and
date the changes. Alternatively, the GR certification can be printed from Yardi and signed by yourself and the tenant.

_____ If the Utility allowance changed, you should prepare and attach a new Housing Allowance for Utilities form to the lease addendum.

_____ Post a copy of the USDA approval letter to the bulletin board.

When you have completed all of the above steps, initial and send a copy of this letter to your Regional Manager reflecting the date completed.

NOTE: Your **Compliance Manager** will make the necessary changes in Yardi and notify you when completed.

REGIONAL MANAGER: It is important that you be guided by this budget in your management of this property. If you see that the budget will not work, you must recommend a revision and cut expenses so that you will not have a deficit-operating year.

ACCOUNTING: Please check each budget carefully for possible changes made by Rural Development. Update the budget in Yardi.

USDA

United States Department of Agriculture

Rural Development

Field Operations Division
Multifamily Housing
Rural Housing Service

PO Box 771340
St. Louis, MO 63177

December 4, 2025

CAHEC Management (Sent Via Email Only – vnguyen@cahecmanagement.com)
7700 Trenholm Rd Ext
Columbia, SC 29223

NOTICE OF APPROVED RENT (OCCUPANCY CHARGE) AND UTILITY ALLOWANCE CHANGE

You are hereby notified that Rural Development has reviewed the request for a change in shelter costs for Chester Townhomes I and considered all justifications provided by project management and comments provided by tenants if received. Rural Development has approved the following rent (occupancy charge) and/or utility allowance rates listed below. The changes for all units will become effective on January 1, 2026 or later effective date in accordance with state or local laws. The change is needed for the following reasons:

•Increased Operational Costs and/or
•Change in Utility Costs

The approved changes are as follows:

Unit Size	Present Rent (Occupancy Chage)		Approved Rent (Occupancy Charge)	
	Basic	Note Rate	Basic	Note Rate
1-Bedroom	$573	$639	$609	$675
2-Bedroom	$684	$750	$720	$786

The approved utility allowance changes are as follows:

Unit Size	Present Utility Allowance	Approved Utility Allowance
1-Bedroom	$171	$171
2-Bedroom	$216	$216

Should you have any questions or concerns, you may contact Rural Development at the address listed above.

You must notify the tenants (members) of Rural Development's approval of the rent (occupancy charge) and utility allowance changes by posting this letter in the same manner as the "NOTICE TO TENANTS (MEMBERS) OR PROPOSED RENT (OCCUPANCY CHARGE) AND UTILITY ALLOWANCE CHANGE." This notification must be posted in a conspicuous place and cannot be substituted for the usual written notice to each individual tenant (member).

USDA is an equal opportunity provider, employer, and lender.

This approval does not authorize you to violate the terms of any lease (occupancy agreement) you currently have with your tenants (members).

For those tenants (members) receiving rental assistance (RA), their costs for rent (occupancy charge) and utilities will continue to be based on the higher of 30 percent of their adjusted monthly income or 10 percent of gross monthly income or if the household is receiving payments for public assistance from a public agency, the portion of such payments which is specifically designated by that agency to meet the household's shelter cost. If tenants are receiving Housing and Urban Development (HUD) Section 8 subsidy assistance, their costs for rent and utilities will be determined by the current HUD formula.

You may file an appeal regarding the rate and utility allowance change as approved. An appeal must be received in the Regional Office no later than 30 calendar days after receipt of the adverse decision. The appeal should state why the agency decision is being appealed and should include, if possible, a copy of the adverse decision and a brief statement of why the decision is wrong. A copy of the appeal request should be sent to the agency.

You must inform the tenants (members) of their right to request an explanation of the rate and utility allowance change approval decision within 45 days of the date of this notice by writing to the address listed above. All tenants (members) are required to pay the changed amount of rent (occupancy charge) as indicated in the notice of approval.

Any tenant who does not wish to pay the Rural Development approved rent changes may give the owner a 30-day notice that they will vacate. The tenant will suffer no penalty as a result of this decision to vacate and will not be required to pay the changed rent. However, if the tenant later decides to remain in the unit, the tenant will be required to pay the changed rent from the effective date of the changed rent.

Sincerely,

LATONYA AUSTIN

Digitally signed by LATONYA AUSTIN
Date: 2025.12.04 17:11:38 -05'00'

Tonya Austin
Loan Specialist
Team 5, South Region
Multifamily Housing Field Operations
USDA Rural Development

Project Name:	NEW CHESTER TOWN I
Borrower Name:	NEW CHESTER TWNHSES ALP
Borrower ID and Project No:	792450022 01-0
Date of Operation:	03/02/1981

Loan/Transfer Amount:	
Note Rate Payment:	
IC Payment:	$3,085.24

Reporting Period

- [X] Annual
- [ ] Quarterly
- [ ] Monthly

Budget Type

- [ ] Initial
- [ ] Regular Report
- [X] Rent Change
- [ ] SMR
- [ ] Other Servicing

Project Rental Type

- [X] Family
- [ ] Elderly
- [ ] Congregate
- [ ] Group Home
- [ ] Mixed LH

Profit Type

- [ ] Full Profit
- [X] Limited Profit
- [ ] Non-Profit

___I hereby request ___ units of RA. Current number of RA units 54 .

The following utilities are master metered:

- [ ] Gas
- [X] Electricity
- [X] Water
- [X] Sewer
- [ ] Trash
- [ ] Other

Borrower Accounting Method

- [ ] Cash
- [ ] Accrual

Project Name: NEW CHESTER TOWN I State: 46 Servicing Office: 635 County: 12
Borrower Name: NEW CHESTER TWNHSES ALP Borr ID: 792450022 Prj Nbr: 01-0 Paid Code: Active
Classification: C Fiscal Year: 2026 Version: 01/01/2026 APPROVED Totals: By Project Analyzed: Y

Item	Current Budget	Actual	Proposed Budget	Comment
Effective Dates:	01/01/2025	01/01/2025	01/01/2026	
Ending Dates:	12/31/2025	12/31/2025	12/31/2026	
PART I - CASH FLOW STATEMENT				
Operational Cash Sources				
1. Rental Income	484,920.00		511,704.00	
2. RHS Rental Assist. Received				
3. Application Fee Received				
4. Laundry And Vending	0.00		0.00	
5. Interest Income	350.00		1,500.00	
6. Tenant Charges	4,000.00		4,000.00	
7. Other - Project Sources	0.00		0.00	
8. Less (Vcncy @ Cntgncy Allw)	-4,580.00		-5,000.00	
9. Less (Agncy Aprvd Incentv)	0.00		0.00	
10. Sub-Ttl [(1 thru 7)-(8@9)]	**484,690.00**		**512,204.00**	
Non-Operational Cash Sources				
11. Cash - Non Project	0.00		0.00	
12. Authorized Loan (Non-RHS)	0.00		0.00	
13. Transfer From Reserve	**92,400.00**		**82,075.00**	
14. Sub-Total (11 thru 13)	**92,400.00**		**82,075.00**	
15. Total Cash Sources (10+14)	**577,090.00**		**594,279.00**	
Operational Cash Uses				
16. Ttl O@M Exp (From Part II)	**369,700.00**		**397,131.00**	
17. RHS Debt Payment	37,023.00		37,023.00	
18. RHS Payment (Overage)				
19. RHS Payment (Late Fee)				
20. Reductn In Prior Yr Pybles				
21. Tenant Utility Payments				
22. Transfer to Reserve	**43,300.00**		**43,300.00**	
23. RTN Owner/NP Asset Mgt Fee	16,736.00		16,736.00	
24. Sub-Total (16 thru 23)	**466,759.00**		**494,190.00**	
Non-Operational Cash Uses				
25. Authzd Debt Pymnt (NonRHS)	17,742.00		17,742.00	HOME MTG PMT
26. Capital Budget (III 4-6)	**92,400.00**		**82,075.00**	
27. Miscellaneous	0.00		0.00	BAD DEBT
28. Sub-Total (25 thru 27)	**110,142.00**		**99,817.00**	
29. Total Cash Uses (24+28)	**576,901.00**		**594,007.00**	
30. Net (Deficit) (15-29)	**189.00**		**272.00**	
Cash Balance				
31. Beginning Cash Balance	68,220.00		74,426.20	
32. Accrual To Cash Adjustment				
33. Ending Cash Bal (30+31+32)	**68,409.00**		**74,698.20**	

Project Name: NEW CHESTER TOWN I State: 46 Servicing Office: 635 County: 12
Borrower Name: NEW CHESTER TWNHSES ALP Borr ID: 792450022 Prj Nbr: 01-0 Paid Code: Active
Classification: C Fiscal Year: 2026 Version: 01/01/2026 APPROVED Totals: By Project Analyzed: Y

Item	Current Budget	Actual	Proposed Budget	Comment
Effective Dates:	01/01/2025	01/01/2025	01/01/2026	
Ending Dates:	12/31/2025	12/31/2025	12/31/2026	
PART II - O@M EXPENSE SCHEDULE				
1. Maint. @ Repairs Payroll	27,500.00		35,500.00	
2. Maint. @ Repairs Supply	13,000.00		16,000.00	
3. Maint. @ Repairs Contract	14,450.00		15,000.00	$3600 PW; 1600 GC
4. Painting	7,000.00		4,500.00	
5. Snow Removal	0.00		0.00	
6. Elevator Maint./Contract	0.00		0.00	
7. Grounds	20,000.00		20,506.00	$1238/MO, $1650 PINESTRAW; 4000 OTHER
8. Services	1,200.00		1,200.00	
9. Cptl Bgt(Part V operating)	**27,585.00**		**28,800.00**	
10. Other Operating Expenses	1,400.00		1,400.00	SEC 115/MO
11. Sub-Ttl O@M (1 thru 10)	**112,135.00**		**122,906.00**	
12. Electricity	9,000.00		8,000.00	
13. Water	800.00		800.00	
14. Sewer	700.00		600.00	
15. Fuel (Oil/Coal/Gas)	0.00		0.00	
16. Garbage @ Trash Removal	11,300.00		11,000.00	
17. Other Utilities	0.00		0.00	
18. Sub-Ttl Util. (12 thru 17)	**21,800.00**		**20,400.00**	
19. Site Management Payroll	34,500.00		34,500.00	
20. Management Fee	66,960.00		66,960.00	$85+$5 LIHTC
21. Project Auditing Expense	6,000.00		6,100.00	DHG
22. Proj. Bookkeeping/Accnting	0.00		0.00	
23. Legal Expenses	400.00		400.00	
24. Advertising	200.00		200.00	
25. Phone @ Answering Service	3,000.00		3,000.00	INC RING CENTRAL
26. Office Supplies	4,500.00		5,500.00	
27. Office Furniture @ Equip.	0.00		0.00	
28. Training Expense	1,600.00		1,600.00	
29. Hlth Ins. @ Other Benefits	16,500.00		16,500.00	5% 401K + HEALTH
30. Payroll Taxes	4,960.00		5,600.00	8%
31. Workmans Compensation	1,395.00		1,575.00	2.25%
32. Other Admin.Expenses	15,150.00		16,390.00	SEE COMMENTS
33. Sub-Ttl Admin (19 thru 32)	**155,165.00**		**158,325.00**	
34. Real Estate Taxes	50,800.00		55,000.00	
35. Special Assessments	0.00		0.00	
36. Othr Taxes, Lcnses, Permts	0.00		0.00	
37. Property @ Liability Ins.	29,800.00		40,500.00	
38. Fidelity Coverage Ins.	0.00		0.00	
39. Other Insurance	0.00		0.00	
40. Sub-Ttl Tx/In (34 thru 39)	**80,600.00**		**95,500.00**	
41. Ttl O@M Exps (11+18+33+40)	**369,700.00**		**397,131.00**	

Project Name: NEW CHESTER TOWN I State: 46 Servicing Office: 635 County: 12
Borrower Name: NEW CHESTER TWNHSES ALP Borr ID: 792450022 Prj Nbr: 01-0 Paid Code: Active
Classification: C Fiscal Year: 2026 Version: 01/01/2026 APPROVED Totals: By Project Analyzed: Y

Item	Current Budget	Actual	Proposed Budget	Comment
Effective Dates:	01/01/2025	01/01/2025	01/01/2026	
Ending Dates:	12/31/2025	12/31/2025	12/31/2026	
PART III - ACCT BUDGET/STATUS				
Reserve Account				
1.Beginning Balance	210,000.00		80,000.00	
2. Transfer to Reserve	43,300.00		43,300.00	ADD'L $22,800
Transfer From Reserve				
3. Operating Deficit	0.00		0.00	
4. Cptl Bgt (Part V reserve)	**92,400.00**		**82,075.00**	
5. Building @ Equip Repair	0.00		0.00	
6. Othr Non-Operating Expenses	0.00		0.00	
7. Total (3 thru 6)	**92,400.00**		**82,075.00**	
8. Ending Balance [(1+2)-7)]	**160,900.00**		**41,225.00**	
General Operating Account				
Beginning Balance				
Ending Balance				
Real Estate Tax And Ins Escrow				
Beginning Balance				
Ending Balance				
Tenant Security Deposit Acct				
Beginning Balance				
Ending Balance				

Number of Applicants on Waiting List	0	Reserve Acct. Req. Balance	-49,530.96
Number of Applicants Needing RA		Amount Ahead/Behind	123,960.51

Project Name: NEW CHESTER TOWN I State: 46 Servicing Office: 635 County: 12
Borrower Name: NEW CHESTER TWNHSES ALP Borr ID: 792450022 Prj Nbr: 01-0 Paid Code: Active
Classification: C Fiscal Year: 2026 Version: 01/01/2026 APPROVED Totals: By Project Analyzed: Y

PART IV RENT SCHEDULE

A. CURRENT APPROVED RENTS/UTILITY ALLOWANCE: 01/01/2025

Unit Description						Rental Rates			Potential Income From Each Rate			Utility
Type	Size	HC	Rev	Unit	Number	Basic	Note	HUD	Basic	Note	HUD	Allowance
N	2	All			44	684	750	0	361,152	396,000	0	216
N	1	All			18	573	639	0	123,768	138,024	0	171
								CURRENT RENT TOTALS	484,920	534,024	0	

EFFECTIVE DATE OF RENTS/UTILITY ALLOWANCE: 01/01/2025

Unit Description					Utility Types						
Type	Size	HC	Rev	Unit	Elect	Gas	Sewer	Trash	Water	Other	Total Allow
N	2	All			114	0	56	0	46	0	216
N	1	All			95	0	42	0	34	0	171

B. PROPOSED CHANGE OF RENTS/UTILITY ALLOWANCE: 01/01/2026

Unit Description						Rental Rates			Potential Income From Each Rate			Utility
Type	Size	HC	Rev	Unit	Number	Basic	Note	HUD	Basic	Note	HUD	Allowance
N	2	All			44	720	786	0	380,160	415,008	0	216
N	1	All			18	609	675	0	131,544	145,800	0	171
								PROPOSED RENT TOTALS	511,704	560,808	0	

EFFECTIVE DATE OF RENTS/UTILITY ALLOWANCE: 01/01/2026

Unit Description					Utility Types						
Type	Size	HC	Rev	Unit	Elect	Gas	Sewer	Trash	Water	Other	Total Allow
N	2	All			107	0	60	0	49	0	216
N	1	All			90	0	45	0	36	0	171

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Classification: C Fiscal Year: 2026 Version: 01/01/2026 APPROVED Totals: By Project Analyzed: Y

Item	Proposed Number Units/Items	Proposed From Reserve	Actual From Reserve	Proposed From Operating	Actual From Operating	Actual Total Cost	Total Actual Units/Items
Effective Dates:	01/01/2025	01/01/2026	01/01/2025	01/01/2026	01/01/2025	01/01/2025	01/01/2025
Ending Dates:	12/31/2025		12/31/2025		12/31/2025	12/31/2025	12/31/2025
ANNUAL CAPITAL BUDGET							
Appliances							
Appliances - Range	5	2,100.00	0.00	1,400.00	0.00	0.00	0
Appliances - Refrigerator	5	3,000.00	0.00	2,000.00	0.00	0.00	0
Appliances - Range Hood	6	0.00	0.00	450.00	0.00	0.00	0
Appliances - Washers @ Dryers	0	0.00	0.00	0.00	0.00	0.00	0
Appliances - Other	0	0.00	0.00	0.00	0.00	0.00	0
Carpet and Vinyl							
Carpet @ Vinyl - 1 Br.	3	7,000.00	0.00	3,500.00	0.00	0.00	0
Carpet @ Vinyl - 2 Br.	8	31,500.00	0.00	4,500.00	0.00	0.00	0
Carpet @ Vinyl - 3 Br.	0	0.00	0.00	0.00	0.00	0.00	0
Carpet @ Vinyl - 4 Br.	0	0.00	0.00	0.00	0.00	0.00	0
Carpet @ Vinyl - Other	0	0.00	0.00	0.00	0.00	0.00	0
Cabinets							
Cabinets - Kitchens	1	4,700.00	0.00	0.00	0.00	0.00	0
Cabinets - Bathroom	8	2,400.00	0.00	0.00	0.00	0.00	0
Cabinets - Other	0	0.00	0.00	0.00	0.00	0.00	0
Doors							
Doors - Exterior	3	1,125.00	0.00	0.00	0.00	0.00	0
Doors - Interior	15	2,250.00	0.00	0.00	0.00	0.00	0
Doors - Other	0	0.00	0.00	0.00	0.00	0.00	0
Window Coverings							
Window Coverings - Detail	80	0.00	0.00	4,000.00	0.00	0.00	0
Window Coverings - Other	0	0.00	0.00	0.00	0.00	0.00	0
Heat and Air Conditioning							
Heat @ Air - Heating	5	28,000.00	0.00	7,000.00	0.00	0.00	0
Heat @ Air - Air Conditioning	0	0.00	0.00	0.00	0.00	0.00	0
Heat @ Air - Other	0	0.00	0.00	0.00	0.00	0.00	0
Plumbing							
Plumbing - Water Heater	8	0.00	0.00	5,200.00	0.00	0.00	0
Plumbing - Bath Sinks	0	0.00	0.00	0.00	0.00	0.00	0
Plumbing - Kitchen Sinks	0	0.00	0.00	0.00	0.00	0.00	0
Plumbing - Faucets	0	0.00	0.00	0.00	0.00	0.00	0
Plumbing - Toilets	0	0.00	0.00	0.00	0.00	0.00	0
Plumbing - Other	0	0.00	0.00	0.00	0.00	0.00	0
Major Electrical							
Major Electrical - Detail	0	0.00	0.00	0.00	0.00	0.00	0
Major Electrical - Other	0	0.00	0.00	0.00	0.00	0.00	0
Structures							
Structures - Windows	3	0.00	0.00	600.00	0.00	0.00	0
Structures - Screens	10	0.00	0.00	150.00	0.00	0.00	0
Structures - Walls	0	0.00	0.00	0.00	0.00	0.00	0
Structures - Roofing	0	0.00	0.00	0.00	0.00	0.00	0
Structures - Siding	0	0.00	0.00	0.00	0.00	0.00	0
Structures - Exterior Painting	0	0.00	0.00	0.00	0.00	0.00	0
Structures - Other	0	0.00	0.00	0.00	0.00	0.00	0

Project Name: NEW CHESTER TOWN I State: 46 Servicing Office: 635 County: 12
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Classification: C Fiscal Year: 2026 Version: 01/01/2026 APPROVED Totals: By Project Analyzed: Y

Item	Proposed Number Units/Items	Proposed From Reserve	Actual From Reserve	Proposed From Operating	Actual From Operating	Actual Total Cost	Total Actual Units/Items
Effective Dates:	01/01/2025	01/01/2026	01/01/2025	01/01/2026	01/01/2025	01/01/2025	01/01/2025
Ending Dates:	12/31/2025		12/31/2025		12/31/2025	12/31/2025	12/31/2025
Paving							
Paving - Asphalt	0	0.00	0.00	0.00	0.00	0.00	0
Paving - Concrete	0	0.00	0.00	0.00	0.00	0.00	0
Paving - Seal and Stripe	0	0.00	0.00	0.00	0.00	0.00	0
Paving - Other	0	0.00	0.00	0.00	0.00	0.00	0
Landscape and Grounds							
Lndscp@Grnds - Landscaping	0	0.00	0.00	0.00	0.00	0.00	0
Lndscp@Grnds - Lawn Equipment	0	0.00	0.00	0.00	0.00	0.00	0
Lndscp@Grnds - Fencin	0	0.00	0.00	0.00	0.00	0.00	0
Lndscp@Grnds - Recreation Area	0	0.00	0.00	0.00	0.00	0.00	0
Lndscp@Grnds - Signs	0	0.00	0.00	0.00	0.00	0.00	0
Lndscp@Grnds - Other	0	0.00	0.00	0.00	0.00	0.00	0
Accessibility Features							
Accessibility Features - Detail	0	0.00	0.00	0.00	0.00	0.00	0
Accessibility Features - Other	0	0.00	0.00	0.00	0.00	0.00	0
Automation Equipment							
Automation Equip. -Site Mngt.	0	0.00	0.00	0.00	0.00	0.00	0
Automation Equip. -Common Area	0	0.00	0.00	0.00	0.00	0.00	0
Automation Equip. -Other	0	0.00	0.00	0.00	0.00	0.00	0
Other							
List: ?	0	0.00	0.00	0.00	0.00	0.00	0
List: ?	0	0.00	0.00	0.00	0.00	0.00	0
List: ?	0	0.00	0.00	0.00	0.00	0.00	0
Total Capital Expenses	**0**	**82,075.00**	**0.00**	**28,800.00**	**0.00**	**0.00**	**0**

Project Name: NEW CHESTER TOWN I State: 46 Servicing Office: 635 County: 12
Borrower Name: NEW CHESTER TWNHSES ALP Borr ID: 792450022 Prj Nbr: 01-0 Paid Code: Active
Classification: C Fiscal Year: 2026 Version: 01/01/2026 APPROVED Totals: By Project Analyzed: Y

Part VI – SIGNATURES, DATES AND COMMENTS

Warning	Section 1001 of Title 18, United States Code provides: "Whoever, in any matter within the jurisdiction of any department or agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representation, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined under this title or imprisoned not more than five years, or both.

I HAVE READ THE ABOVE WARNING STATEMENT AND I HEREBY CERTIFY THAT THE FOREGOING INFORMATION IS COMPLETE AND ACCURATE TO THE BEST OF MY KNOWLEDGE.

09/30/2025 (Date Submitted) | CAHEC (Management Agency) | MA559505 (MA#)

(Date) | (Signature of Borrower or Borrower's Representative)

(Title)

LATONYA AUSTIN Digitally signed by LATONYA AUSTIN Date: 2025.12.04 17:01:25 -05'00'

Agency Approval *(Rural Development Approval Official):* (Date)

Project Name: NEW CHESTER TOWN I State: 46 Servicing Office: 635 County: 12
Borrower Name: NEW CHESTER TWNHSES ALP Borr ID: 792450022 Prj Nbr: 01-0 Paid Code: Active
Classification: C Fiscal Year: 2026 Version: 01/01/2026 APPROVED Totals: By Project Analyzed: Y

SPVS Comment:
Batched/ II 092925

Narrative:
PART II, LINE 32 - $16,390 annual software fee - $7130 credit reports - $2500 travel - $1800 tax credit fees - $4960

Position 3

Form RD 3560-7
(Rev. 05-06)

MULTIPLE FAMILY HOUSING PROJECT BUDGET/ UTILITY ALLOWANCE

FORM APPROVED
OMB NO.0575-0189

PROJECT NAME	BORROWER NAME	BORROWER ID AND PROJECT NO.
Chester Townhouses I	Chester I	792450022 019
Loan/Transfer Amount $ 0.0000	Note Rate Payment $ 0.0000	IC Payment $ 3085.2400

Reporting Period	Budget Type	Project Rental Type	Profit Type	The following utilities are master metered:	
☑ Annual	☐ Initial	☑ Family	☐ Full Profit	☐ Electricity ☐ Gas	☐ I hereby request
☐ Quarterly	☐ Regular Report	☐ Elderly	☑ Limited Profit	☐ Water ☐ Sewer	0 units of RA. Current number
☐ Monthly	☑ Rent Change	☐ Congregate	☐ Non-Profit	☐ Trash	of RA units 54.
	☐ SNR	☐ Group Home		☐ Other _____	Borrower Accounting Method
	☐ Other Servicing	☐ Mixed ☐ LH			☐ Cash ☑ Accrual

PART I—CASH FLOW STATEMENT

	CURRENT BUDGET (01 - 01 - 2025) (12 - 31 - 2025)	ACTUAL (09 - 01 - 2024) (08 - 31 - 2025)	PROPOSED BUDGET (01 - 01 - 2026) (12 - 31 - 2026)	COMMENTS or (YTD) (- -) (- -)
OPERATIONAL CASH SOURCES				
1. RENTAL INCOME	484920.0000	197021.0000	511704.0000	
2. RHS RENTAL ASSISTANCE RECEIVED		293970.0000		
3. APPLICATION FEES RECEIVED		1155.0000		
4. LAUNDRY AND VENDING	0.0000	0.0000	0.0000	
5. INTEREST INCOME	350.0000	3883.2500	1500.0000	
6. TENANT CHARGES	4000.0000	4715.7000	4000.0000	
7. OTHER - PROJECT SOURCES	0.0000	7.8600	0.0000	
8. LESS *(Vacancy and Contingency Allowance)*	(4580.0000)		(5000.0000)	
9. LESS *(Agency Approved Incentive Allowance)*	(0.0000)		(0.0000)	
10. SUB-TOTAL *[(1 thru 7) - (8 & 9)]*	484690.0000	500752.8100	512204.0000	
NON-OPERATIONAL CASH SOURCES				
11. CASH - NON PROJECT	0.0000	0.0000	0.0000	
12. AUTHORIZED LOAN *(Non-RHS)*	0.0000	0.0000	0.0000	
13. TRANSFER FROM RESERVE	92400.0000	-51319.0400	82075.0000	
14. SUB-TOTAL *(11 thru 13)*	92400.0000	-51319.0400	82075.0000	
15. **TOTAL CASH SOURCES** *(10+14)*	577090.0000	449433.7700	594279.0000	
OPERATIONAL CASH USES				
16. TOTAL O&M EXPENSES *(From Part II)*	369700.0000	378446.5200	397131.0000	
17. RHS DEBT PAYMENT	37023.0000	31967.4000	37023.0000	
18. RHS PAYMENT *(Overage)*		3320.0000		
19. RHS PAYMENT *(Late Fee)*		0.0000		
20. REDUCTION IN PRIOR YEAR PAYABLES		0.0000		
21. TENANT UTILITY PAYMENTS		14633.0000		
22. TRANSFER TO RESERVE	43300.0000	48011.8200	43300.0000	
23. RETURN TO OWNER /NP ASSET MANAGEMENT FEE	16736.0000	0.0000	16736.0000	
24. SUB-TOTAL *(16 thru 23)*	466759.0000	476378.7400	494190.0000	
NON-OPERATIONAL CASH USES				
25. AUTHORIZED DEBT PAYMENT (Non-RHS)	17742.0000	8849.0000	17742.0000	HOME MTG PMT
26. ANNUAL CAPITAL BUDGET *(From Part III, Lines 4-6)*	92400.0000	-51319.0400	82075.0000	
27. MISCELLANEOUS	0.0000	1233.0000	0.0000	Bad Debt
28. SUB-TOTAL *(25 thru 27)*	110142.0000	-41237.0400	99817.0000	
29. **TOTAL CASH USES** *(24+28)*	576901.0000	435141.7000	594007.0000	
30. **NET CASH (DEFICIT)** *(15–29)*	189.0000	14292.0700	272.0000	
CASH BALANCE				
31. BEGINNING CASH BALANCE	68220.0000	113879.2600	74426.2000	
32. ACCRUAL TO CASH ADJUSTMENT		-5992.9200		
33. ENDING CASH BALANCE *(30+31+32)*	68409.0000	122178.4100	74698.2000	

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0189. The time required to complete this information collection is estimated to average 2 1/2 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

PART II—OPERATING AND MAINTENANCE EXPENSE SCHEDULE

	CURRENT BUDGET	ACTUAL	PROPOSED BUDGET	COMMENTS or (YTD)
1. MAINTENANCE AND REPAIRS PAYROLL	27500.0000	37254.3500	35500.0000	
2. MAINTENANCE AND REPAIRS SUPPLY	13000.0000	19303.4100	16000.0000	
3. MAINTENANCE AND REPAIRS CONTRACT	14450.0000	14497.4500	15000.0000	$3600 pw; 1600 gc
4. PAINTING	7000.0000	4651.0200	4500.0000	
5. SNOW REMOVAL	0.0000	0.0000	0.0000	
6. ELEVATOR MAINTENANCE/CONTRACT	0.0000	0.0000	0.0000	
7. GROUNDS	20000.0000	23708.7500	20506.0000	$1238/mo, $1650 p
8. SERVICES	1200.0000	1502.0000	1200.0000	
9. ANNUAL CAPITAL BUDGET *(From Part V - Operating)*	27585.0000	26882.9900	28800.0000	
10. OTHER OPERATING EXPENSES *(Itemize)*	1400.0000	2728.3800	1400.0000	sec 115/mo
11. SUB-TOTAL MAINT. & OPERATING *(1 thru 10)*	112135.0000	130528.3500	122906.0000	
12. ELECTRICITY	9000.0000	7908.7800	8000.0000	
13. WATER	800.0000	634.2400	800.0000	
14. SEWER	700.0000	244.1600	600.0000	
15. FUEL *(Oil/Coal/Gas)*	0.0000	0.0000	0.0000	
16. GARBAGE & TRASH REMOVAL	11300.0000	10229.5600	11000.0000	
17. OTHER UTILITIES	0.0000	0.0000	0.0000	
18. SUB-TOTAL UTILITIES *(12 thru 17)*	21800.0000	19016.7400	20400.0000	
19. SITE MANAGEMENT PAYROLL	34500.0000	33290.8700	34500.0000	
20. MANAGEMENT FEE	66960.0000	65540.0000	66960.0000	$85+$5 LIHTC
21. PROJECT AUDITING EXPENSE	6000.0000	6050.0000	6100.0000	DHG
22. PROJECT BOOKKEEPING/ACCOUNTING	0.0000	0.0000	0.0000	
23. LEGAL EXPENSES	400.0000	340.0000	400.0000	
24. ADVERTISING	200.0000	173.1800	200.0000	
25. TELEPHONE & ANSWERING SERVICE	3000.0000	2898.5500	3000.0000	inc Ring Central
26. OFFICE SUPPLIES	4500.0000	5532.6200	5500.0000	
27. OFFICE FURNITURE & EQUIPMENT	0.0000	0.0000	0.0000	
28. TRAINING EXPENSE	1600.0000	62.6200	1600.0000	
29. HEALTH INS. & OTHER EMP. BENEFITS	16500.0000	11729.6700	16500.0000	5% 401k + Health
30. PAYROLL TAXES	4960.0000	5120.0300	5600.0000	8%
31. WORKER'S COMPENSATION	1395.0000	1137.9700	1575.0000	2.25%
32. OTHER ADMINISTRATIVE EXPENSES *(Itemize)*	15150.0000	16535.1300	16390.0000	see comments
33. SUB-TOTAL ADMINISTRATIVE *(19 thru 32)*	155165.0000	148410.6400	158325.0000	
34. REAL ESTATE TAXES	50800.0000	52774.1900	55000.0000	
35. SPECIAL ASSESSMENTS	0.0000	0.0000	0.0000	
36. OTHER TAXES, LICENSES & PERMITS	0.0000	0.0000	0.0000	
37. PROPERTY & LIABILITY INSURANCE	29800.0000	27716.6000	40500.0000	
38. FIDELITY COVERAGE INSURANCE	0.0000	0.0000	0.0000	
39. OTHER INSURANCE	0.0000	0.0000	0.0000	
40. SUB-TOTAL TAXES & INSURANCE *(34 thru 39)*	80600.0000	80490.7900	95500.0000	
41. TOTAL O&M EXPENSES *(11+18+33+40)*	369700.0000	378446.5200	397131.0000	

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PART III—ACCOUNT BUDGETING/STATUS

	CURRENT BUDGET	ACTUAL	PROPOSED BUDGET	COMMENTS or (YTD)
RESERVE ACCOUNT:				
1. BEGINNING BALANCE	210000.0000	87558.8500	80000.0000	
2. TRANSFER TO RESERVE	43300.0000	48011.8200	43300.0000	add'l $22,800
TRANSFER FROM RESERVE				
3. OPERATING DEFICIT	0.0000	0.0000	0.0000	
4. ANNUAL CAPITAL BUDGET *(Part V - Reserve)*	92400.0000	-51319.0400	82075.0000	
5. BUILDING & EQUIPMENT REPAIR	0.0000	0.0000	0.0000	
6. OTHER NON-OPERATING EXPENSES	0.0000	0.0000	0.0000	
7. TOTAL *(3 thru 6)*	(92400.0000)	(-51319.0400)	(82075.0000)	
8. ENDING BALANCE *[(1+2)-7]*	160900.0000	186889.7100	41225.0000	

GENERAL OPERATING ACCOUNT:*		
BEGINNING BALANCE	64709.6900	
ENDING BALANCE	42845.3300	
REAL ESTATE TAX AND INSURANCE ESCROW ACCOUNT:*		
BEGINNING BALANCE	49169.5700	
ENDING BALANCE	49955.3800	
TENANT SECURITY DEPOSIT ACCOUNT:*		
BEGINNING BALANCE	10950.0000	
ENDING BALANCE	11200.0000	

*(*Complete upon submission of actual expenses.)*

NUMBER OF APPLICANTS ON THE WAITING LIST	0	RESERVE ACCT. REQ. BALANCE	51139.0000
NUMBER OF APPLICANTS NEEDING RA	0	AMOUNT AHEAD/BEHIND	918.0000

PART IV—RENT SCHEDULE AND UTILITY ALLOWANCE

A. CURRENT APPROVED RENTS/ UTILITY ALLOWANCE

UNIT DESCRIPTION			RENTAL RATES			POTENTIAL INCOME FROM EACH RATE			
BR SIZE	UNIT TYPE	NUMBER	BASIC	NOTE RATE	HUD	BASIC	NOTE RATE	HUD	UTILITY ALLOWANCE
1	N	18	573.0000	639.0000	0.0000	123768.0000	138024.0000	0.0000	171.0000
2	N	44	684.0000	750.0000	0.0000	361152.0000	396000.0000	0.0000	216.0000
0		0	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0		0	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0		0	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0		0	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0		0	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0		0	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
				CURRENT RENT TOTALS:		484920.0000	534024.0000	0.0000	
						BASIC	NOTE	HUD	

B. PROPOSED RENTS - Effective Date: 01 / 01 2026

UNIT DESCRIPTION			RENTAL RATES			POTENTIAL INCOME FROM EACH RATE		
BR SIZE	UNIT TYPE	NUMBER	BASIC	NOTE RATE	HUD	BASIC	NOTE RATE	HUD
1	N	18	609.0000	675.0000	0.0000	131544.0000	145800.0000	0.0000
2	N	44	720.0000	786.0000	0.0000	380160.0000	415008.0000	0.0000
0		0	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0		0	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0		0	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0		0	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0		0	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0		0	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
				PROPOSED RENT TOTALS:		511704.0000	560808.0000	0.0000
						BASIC	NOTE	HUD

C. PROPOSED UTILITY ALLOWANCE - Effective Date: 01 / 01 2026

MONTHLY DOLLAR ALLOWANCES

BR SIZE	UNIT TYPE	NUMBER	ELECTRIC	GAS	WATER	SEWER	TRASH	OTHER	TOTAL
1	N	18	90.0000	0.0000	36.0000	45.0000	0.0000	0.0000	171.0000
2	N	44	107.0000	0.0000	49.0000	60.0000	0.0000	0.0000	216.0000
0		0	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0		0	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0		0	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0		0	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

PART V - ANNUAL CAPITAL BUDGET

	Proposed Number of Units/Items	Proposed from Reserve	Actual from Reserve	Proposed from Operating	Actual from Operating	Actual Total Cost	Total Actual Units/Items
Appliances:							
Range	5	2,100.00	0.00	1,400.00	1,769.13	1,769.13	0
Refrigerator	5	3,000.00	0.00	2,000.00	2,412.13	2,412.13	0
Range Hood	6	0.00	0.00	450.00	265.39	265.39	0
Washers & Dryers	0	0.00	0.00	0.00	0.00	0.00	0
Other:	0	0.00	0.00	0.00	0.00	0.00	0
Carpet & Vinyl:							
1BR	3	7,000.00	0.00	3,500.00	0.00	0.00	0
2BR	8	31,500.00	1,946.04	4,500.00	2,459.35	4,405.39	0
3BR	0	0.00	0.00	0.00	0.00	0.00	0
4BR	0	0.00	0.00	0.00	0.00	0.00	0
Other:	0	0.00	0.00	0.00	0.00	0.00	0
Cabinets:							
Kitchens	1	4,700.00	0.00	0.00	0.00	0.00	0
Bathrooms	8	2,400.00	0.00	0.00	0.00	0.00	0
Other:	0	0.00	0.00	0.00	0.00	0.00	0
Doors:							
Exterior	3	1,125.00	0.00	0.00	153.27	153.27	0
Interior	15	2,250.00	0.00	0.00	0.00	0.00	0
Other:	0	0.00	0.00	0.00	0.00	0.00	0
Window Coverings:							
List:	80	0.00	0.00	4,000.00	1,902.11	1,902.11	0
Other:	0	0.00	0.00	0.00	0.00	0.00	0
Heating & Air Conditioning:							
Heating	5	28,000.00	27,835.57	7,000.00	15,666.16	43,501.73	0
Air Conditioning	0	0.00	0.00	0.00	0.00	0.00	0
Other:	0	0.00	0.00	0.00	0.00	0.00	0
Plumbing:							
Water Heater	8	0.00	621.00	5,200.00	1,261.37	1,882.37	0
Bath Sinks	0	0.00	0.00	0.00	0.00	0.00	0
Kitchen Sinks	0	0.00	0.00	0.00	0.00	0.00	0
Faucets	0	0.00	0.00	0.00	0.00	0.00	0
Toilets	0	0.00	0.00	0.00	0.00	0.00	0
Other	0	0.00	0.00	0.00	0.00	0.00	0
Major Electrical:							
List:		0.00	-82,517.47	0.00	0.00	-82,517.47	
Other:		0.00	0.00	0.00	0.00	0.00	
Structures:							
Windows	3	0.00	0.00	600.00	316.96	316.96	0
Screens	10	0.00	0.00	150.00	0.00	0.00	0
Walls		0.00	0.00	0.00	0.00	0.00	
Roofing		0.00	0.00	0.00	0.00	0.00	
Siding		0.00	0.00	0.00	0.00	0.00	
Exterior Painting		0.00	0.00	0.00	0.00	0.00	
Other		0.00	0.00	0.00	0.00	0.00	
Paving:							
Asphalt		0.00	0.00	0.00	0.00	0.00	
Concrete		0.00	0.00	0.00	0.00	0.00	
Seal & Stripe		0.00	0.00	0.00	0.00	0.00	
Other:		0.00	0.00	0.00	0.00	0.00	
Landscape & Grounds:							
Landscaping		0.00	0.00	0.00	0.00	0.00	
Lawn Equipment		0.00	0.00	0.00	0.00	0.00	
Fencing		0.00	0.00	0.00	0.00	0.00	
Recreation Area		0.00	0.00	0.00	0.00	0.00	
Signs		0.00	0.00	0.00	0.00	0.00	
Other:		0.00	0.00	0.00	0.00	0.00	
Accessibility Features:							
List:		0.00	0.00	0.00	0.00	0.00	
Other:		0.00	0.00	0.00	0.00	0.00	
Automation Equipment:							
Site Management		0.00	0.00	0.00	677.12	677.12	
Common Area		0.00	0.00	0.00	0.00	0.00	
Other:		0.00	0.00	0.00	0.00	0.00	
Other:							
List:		0.00	795.82	0.00	0.00	795.82	
List:		0.00	0.00	0.00	0.00	0.00	
List:		0.00	0.00	0.00	0.00	0.00	
TOTAL CAPITAL EXPENSES:	160	32075.0000	51319.0400	28800.0000	26882.9900	24436.0500	0

PART VI -- SIGNATURES, DATES AND COMMENTS

Warning: Section 1001 of Title 18, United States Code provides: "Whoever, in any matter within the jurisdiction of any department or agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined under this title or imprisoned not more than five years, or both.

I HAVE READ THE ABOVE WARNING STATEMENT AND I HEREBY CERTIFY THAT THE FOREGOING INFORMATION IS COMPLETE AND ACCURATE TO THE BEST OF MY KNOWLEDGE.

(DATE)

(Signature of Borrower or Borrower's Representative)

(Title)

AGENCY APPROVAL *(Rural Development Approval Official):*	DATE:

COMMENTS:

PART II, LINE 32 - $16,390

annual software fee - $7130
credit reports - $2500
travel - $1800
tax credit fees - $4960

Position 3

Form RD 3560-7
(Rev. 05-06)

MULTIPLE FAMILY HOUSING PROJECT BUDGET/ UTILITY ALLOWANCE

FORM APPROVED
OMB NO.0575-0189

PROJECT NAME	BORROWER NAME	BORROWER ID AND PROJECT NO.
Chester Townhouses I	Chester I	792450022 019
Loan/Transfer Amount $ 0.0000	Note Rate Payment $ 0.0000	IC Payment $ 3085.2400

Reporting Period	Budget Type	Project Rental Type	Profit Type	The following utilities are master metered:	I hereby request
☑ Annual	☐ Initial	☑ Family	☐ Full Profit	☐ Electricity ☐ Gas	0 units of RA. Current number
☐ Quarterly	☐ Regular Report	☐ Elderly	☑ Limited Profit	☐ Water ☐ Sewer	of RA units 54.
☐ Monthly	☑ Rent Change	☐ Congregate	☐ Non-Profit	☐ Trash	Borrower Accounting Method
	☐ SNR	☐ Group Home		☐ Other _____	☐ Cash ☑ Accrual
	☐ Other Servicing	☐ Mixed ☐ LH			

PART I—CASH FLOW STATEMENT

	CURRENT BUDGET	ACTUAL	PROPOSED BUDGET	COMMENTS or (YTD)
BEGINNING DATES	(01 - 01 - 2026)	(- -)	(01 - 01 - 2027)	(- -)
ENDING DATES	(12 - 31 - 2026)	(- -)	(12 - 31 - 2027)	(- -)
OPERATIONAL CASH SOURCES				
1. RENTAL INCOME	511704.0000	0.0000	635856.0000	
2. RHS RENTAL ASSISTANCE RECEIVED		0.0000		
3. APPLICATION FEES RECEIVED		0.0000		
4. LAUNDRY AND VENDING	0.0000	0.0000	0.0000	
5. INTEREST INCOME	1500.0000	0.0000	500.0000	
6. TENANT CHARGES	4000.0000	0.0000	2000.0000	
7. OTHER - PROJECT SOURCES	0.0000	0.0000	0.0000	
8. LESS *(Vacancy and Contingency Allowance)*	(5000.0000)		(31918.0000)	
9. LESS *(Agency Approved Incentive Allowance)*	(0.0000)		(0.0000)	
10. SUB-TOTAL *[(1 thru 7) - (8 & 9)]*	512204.0000	0.0000	606438.0000	
NON-OPERATIONAL CASH SOURCES				
11. CASH - NON PROJECT	0.0000	0.0000	0.0000	
12. AUTHORIZED LOAN *(Non-RHS)*	0.0000	0.0000	0.0000	
13. TRANSFER FROM RESERVE	82075.0000	0.0000	0.0000	
14. SUB-TOTAL *(11 thru 13)*	82075.0000	0.0000	0.0000	
15. **TOTAL CASH SOURCES** *(10+14)*	594279.0000	0.0000	606438.0000	
OPERATIONAL CASH USES				
16. TOTAL O&M EXPENSES *(From Part II)*	397131.0000	0.0000	362218.5000	
17. RHS DEBT PAYMENT	37023.0000	0.0000	31524.9600	
18. RHS PAYMENT *(Overage)*		0.0000		
19. RHS PAYMENT *(Late Fee)*		0.0000		
20. REDUCTION IN PRIOR YEAR PAYABLES		0.0000		
21. TENANT UTILITY PAYMENTS		0.0000		
22. TRANSFER TO RESERVE	43300.0000	0.0000	27900.0000	
23. RETURN TO OWNER /NP ASSET MANAGEMENT FEE	16736.0000	0.0000	26663.0000	
24. SUB-TOTAL *(16 thru 23)*	494190.0000	0.0000	448306.4600	
NON-OPERATIONAL CASH USES				
25. AUTHORIZED DEBT PAYMENT (Non-RHS)	17742.0000	0.0000	156227.8800	New 538 Loan
26. ANNUAL CAPITAL BUDGET *(From Part III, Lines 4-6)*	82075.0000	0.0000	0.0000	
27. MISCELLANEOUS	0.0000	0.0000	0.0000	
28. SUB-TOTAL *(25 thru 27)*	99817.0000	0.0000	156227.8800	
29. **TOTAL CASH USES** *(24+28)*	594007.0000	0.0000	604534.3400	
30. **NET CASH (DEFICIT)** *(15–29)*	272.0000	0.0000	1903.6600	
CASH BALANCE				
31. BEGINNING CASH BALANCE	74426.2000	113879.2600	74426.2000	
32. ACCRUAL TO CASH ADJUSTMENT		-5992.9200		
33. ENDING CASH BALANCE *(30+31+32)*	74698.2000	107886.3400	76329.8600	

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0189. The time required to complete this information collection is estimated to average 2 1/2 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

PART II—OPERATING AND MAINTENANCE EXPENSE SCHEDULE

	CURRENT BUDGET	ACTUAL	PROPOSED BUDGET	COMMENTS or (YTD)
1. MAINTENANCE AND REPAIRS PAYROLL	35500.0000	0.0000	35500.0000	
2. MAINTENANCE AND REPAIRS SUPPLY	16000.0000	0.0000	8000.0000	
3. MAINTENANCE AND REPAIRS CONTRACT	15000.0000	0.0000	7500.0000	
4. PAINTING	4500.0000	0.0000	2250.0000	
5. SNOW REMOVAL	0.0000	0.0000	0.0000	
6. ELEVATOR MAINTENANCE/CONTRACT	0.0000	0.0000	0.0000	
7. GROUNDS	20506.0000	0.0000	20506.0000	$1238/mo, $1650
8. SERVICES	1200.0000	0.0000	1200.0000	
9. ANNUAL CAPITAL BUDGET *(From Part V - Operating)*	28800.0000	0.0000	1000.0000	
10. OTHER OPERATING EXPENSES *(Itemize)*	1400.0000	0.0000	0.0000	
11. SUB-TOTAL MAINT. & OPERATING *(1 thru 10)*	122906.0000	0.0000	75956.0000	
12. ELECTRICITY	8000.0000	0.0000	8000.0000	
13. WATER	800.0000	0.0000	800.0000	
14. SEWER	600.0000	0.0000	600.0000	
15. FUEL *(Oil/Coal/Gas)*	0.0000	0.0000	0.0000	
16. GARBAGE & TRASH REMOVAL	11000.0000	0.0000	11000.0000	
17. OTHER UTILITIES	0.0000	0.0000	0.0000	
18. SUB-TOTAL UTILITIES *(12 thru 17)*	20400.0000	0.0000	20400.0000	
19. SITE MANAGEMENT PAYROLL	34500.0000	0.0000	34500.0000	
20. MANAGEMENT FEE	66960.0000	0.0000	66960.0000	$85+$5 LIHTC
21. PROJECT AUDITING EXPENSE	6100.0000	0.0000	6100.0000	DHG
22. PROJECT BOOKKEEPING/ACCOUNTING	0.0000	0.0000	0.0000	
23. LEGAL EXPENSES	400.0000	0.0000	400.0000	
24. ADVERTISING	200.0000	0.0000	200.0000	
25. TELEPHONE & ANSWERING SERVICE	3000.0000	0.0000	3000.0000	inc Ring Central
26. OFFICE SUPPLIES	5500.0000	0.0000	5500.0000	
27. OFFICE FURNITURE & EQUIPMENT	0.0000	0.0000	0.0000	
28. TRAINING EXPENSE	1600.0000	0.0000	1600.0000	
29. HEALTH INS. & OTHER EMP. BENEFITS	16500.0000	0.0000	16500.0000	5% 401k + Health
30. PAYROLL TAXES	5600.0000	0.0000	5600.0000	8%
31. WORKER'S COMPENSATION	1575.0000	0.0000	1575.0000	2.25%
32. OTHER ADMINISTRATIVE EXPENSES *(Itemize)*	16390.0000	0.0000	21627.5000	see comments
33. SUB-TOTAL ADMINISTRATIVE *(19 thru 32)*	158325.0000	0.0000	163562.5000	
34. REAL ESTATE TAXES	55000.0000	0.0000	57750.0000	
35. SPECIAL ASSESSMENTS	0.0000	0.0000	0.0000	
36. OTHER TAXES, LICENSES & PERMITS	0.0000	0.0000	0.0000	
37. PROPERTY & LIABILITY INSURANCE	40500.0000	0.0000	44550.0000	
38. FIDELITY COVERAGE INSURANCE	0.0000	0.0000	0.0000	
39. OTHER INSURANCE	0.0000	0.0000	0.0000	
40. SUB-TOTAL TAXES & INSURANCE *(34 thru 39)*	95500.0000	0.0000	102300.0000	
41. TOTAL O&M EXPENSES *(11+18+33+40)*	397131.0000	0.0000	362218.5000	

If master metered check box on front.

PART III—ACCOUNT BUDGETING/STATUS

	CURRENT BUDGET	ACTUAL	PROPOSED BUDGET	COMMENTS or (YTD)
RESERVE ACCOUNT:				
1. BEGINNING BALANCE	80000.0000	0.0000	80000.0000	
2. TRANSFER TO RESERVE	43300.0000	0.0000	27900.0000	
TRANSFER FROM RESERVE				
3. OPERATING DEFICIT	0.0000	0.0000	0.0000	
4. ANNUAL CAPITAL BUDGET *(Part V - Reserve)*	82075.0000	0.0000	0.0000	
5. BUILDING & EQUIPMENT REPAIR	0.0000	0.0000	0.0000	
6. OTHER NON-OPERATING EXPENSES	0.0000	0.0000	0.0000	
7. TOTAL *(3 thru 6)*	(82075.0000)	(0.0000)	(0.0000)	
8. ENDING BALANCE *[(1+2)-7]*	41225.0000	0.0000	107900.0000	
GENERAL OPERATING ACCOUNT:*				
BEGINNING BALANCE		64709.6900		
ENDING BALANCE		42845.3300		
REAL ESTATE TAX AND INSURANCE ESCROW ACCOUNT:*				
BEGINNING BALANCE		49169.5700		
ENDING BALANCE		49955.3800		
TENANT SECURITY DEPOSIT ACCOUNT:*				
BEGINNING BALANCE		10950.0000		
ENDING BALANCE		11200.0000		

*(*Complete upon submission of actual expenses.)*

NUMBER OF APPLICANTS ON THE WAITING LIST	0	RESERVE ACCT. REQ. BALANCE	51139.0000
NUMBER OF APPLICANTS NEEDING RA	0	AMOUNT AHEAD/BEHIND	918.0000

PART IV—RENT SCHEDULE AND UTILITY ALLOWANCE

A. CURRENT APPROVED RENTS/ UTILITY ALLOWANCE

UNIT DESCRIPTION			RENTAL RATES			POTENTIAL INCOME FROM EACH RATE			
BR SIZE	UNIT TYPE	NUMBER	BASIC	NOTE RATE	HUD	BASIC	NOTE RATE	HUD	UTILITY ALLOWANCE
1	N	18	609.0000	675.0000	0.0000	131544.0000	145800.0000	0.0000	171.0000
2	N	44	720.0000	786.0000	0.0000	380160.0000	415008.0000	0.0000	216.0000
0		0	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0		0	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0		0	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0		0	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0		0	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0		0	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
			CURRENT RENT TOTALS:			511704.0000	560808.0000	0.0000	
						BASIC	NOTE	HUD	

B. PROPOSED RENTS - Effective Date: 01 / 01 2027

UNIT DESCRIPTION			RENTAL RATES			POTENTIAL INCOME FROM EACH RATE		
BR SIZE	UNIT TYPE	NUMBER	BASIC	NOTE RATE	HUD	BASIC	NOTE RATE	HUD
1	N	18	756.0000	822.0000	0.0000	163296.0000	177552.0000	0.0000
2	N	44	895.0000	961.0000	0.0000	472560.0000	507408.0000	0.0000
0		0	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0		0	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0		0	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0		0	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0		0	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0		0	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
			PROPOSED RENT TOTALS:			635856.0000	684960.0000	0.0000
						BASIC	NOTE	HUD

C. PROPOSED UTILITY ALLOWANCE - Effective Date: 01 / 01 2027

MONTHLY DOLLAR ALLOWANCES

BR SIZE	UNIT TYPE	NUMBER	ELECTRIC	GAS	WATER	SEWER	TRASH	OTHER	TOTAL
1	N	18	90.0000	0.0000	36.0000	45.0000	0.0000	0.0000	171.0000
2	N	44	107.0000	0.0000	49.0000	60.0000	0.0000	0.0000	216.0000
0		0	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0		0	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0		0	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0		0	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

PART V - ANNUAL CAPITAL BUDGET

	Proposed Number of Units/Items	Proposed from Reserve	Actual from Reserve	Proposed from Operating	Actual from Operating	Actual Total Cost	Total Actual Units/Items
Appliances:							
Range	0	0.00	0.00	0.00	0.00	0.00	0
Refrigerator	0	0.00	0.00	0.00	0.00	0.00	0
Range Hood	0	0.00	0.00	0.00	0.00	0.00	0
Washers & Dryers	0	0.00	0.00	0.00	0.00	0.00	0
Other:	0	0.00	0.00	0.00	0.00	0.00	0
Carpet & Vinyl:							
1BR	1	0.00	0.00	1,000.00	0.00	0.00	0
2BR	0	0.00	0.00	0.00	0.00	0.00	0
3BR	0	0.00	0.00	0.00	0.00	0.00	0
4BR	0	0.00	0.00	0.00	0.00	0.00	0
Other:	0	0.00	0.00	0.00	0.00	0.00	0
Cabinets:							
Kitchens	0	0.00	0.00	0.00	0.00	0.00	0
Bathrooms	0	0.00	0.00	0.00	0.00	0.00	0
Other:	0	0.00	0.00	0.00	0.00	0.00	0
Doors:							
Exterior	0	0.00	0.00	0.00	0.00	0.00	0
Interior	0	0.00	0.00	0.00	0.00	0.00	0
Other:	0	0.00	0.00	0.00	0.00	0.00	0
Window Coverings:							
List:	0	0.00	0.00	0.00	0.00	0.00	0
Other:	0	0.00	0.00	0.00	0.00	0.00	0
Heating & Air Conditioning:							
Heating	0	0.00	0.00	0.00	0.00	0.00	0
Air Conditioning	0	0.00	0.00	0.00	0.00	0.00	0
Other:	0	0.00	0.00	0.00	0.00	0.00	0
Plumbing:							
Water Heater	0	0.00	0.00	0.00	0.00	0.00	0
Bath Sinks	0	0.00	0.00	0.00	0.00	0.00	0
Kitchen Sinks	0	0.00	0.00	0.00	0.00	0.00	0
Faucets	0	0.00	0.00	0.00	0.00	0.00	0
Toilets	0	0.00	0.00	0.00	0.00	0.00	0
Other	0	0.00	0.00	0.00	0.00	0.00	0
Major Electrical:							
List:		0.00	0.00	0.00	0.00	0.00	
Other:		0.00	0.00	0.00	0.00	0.00	
Structures:							
Windows	0	0.00	0.00	0.00	0.00	0.00	0
Screens	0	0.00	0.00	0.00	0.00	0.00	0
Walls		0.00	0.00	0.00	0.00	0.00	
Roofing		0.00	0.00	0.00	0.00	0.00	
Siding		0.00	0.00	0.00	0.00	0.00	
Exterior Painting		0.00	0.00	0.00	0.00	0.00	
Other		0.00	0.00	0.00	0.00	0.00	
Paving:							
Asphalt		0.00	0.00	0.00	0.00	0.00	
Concrete		0.00	0.00	0.00	0.00	0.00	
Seal & Stripe		0.00	0.00	0.00	0.00	0.00	
Other:		0.00	0.00	0.00	0.00	0.00	
Landscape & Grounds:							
Landscaping		0.00	0.00	0.00	0.00	0.00	
Lawn Equipment		0.00	0.00	0.00	0.00	0.00	
Fencing		0.00	0.00	0.00	0.00	0.00	
Recreation Area		0.00	0.00	0.00	0.00	0.00	
Signs		0.00	0.00	0.00	0.00	0.00	
Other:		0.00	0.00	0.00	0.00	0.00	
Accessibility Features:							
List:		0.00	0.00	0.00	0.00	0.00	
Other:		0.00	0.00	0.00	0.00	0.00	
Automation Equipment:							
Site Management		0.00	0.00	0.00	0.00	0.00	
Common Area		0.00	0.00	0.00	0.00	0.00	
Other:		0.00	0.00	0.00	0.00	0.00	
Other:							
List:		0.00	0.00	0.00	0.00	0.00	
List:		0.00	0.00	0.00	0.00	0.00	
List:		0.00	0.00	0.00	0.00	0.00	
TOTAL CAPITAL EXPENSES:	1	0.0000	0.0000	1000.0000	0.0000	0.0000	0

PART VI -- SIGNATURES, DATES AND COMMENTS

Warning: Section 1001 of Title 18, United States Code provides: "Whoever, in any matter within the jurisdiction of any department or agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined under this title or imprisoned not more than five years, or both.

I HAVE READ THE ABOVE WARNING STATEMENT AND I HEREBY CERTIFY THAT THE FOREGOING INFORMATION IS COMPLETE AND ACCURATE TO THE BEST OF MY KNOWLEDGE.

(DATE)

(Signature of Borrower or Borrower's Representative)

(Title)

AGENCY APPROVAL *(Rural Development Approval Official):*	DATE:

COMMENTS:

PART II, LINE 32 - $21627.50
annual software fee - $7130
credit reports - $2500
travel - $1800
tax credit fees - $4960
538 guarantee fee - $5237.50

Form RD 3560-27
(02-05)

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL DEVELOPMENT
RURAL HOUSING SERVICE

FORM APPROVED
OMB NO. 0575-0189
Exp. Date: 5/31/2022

RENTAL ASSISTANCE AGREEMENT

CASE NO.
46-012-792450022
PROJECT NO.
01-0

This Agreement effective on the 1st day of December, 2024 between New Chester Townhouses ALP ("borrower") and its successors and the United States of America acting through the Rural Housing Service ("the Government") pursuant to section 521 (a)(2)(A) of Title V of the Housing Act of 1949.

In consideration of the mutual covenants set forth, the Parties agree as follows:

Section 1 The Government agrees to provide rental assistance in accordance with its governing rules and regulations for the number of units of housing provided according to the attached Form RD 3560-51 (Part III), "Multiple Housing Obligation-Fund Analysis," or RD 3560-55, "Multiple Family Housing Transfer of Rental Assistance," for the project located at 628 Lancaster Highway, Chester SC 29706 and known as New Chester Town I consisting of 62 units. The Government will pay the difference between the Government approved shelter cost for the project and the monthly tenant contribution as calculated and certified for each tenant household on Form RD 3560-8, "Tenant Certification." Additional attachments of Form 3560-51 (Part III) or Form RD 3560-55 may be made to, and shall become a part of, this Agreement when properly identified by case number, project number, dated, and duly executed by both parties.

Section 2 The borrower agrees to abide by the present and future regulations of the Government in the administration of this program.

Section 3 Borrower agrees to use due diligence in the verification and certification of tenants' incomes.

Section 4 In the event that any tenant suffers a hardship because rental assistance may not be available in the project because of the limitations on the number of units from the Government, the borrower may request additional units. If the Government provides additional units, then copies of the obligation screens will be attached by the Government to, and become a part of, this Agreement.

Section 5 Borrower agrees to comply with Government priorities for selecting tenants that receive rental assistance.

Section 6 Provisions Applicable if the Borrower is a Cooperative -

When the Borrower is a Cooperative:

(a) The term "tenant or occupant" will include a member of a cooperative. The term "household contribution" or "rent" will include the charges under the occupancy agreement between the member and the cooperative.

(b) A member of a cooperative approved for rental assistance shall agree upon a sale of their membership, any equity attributable to supplemental rent payments will be paid to the Government through the cooperative.

According to the Paperwork Reduction Act of 1995, an agency may not conductor sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0189. The time required to complete this information collection is estimated to average 20 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

Section 7 **Renegotiation, Modification, Transfer, Termination** -

(a) The provisions of the Agreement may be modified, amended, or terminated, upon written agreement of the parties.

(b) If the borrower defaults under any provision of the loan agreement, resolution, note, interest credit agreement, security instrument, or other supplementary or related agreements, or violates any program regulations, then the Government may suspend or terminate this Agreement on any specified date following the default.

(c) If the Government determines that rental assistance units are not being used after initial rent-up or are not needed because of a lack of eligible tenants in the area, then they may be transferred to another project .

Section 8 **Term of Agreement and Condition for Termination** -

(a) This Agreement and its attachments, and any additional rental assistance will expire automatically upon total disbursement or credit of rental assistance to the borrower's account, unless earlier suspended, transferred or terminated according to section 7 of this Agreement.

(b) The attachments, Form RD 3560-51 (Part III) or RD 3560-55, to this Agreement are not renewable. If additional rental assistance is needed, the borrower may submit a "Request for Rental Assistance" on Form RD 3560-7 (Budget) at anytime. If additional or replacement units are provided, a copy of the AMAS Screen M1BI will be attached to and become a part this Agreement.

Section 9 **Special Conditions** - The borrower agrees that RD may attach a duly executed Form RD 3560-51 (Part III) or RD 3560-55, to this Agreement and that it becomes a part hereof, and may be identified in Section 10 below.

(Borrower)

New Chester Townhouses, A LP

By: George Baker

RURAL HOUSING SERVICE

By: Melissa Mays

Melissa Mays - Loan Specialist

Date: 12/06/2024

Section 10 **Record of Attachments For RD 3560-51 (Part III) or RD 3560-55**

AGREEMENT	#	230100	#$	UNITS	54	$ 397,166.00
AGREEMENT	#	250100	#$	UNITS	54	$ 422,937.00
AGREEMENT	#		#$	UNITS		
AGREEMENT	#		#$	UNITS		
AGREEMENT	#		#$	UNITS		
AGREEMENT	#		#$	UNITS		
AGREEMENT	#		#$	UNITS		
AGREEMENT	#		#$	UNITS		
AGREEMENT	#		#$	UNITS		
AGREEMENT	#		#$	UNITS		

MULTI FAMILY HOUSING
OBLIGATION - FUND ANALYSIS
PART III

OBLIGATION/DEOBLIGATION OF RENTAL ASSISTANCE

44. CASE NUMBER	45. BORROWER NAME		
46-012-792450022	**NEW CHESTER TWNHSES ALP**		
46. PROJECT NUMBER	47. RA AGREEMENT NUMBER	48. TYPE OF UNITS	49. TYPE OF ACTION
010	**250100**	**B**	**1**

COMPLETE FOR OBLIGATION OF RA

50. NUMBER OF UNITS RECEIVE RENTAL ASSISTANCE	51. AMOUNT OF RA OBLIGATION
54	**$422,937.00**

COMPLETE FOR DEOBLIGATION OF RA

52. NUMBER OF UNITS DEOBLIGATED	53. AMOUNT OF RA DEOBLIGATION

54. REMARKS

Replaces Agreement No: 230100

55. I HAVE REVIEWED THE BORROWER'S REQUEST FOR RENTAL ASSISTANCE FOR THE PROJECT AND REQUEST OBLIGATION OR DEOBLIGATION OF RENTAL ASSISTANCE FOR THE ABOVE.

DATE OF APPROVAL **04,DEC** , 20 **24**

SIGNATURE OF APPROVAL OFFICIAL

DATE OF OBLIGATION _____ , 20____

Position 2

SBM1B504-M1BI INQUIRE ON RENTAL ASSISTANCE OBLIGATIONS 02/05/26
OPR ID: S23829 12:18:56

ST 46 CTY 012 BORR 792450022 PROJ 01 0
NEW CHESTER TWNHSES ALP NEW CHESTER TOWN I

AGRMNT NUMBER	APPRVL DATE	OBLGN UNITS	TYPE	AMOUNT OBLIGATED	AMOUNT VOUCHERED	UNPAID BALANCE
250100	120324	54	B	422,937.00	235,002.86	187,934.14
030100	092303	20	E	412,720.00	412,720.00	.00
040100	011106	30	B	280,055.00	280,055.00	.00
100100	030410	50	B	229,200.00	229,200.00	.00
110100	062311	50	B	232,200.00	232,200.00	.00
130100	102912	50	B	232,200.00	232,200.00	.00
140100	022414	50	B	232,200.00	232,200.00	.00
150100	040615	50	B	229,800.00	229,800.00	.00
160100	092616	50	B	174,314.00	174,314.00	.00
170100	091117	50	B	220,784.00	220,784.00	.00
180100	082318	50	B	233,322.00	233,322.00	.00

CONT ? Y PAGE NBR: 1
NEXT TRAN SELECT ACTION (1-MENU 5-PNDG 6-HIST 7-EFCT 8-MISC)

Chester I
as of 4.16.2026

Sales Price:	$ 1,659,402.00	
Assumed 515 Debt:	$ 720,125.67	as of 4.1.27
Assumed 515 Debt:	$ 519,888.51	as of 4.1.27
Financing:		
New RD 538 Debt:	$ 2,070,000.00	6.50%; 40 year amortization; 40 year term
Assumed 515 Debt:	$ 1,240,014.18	1%; 50 year amortization; 30 year term
Federal Equity	$ 4,816,558.00	

Federal Equity Calculation

Annual Credits Requested:		$ 605,917.00
x 10 years		$ 6,059,170.00
Investor Ownership %	99.99%	$ 6,058,564.08
Price Per Credit		0.795
Federal Equity Investment		**$ 4,816,558.00**

RD 538 Debt Infomration

Lender:	Bonneville Multifamily Capital
Proposed Loan Amount:	$ 2,070,000.00
Proposed Interest Rate:	6.50%
Monthly Interest Payment	$12,118.96

Chester Townhouses I

1. Square Footages received from Architect:
   One Bedroom (Standard): 600 sqft

   One Bedroom (Handicap): 678 sqft

   Two Bedroom (Standard): 829 sqft

   PDF Pages Affected: 5, 24, 25, 42, 54, 58, 62

   Include New Rent Roll reflecting updated square footages PDF page 95

2. Acreage: Survey shows 5.10 (correct from 5.0) to match application
   PDF Pages affected 5, 32, 48
3. QR1A
   Pro Forma Budget changed slightly. Vacancy factor now at 5% and Operating Expenses Line 32 "Other Administrative Expenses" changed slightly due to a change to the 538 loan amount. Updated Pro Forma Budget is attached.
4. Favorable Financing Valuation 538 Loan (PDF page 78)

   Based upon updated guidance from our 538 lender, the new 538 interest rate is 7.00% (revise from 6.50%). New 538 Loan amount is now $2,095,000.

5. Updated LIHTC and Pricing for LIHTC Value Opinions
   PDF pages affected: 79
   Calculation looks good, but update Total Gross Credits to $6,234,790
   Federal Contract Price per Credit: $0.80
   Updated Values once recalculated:
   Federal: $4,987,333 ($4,987,300 rounded)

Chester - Revised Costs/LIHTC Pricing

New Hard Cost Value:	$3,958,988	
New Hard Cost Value per unit:	$63,855	
PDF Pages Affected:	33, 37	

PV 6 LIHTC - Federal

PDF Pages Affected:	2, 5, 81	
Contract Price per Credit	$0.800	per gross credit
Total Gross Credits	6,360,000	
Investor Purchase	99.99%	

Period		
Annual Tax Credits		635,936
Years		10
Total Tax Credits		6,359,364
Total Pricing		$0.800
	Value of Credits	$5,087,491
	rounded	$5,087,500

EXHIBIT “A”
LEGAL DESCRIPTION

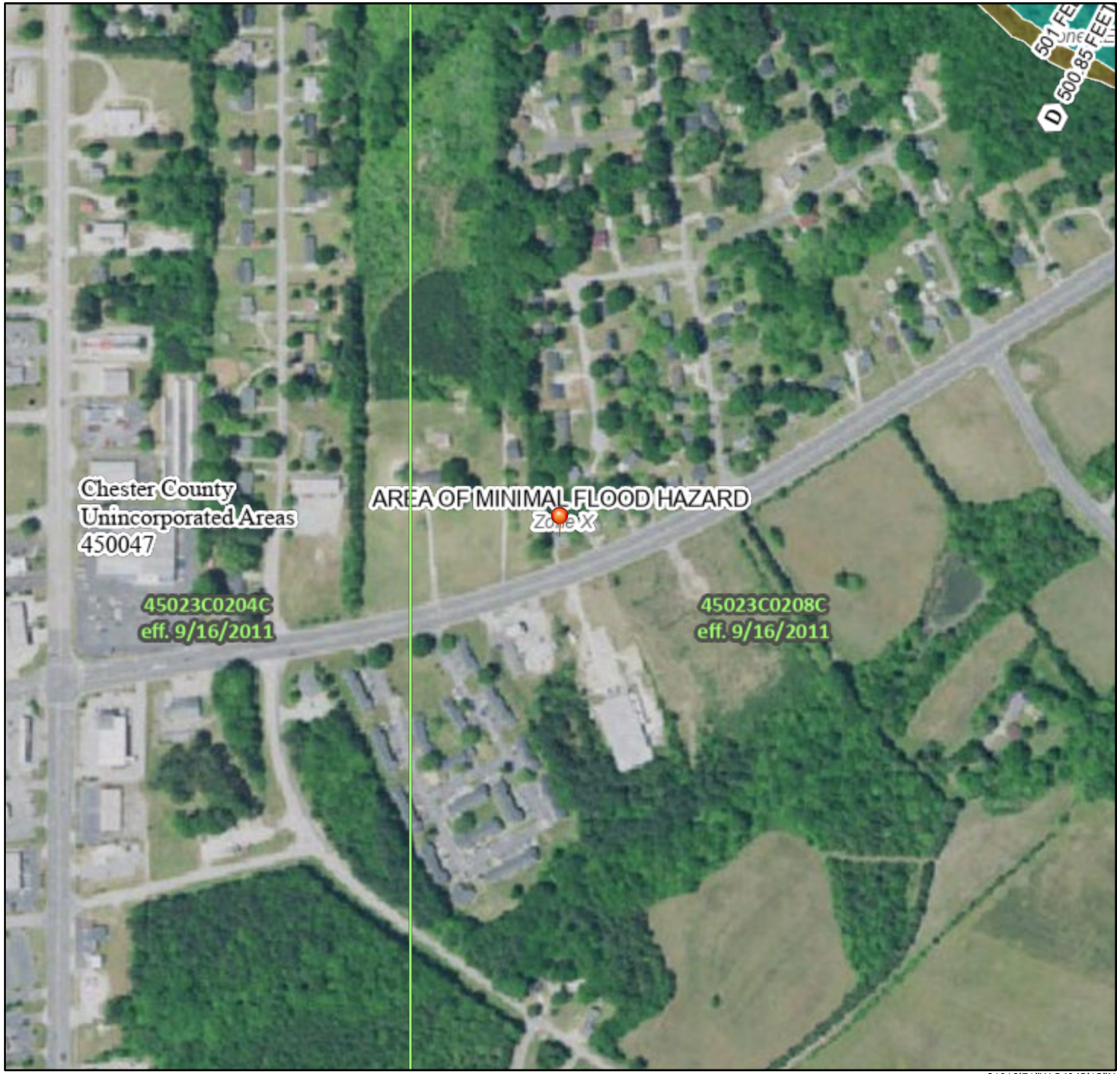
All that certain piece, parcel or tract of land, together with the improvements thereon, situate, lying and being in the County of Chester, in the State of South Carolina, and according to a plat of said property prepared by Campo Engineering, dated January 2, 1980, which said plat is recorded in the Office of the Clerk of Court for Chester County, South Carolina, in Plat Book “N” at page 268; containing 5.18 ACRES, and having the following courses and distances, to-wit:

BEGINNING at an iron pin on the southern edge of S.C. Highway 9, which said point is 700 feet, more or less, east of intersection of S.C. Highway 9 and Highway 72 Bypass and running thence with the edge of S.C. Highway 9, S. 88-40-30 E. 100 feet to a point on the edge of said highway; thence continuing with the edge of said highway N. 89-27-52 E. 100 feet to a point on the edge of said highway; thence continuing with said highway N. 87-57-52 E. 100 feet to a point on the edge of said highway; thence continuing with said highway N. 86-43-52 E. 100 feet to a point on the edge of said highway; thence continuing with the edge of said highway N. 85-36-12 E. 70.3 feet to a point on the edge of said highway; thence S. 15-56-21 E. 478.73 feet to a point; thence S. 74-03-39 W. 120.42 feet to a point; thence N. 15-56-21 W. 75 feet to a point; thence S. 74-03-39 W. 225 feet to a point; thence S 15-56-21 E. 75 feet to a point; thence S. 74-03-39 E. 110 feet to a point; thence N. 15-56-21 W. 595 feet to a point on the edge of S.C. Highway 9, the point of Beginning

National Flood Hazard Layer FIRMette

FEMA

81°11'29"W 34°42'42"N



81°10'51"W 34°42'12"N

0 250 500 1,000 1,500 2,000 Feet

1:6,000

Basemap Imagery Source: USGS National Map 2023

Legend

SEE FIS REPORT FOR DETAILED LEGEND AND INDEX MAP FOR FIRM PANEL LAYOUT

SPECIAL FLOOD HAZARD AREAS
- Without Base Flood Elevation (BFE) *Zone A, V, A99*
- With BFE or Depth *Zone AE, AO, AH, VE, AR*
- Regulatory Floodway

OTHER AREAS OF FLOOD HAZARD
- 0.2% Annual Chance Flood Hazard, Areas of 1% annual chance flood with average depth less than one foot or with drainage areas of less than one square mile *Zone X*
- Future Conditions 1% Annual Chance Flood Hazard *Zone X*
- Area with Reduced Flood Risk due to Levee. See Notes. *Zone X*
- Area with Flood Risk due to Levee *Zone D*

OTHER AREAS
- NO SCREEN Area of Minimal Flood Hazard *Zone X*
- Effective LOMRs
- Area of Undetermined Flood Hazard *Zone D*

GENERAL STRUCTURES
- Channel, Culvert, or Storm Sewer
- Levee, Dike, or Floodwall

OTHER FEATURES
- 20.2 Cross Sections with 1% Annual Chance
- 17.5 Water Surface Elevation
- Coastal Transect
- 513 Base Flood Elevation Line (BFE)
- Limit of Study
- Jurisdiction Boundary
- Coastal Transect Baseline
- Profile Baseline
- Hydrographic Feature

MAP PANELS
- Digital Data Available
- No Digital Data Available
- Unmapped

N

The pin displayed on the map is an approximate point selected by the user and does not represent an authoritative property location.

This map complies with FEMA's standards for the use of digital flood maps if it is not void as described below. The basemap shown complies with FEMA's basemap accuracy standards

The flood hazard information is derived directly from the authoritative NFHL web services provided by FEMA. This map was exported on 3/24/2026 at 7:19 PM and does not reflect changes or amendments subsequent to this date and time. The NFHL and effective information may change or become superseded by new data over time.

This map image is void if the one or more of the following map elements do not appear: basemap imagery, flood zone labels, legend, scale bar, map creation date, community identifiers, FIRM panel number, and FIRM effective date. Map images for unmapped and unmodernized areas cannot be used for regulatory purposes.

RURAL HOUSING SERVICE
Multifamily Housing Appraisal Assignment Guidance
Section 515 Transfer of Ownership and Rehabilitation
(Version Apr 2023)

IMPORTANT NOTE TO APPLICANT: The appraisal must be submitted with the application. If an appraisal is submitted prior to the application submission, it will be returned to the applicant.

Background: Rural Housing Service (RHS) provides direct and guaranteed loans to eligible applicants for multifamily housing (MFH) properties. In support of these programs, RHS requires the services of qualified persons or firms to provide appraisals of subsidized MFH properties. All appraisals must be in compliance with the current edition of the *Uniform Standards of Professional Appraisal Practice* (USPAP) and USDA Rural Development (RD) RHS Multifamily Housing appraisal requirements set forth in: 1) *CFR-Title 7-Part 3560-Subpart P-Section 3560.751 to 3560.753* and 2) *Handbook-1-3560-Chapter 7-Security Requirements.* A copy of the requirements can be found at the following links:
1) *7 CFR 3560, Subpart P (Appraisals)*
2) *HB-1-3560 Chapter 7 (Security Requirements)*

MFH appraisals for transfer of ownership and rehabilitation will typically be ordered by the owner/applicant. In these instances, the party who engages the appraiser should be named as the client, is responsible for payment of the appraisal services, and must supply the appraiser with the necessary information to complete the appraisal in accordance with RD/RHS requirements. USDA Rural Development must be identified as an intended user of the appraisal.

As used within this assignment guidance, Value #'s are reflective of Attachment 7-C of Handbook 1-3560 "Quick Reference of Values to Request". The Values should be cited exactly as they appear in further sections of this guidance.

Subject Property: The appraiser must identify the location, total number of units, property characteristics, consolidated status, RD restrictive use status, and other pertinent information regarding the subject property within the appraisal report. A full and complete discussion of the subject in both its "as is" condition and its "prospective" condition upon completion of rehabilitation should be included within the appraisal.

Budget: As discussed in further sections of this guidance, in accordance with RD Handbook 3-3560:

> Proposed Project Budget: Required for all transfers. Purchaser's proposed project operating budget covering the operation following the transfer and completion of rehabilitation. This budget form – RD 3560-7 or FIN1000 (or developer budget addressing all the income and expense items as identified on these forms) should set forth the project's current Rural Development approved budget in the "Current Budget" column and the projects' proposed budget after acquisition and completion of rehabilitation in the Proposed Budget column.

The income approach to value should be based on analysis of the most current approved budget for the "as is" valuation analysis and on the proposed budget for the "prospective" valuation analysis.

Both the current and the proposed budgets should be obtained from the appraiser's client. Copies of the budgets, used by the appraiser in performing the income approach, must be included in the appraisal report.

Professional Qualifications: All multi-family housing appraisals submitted to Rural Development must be performed and prepared by a licensed State Certified General Appraiser within the state in which the subject property is located. A copy of the appraiser's license shall be included in the addenda of appraisal report.

The appraiser must have the specialized knowledge and experience necessary to be competent to appraise subsidized housing. The appraiser must understand RHS MFH programs, value types and definitions, real property rights and intangible property, use restrictions, pertinent property tax considerations, and methods for valuation of various types of favorable financing involved in the appraisal of subsidized multi-family housing.

Client and Intended Users: The appraiser must understand and agree that USDA Rural Development is not the appraiser's client but must be named as an intended user. All reports must be addressed to the client. The intended users are USDA Rural Development and any other parties identified by the client. Other intended users may have reporting requirements that differ from those of Rural Development. Requirements that differ may appear in the same appraisal report. Rural Development's Review Appraiser will identify any review questions, issues and/or concerns regarding the appraisal which will be forwarded to the owner/applicant by appropriate RHS staff, unless the owner/applicant authorizes RD appraisers to directly communicate with the appraiser per USPAP confidentiality requirements.

Property Contact: The appraiser's client should provide the appraiser with the project contact information in most cases.

Project Information: The appraiser's client must provide the appraiser with property specific data relevant to the assignment. Specific data to be provided to the appraiser is identified in Attachment A to this guidance.

Confidentiality: The appraiser must keep all information and materials furnished by the client, RHS, the owner/applicant, and/or property contact regarding the subject property confidential, as required by *USPAP*. The appraiser may use such information only in connection with performance of the assignment. The appraiser must agree to prevent the unauthorized disclosure, misuse, or alteration of the confidential information. Any information obtained through public sources is not considered confidential information.

Nondiscrimination: Appraisals of RHS properties must comply with the Fair Housing Act and its amendments. According to the Act, it is unlawful for an appraiser to use factors that are discriminatory on the basis of race, color, religion, sex, handicap, familial status, or national origin in the sale, rental, leasing, or financing of housing.

Assumptions, Hypothetical Conditions, and Limiting Conditions: All extraordinary assumptions, hypothetical conditions, and limiting conditions must be clearly and accurately disclosed within the appraisal report. A statement that the use of the extraordinary assumptions and/or hypothetical conditions might have affected the assignment results, as required by Standard Rule 2-2 (a), must be included. Unless specified by RHS, hypothetical conditions must be agreed upon prior to their use as part of the valuation process. Extraordinary assumptions included within the appraisal must be reasonable and are subject to additional clarification, if necessary, at the request of RD.

Potential Environmental Hazards: The appraiser must note any suspected environmental hazards, including issues external to the property that could adversely impact the property's value. Examples of environmental hazards would include damaged asbestos-containing building materials, underground storage tanks, chemical leaks, spills, or staining of ground surfaces, or on-site waste disposal such as sludge, oil, paints, or chemical residues. If the appraiser observes any suspected environmental hazards, he/she must notify the client immediately and refrain from finalizing aspects of the appraisal that could be impacted until resolution of the issue(s) or until instructed otherwise.

Americans with Disabilities Act (ADA): Appraisers must be familiar with the general provisions of the ADA because subsidized housing is a property type that is likely to be affected. The appraiser must consider what effect (if any) noncompliance with the ADA has on the value of the subject property. Any effect on value must be addressed and supported within the appraisal report. The property may have a self-evaluation/transition plan addressing ADA need within the property that should be requested from the client. If a self-evaluation/transition plan is obtained, a copy shall be included in the addenda of the appraisal report.

Appraisal Report Formats: The appraisal must meet USPAP requirements of an Appraisal Report as defined in USPAP Standard Rule 2-2 (a). Narrative formats are typical for most multi-family appraisals with the level of detail dependent on the scope of work and the requested appraisal values.

Appraisal Reports must include all financial data provided by the owner/applicant or RHS. Financial data includes current and prospective budgets, historical budgets, historical actual expenses and income, rent schedules, all loan debt balances, remaining terms, current rates, any favorable financing rates and terms, payment deferrals and the term of the deferral, restrictive use provisions (RUP) or restrictive use covenant (RUC), LIHTC restrictions, tax credits (federal and/or state), historical occupancy levels, number of rental assistance units (if any), section 8 housing assistance contract, and land use restriction agreement (LURA).

The project's current year and proposed (upon completion of rehabilitation) budgets as provided to RHS must be included in the appraisal report.

All provided cost estimates, scope of the rehabilitation, and proposed financing must be included, considered, analyzed, and discussed in the appraisal report.

Approaches to Value: In compliance with USPAP and RD requirements, all three approaches to value (cost, income, and sales comparison) must be considered as part of the valuation analysis.

For some assignments, development of a particular approach to value may not be necessary. In such instance the appraiser must explain why exclusion of an approach to value is not necessary for credible assignment results as required by USPAP.

For Value #1, as defined below, Interest Credit Subsidy as well as any other favorable financing on all loans are to be valued and reported separately. Value of all intangible assets are to be reported individually and separately and are not to be added to any other value conclusion.

Values Required by RHS: RHS requires a valuation under both values #3 and #4 as defined below, considering the subject property in its current physical condition, site (land) value considering the definition of market value as defined in #3 below; a "prospective value #1", and an "insurable value", both prospectively upon completion of rehabilitation; and reporting of Conventional Rents for Comparable Units (CRCU) in both the as-is and prospective physical conditions.

Explanatory Notes:

- an "as is" valuation under value #3 as defined below, considering the subject property in its current physical condition;
- a valuation under value #4 as defined below, considering the subject property in its current physical condition;
- a site (land) valuation considering the definition of market value as defined by #3 as defined below;
- a "prospective value #1" as defined below, prospectively upon completion of rehabilitation;
- an "insurable value" as defined below, prospectively upon completion of rehabilitation;
- a reporting of Conventional Rents for Comparable Units (CRCU) in both the as-is and prospective physical conditions.

- For prospective value #1, valuation of "Interest Credit Subsidy" as defined below in Appraisal Requirements #13.
- If applicable, value of favorable third-party financing (in both the as-is and prospective) as defined below in Appraisal Requirements #13.

The specific values required for RHS's intended use for this assignment must be referenced in the appraisal **exactly** as written below (being the bolded value definition and the parenthetical sentence immediately following the bolded type).

These definitions are taken directly from Handbook-1-3560, Attachment 7-C, which provides market values defined as follows:

#1 **"Prospective Market Value, Subject To Restricted Rents within 7 CFR Part 3560.752(b)(1)(i)".** (The appraiser must consider all restrictions and report the value of intangible assets individually and separately from the real estate. "Prospective Value", as defined by 7CFR 3560, Subpart P, means the forecasted value of the housing and related facilities as of a specified future date. For Agency appraisals, this date will typically be the projected completion date of proposed new construction or rehabilitation.)

A request for "market value, subject to restricted rents" means the appraisal will take into consideration any rent limits, rent subsidies, expense abatements, or restrictive-use conditions that will affect the property as a result of an agreement with the Agency or any other financing source. Each type of financing involved, including, but not limited to, interest credit subsidy, low-interest rate loans from other sources, tax-exempt bond financing, tax credits, and grants, must be valued individually and separately in the appraisal.

The income approach for Value #1 should be based on the proposed budget upon completion of the rehabilitation and at stabilization for the "prospective" valuation analysis. The budget must be included within the appraisal report.

#3 "**Market Value within 7 CFR Part 3560.752(b)(1)(ii)"**. (Appraisal of the subject property is an "as-is" valuation. "As-is value" as defined by 7CFR 3560, Subpart P means the value of the housing and related facilities as of the effective date of the appraisal. It relates to what physically exists and is legally permissible at the time of the appraisal and excludes all hypothetical conditions. All restrictions and prohibitions currently existing must be considered.)

A request for "market value", means the appraisal will take into consideration the most probable price which a property should bring in a competitive and open market under all condition's requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

(A) Buyer and seller are typically motivated;
(B) Both parties are well informed or well advised and acting in what they consider their best interests;
(C) A reasonable time is allowed for exposure in the open market;
(D) Payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and
(E) The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Highest and best use statement and analysis (7CFR 3560 Subpart P, 3560.753) The highest and best use is to be concluded for the subject site as though it was vacant, and for the subject property as improved, if improvements have been made. If the highest and best use of a subject property is for something other than MFH, the appraisal report must provide this information to the Agency for consideration in the loan process. In addition to being reasonably probable and appropriately supported, the highest and best use of both the land as though vacant and the property as improved must meet four implicit criteria. The highest and best use must be:

(1) Physically possible;
(2) Legally permissible;
(3) Financially feasible; and
(4) Maximally productive.

The income approach for Value #3 as-is, should be based on an analysis of the most current approved operating budget. The budget must be included within the appraisal report. See number #8 of the Appraisal Requirements as follows for additional information regarding the as-is operating budget.

Site (land) Value of the subject must be provided separately utilizing the Value #3 definition.

#4 "**Market Value within 7 CFR Part 3560.752(b)(1)(ii), Premised Upon A Hypothetical Condition As-If Unsubsidized Conventional Housing in compliance with 7 CFR Part 3560.656(c)(1)(i)**". **(** In order to use this value, the property must qualify for prepayment incentives offers as set forth within the Code of Federal Regulations. Valuation under this hypothetical as if Unsubsidized Conventional Housing is to follow 7CFR 3560.656 or 7CFR 3560.659 (whichever is appropriate), conducted in compliance with 7CFR 3560, Subpart P. Valuation under the hypothetical should consider the subject in its physical condition as of the date of valuation. The hypothetical condition applies to any remaining RHS restrictions on the property. Any restrictions that may have been placed on the property by other entities should be considered)

A request for "market value, premised upon a hypothetical condition as if conventional housing" means the appraisal will take into consideration the most probable price which a property should bring in a competitive and open market under all condition's requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

(A) Buyer and seller are typically motivated;
(B) Both parties are well informed or well advised and acting in what they consider their best interests;
(C) A reasonable time is allowed for exposure in the open market;
(D) Payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and
(E) The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Under this value definition, the appraiser is to develop a market rate pro-forma utilizing market rents, market-based expenses and a market-based capitalization rate with the property in its physical condition as of the effective date of the appraisal.

Insurable Value (prospective after rehabilitation): – Insurable value is defined as: The value of the destructible portions of a property which determines the amount of insurance that may, or should, be carried to indemnify the insured in the event of loss. The estimate is based on replacement cost new of the physical improvements that are subject to loss from hazards, plus allowances for debris removal or demolition. It should reflect only direct (hard) construction costs, such as construction labor and materials, repair design, engineering, permit fees, and contractor's profit, contingency, and overhead. It should not include indirect (soft) costs, such as administrative costs, professional fees, and financing costs.

(Source HB-1-3560 Chapter 7)

(See Attachment 7-I.)

"Conventional Rents for Comparable Units (CRCU)": All reports must conclude Conventional Rents for Comparable Units (CRCU) for the subject's units. CRCU should be reported for the subject in both the as-is physical condition and the prospective post construction/rehab condition.

CRCU is defined by RD as: "Market rents for comparable rental units in conventional housing located in the same geographic area as a particular Section 514, 515, or 516 project."

(Source: 7CFR 3560.11).

Competing rental properties from the same or closest most similar market as the subject property should be the basis for determining CRCU for the subject. Selection of rentals from dissimilar markets is not appropriate.

"As-is Value" or "Prospective Value" within 7 CFR 3560.752(b)(2): An "as-is value" is assumed in Value #3. A "prospective value" is required in Value #1 above.

"As-is" and "Prospective" are further clarified as:

(i) "As-is value" means the value of the housing and related facilities as of the effective date of the appraisal. It relates to what physically exists and is legally permissible at the time of the appraisal and excludes all hypothetical conditions.

(ii) "Prospective value" means the forecasted value of the housing and related facilities as of a specified future date. For Agency appraisals, this date will typically be the projected completion date of proposed new construction or rehabilitation.

Prospective values for RHS purposes assume stabilization.

The discounted cash flow (DCF) method of valuation is generally not used as it does not often apply to typical Rural Development projects which have longer term restrictions. If the appraiser determines a DCF analysis is appropriate, the appraiser must document its applicability to this assignment, support all underlying assumptions, and all rates used as part of the analysis (discount and capitalization).

Value of Interest Credit Subsidy: The value of Interest Credit Subsidy must be provided on all requested "Prospective, subject to restricted rents" valuations. The Value of the Interest Credit Subsidy will be calculated based on HB-1-3560 Attachment 7-H attached.

Value of Favorable Financing: When third party financing of the subject project is determined by the appraiser to be favorable, the appraisal report must contain a narrative identifying each source of financing (example: RHS 538 guaranteed funding, HOME loans, FHLB funding, State Housing Authority funding, etc.) the amount and terms of each type of favorable financing must be described, and the present value of each type of favorable financing must be developed and reported individually and separately.

Value of Tax Credits: The value of Tax Credits if any, that have been awarded to the property or that are anticipated to be awarded to the property must be valued and reportedly individually and separately from the real estate.

Appraisal Requirements:

1. All appraisal reports must comply with the current edition of *USPAP*. Specifically, all reports must include all items required by Standards 1 and 2 of USPAP: The content of an Appraisal Report must be consistent with the intended use of the appraisal and include the following information:
    a) Identification of the appraisal report type,
    b) Identification of the client and any other intended users of the appraisal,
    c) Identification of the intended use of the appraisal,
    d) Description of the subject real estate,
    e) Identification of the real property interest (property rights) appraised,
    f) Identification of the purpose of the appraisal,
    g) Identification and definition(s) of the value type(s) reported,
    h) Identification of the effective date(s) of the appraisal and the date of the report,
    i) Description of the scope of work used to develop the appraisal,
    j) Disclosure of all assumptions, hypothetical conditions, and limiting conditions that directly affect the appraisal, including a statement that their use might have affected the assignment results,
    k) Description of the information analyzed, the appraisal methods and techniques employed, and the reasoning that supports the analysis, opinions, and conclusions; exclusion of the sales comparison approach, cost approach, or income approach must be explained,
    l) Description of the use of the real estate existing as of the date of value and the use of the real estate reflected in the appraisal,
    m) When an opinion of highest and best use was developed by the appraiser, summarize the support and rationale for that opinion,
    n) A signed certification in accordance with USPAP Standards Rule 2-3.
2. All reports must include an executive summary.
3. All reports must include a legal description of the subject property.
4. All reports must include original photographs of the interior and exterior of the subject property. Additionally, original photographs of all land comparable sales (if a site valuation is provided), comparable rentals and comparable sales are preferred, however, if photos from other sources are used the source of the photo must be identified within the appraisal.
5. At least one of each style of apartment in each building and at least one unit in the top floor of each building must be inspected, plus as many additional units as needed to provide an adequate representation of the condition of the facility. RD recommends a minimum inspection of 20% of each unit type.
6. All reports must (as applicable) include the following maps, showing the location of the subject:
    • Regional map
    • City map
    • Flood plain map
    • Land Sales map
    • Sales Comparables map
    • Rent Comparables map
7. All reports should include the following exhibits of the subject property:
    • Survey (if available)
    • Site plan
    • Aerial photograph
    • Floor plans with exterior dimensions

8. Income Approach Methodology: All analyses within the Income Approach must be well reasoned and supported. When the assignment is to conclude *market value, considering all restrictions in place (Value #3)*, the subject's current budget is to be used for the "as is" valuation of the subject. A minimum of three year and up to a five-year actual income and expense history will be provided by the owner/applicant that will allow the appraiser to compare the current budget with the historical incomes and expenses of the subject. Any variance from the current budget, must be based on comparison with the minimum of three year and up to a five-year actual income and expense operating history of the subject and fully explained within the report.

   Prospective valuation of the subject (Value #1) must use the proposed budget which contains the subject's proposed rents, other income, vacancy, and operating expenses.

   All income and expense data used must be included in the addenda of the report.

   (Note: Any method that includes the use of *Note Rate Rent* as Potential Gross Income (PGI) in the Income Approach pro forma, to derive a value equal to the sum of the *market value, subject to restricted rents* plus the value of the interest credit subsidy, is NOT acceptable appraisal practice. Appraisers must NOT use Note Rate Rents in Rural Development Multi-Family Housing appraisals. Valuations should be conducted as described in the applicable value definition(s) contained within prior sections of this guidance.)

   Capitalization Rate: The capitalization rate selected for valuation of the subject by the income approach, must be derived from the most recent sales of similar properties in the local (or nearest similar) conventional apartment market. A base capitalization rate is derived from these sales which may then be adjusted qualitatively for factors related to specific benefits and/or restrictions applicable to the subject property. Support for the overall rate should be provided using other accepted methods such as development of the band-of-investment, debt coverage ratio formula, and regional investment criteria surveys, however primary determination of an appropriate OAR is to come from conventional market transactions as described above. Appraisers need to explain their rationale for their determination of the capitalization rate determined appropriate for the subject property.

9. A market rent adjustment grid showing specific adjustments in percentages or dollar amounts must be included and be well supported by data summarized in the report for both the as-is and prospective condition.

10. All appraisals of existing properties must include a discussion of deferred maintenance and any health and safety issues present at the subject property. The appraiser should determine, based upon market data, if the deferred maintenance or health and safety items have an effect on the "as is" value of the subject. A complete explanation of any adjustment, or lack of adjustment, should be fully explained within the report.

11. Remaining Economic Life (REL): All reports must include a well-supported estimate of the REL of the subject property after completion of rehabilitation.

12. Exclusion of rental units from valuation. The owner/applicant must provide appraisers with instructions and supporting information on any rental units that do not, or will not, produce rental income at the time of the appraisal.

13. Favorable Financing: When third party financing of the subject project is determined by the appraiser to be favorable, the appraisal report must contain a narrative identifying each source of financing (example: RHS 538 guaranteed funding, HOME loans, FHLB funding, State Housing Authority funding, etc.) the amount and terms of each type of favorable financing must be described, and the present value of each type of favorable financing must be developed and reported individually and separately.

    Valuation of "Interest Credit Subsidy" from Section 515 (new assumed and/or new proposed loans) should be consistent with Attachment 7-H, Guide for Valuation of Interest Credit Subsidy, Chapter 7 of HB-1-3560.

14. Proposed Construction / Rehabilitation Cost Estimates: Appraisals of properties with proposed construction and/or rehabilitation must include Form RD 1924-13, or other cost estimation documents, in the addenda.

15. A copy of this *Appraisal Assignment Guidance* must be included in the addenda of the appraisal report.

Review of Appraisal: Appraisal reports are subject to review by Rural Development. Appraisers must be prepared to discuss their analyses, opinions, and conclusions and provide additional written support, clarification, and a revised appraisal if requested.

A revised report addressing all of the Rural Development Reviewer's questions, comments and/or issues is required within 10 business days of issuance of the notification document by Rural Development. Any additional fees and/or costs associated with revisions or responses must be discussed with the appraiser's Client, however revision of the appraisal addressing any items in the RD notification document are required.

It is extremely important that all comments from the RD reviewer be addressed in the appraiser's response. Upon receipt of the response / revised appraisal report, the review process will continue, and a determination will be made of whether the revised appraisal is or is not acceptable for agency use.

If no response from the applicant's appraiser is received, the RD review process will be concluded, and a determination will be made of whether the original appraisal is or is not acceptable for agency use.

Accountability: The engaged appraiser must inspect the subject property and be prepared to discuss the appraisal report. A staff appraiser or associate may participate in the appraisal assignment and must either sign the report or be identified in the appraiser's certification by name as having provided significant professional assistance. If a staff appraiser or associate has provided significant professional assistance in preparation of the report, the staff appraiser or associate is to be present during any discussion of the assignment. The engaged appraiser must sign the report in all instances.

The appraiser's valuation process must be transparent to and understandable by RHS staff. If the pro forma income, vacancy, expenses, or capitalization rate, are not adequately supported, the RD Review Appraiser may request the appraiser make corrections and or clarifications that provide the necessary support. If a response from the appraiser is not received or does not adequately correct, clarify, or address the concerns of RD, the appraisal report may be found unacceptable for agency use.

USDA RD must be expressly excluded from any exculpatory language limiting the appraiser's liability that may exist in the appraisal report.

Defense of Appraisal: The appraiser may be requested to defend the appraisal in court or in Rural Development's appeals process. This would constitute a consulting assignment that would be negotiated separately from the original appraisal assignment.

Submittal: Submit appraisal and any revisions in a searchable .pdf format to the appraiser's client who is then responsible for submitting the appraisal to RHS.

Direct questions regarding:

Project Information: Appraiser's Client

Appraisal Guidance Questions: SM.RD.PSSCustomerService@usda.gov

Note(s) for the appraiser:

1. Contact the Client to obtain/confirm the additional information you need to complete the appraisal per this Appraisal Assignment Guidance and any additional information you determine appropriate.

Attachments Follow

Attachment A

Property & Transaction Information
Section 515 for a Transfer of Ownership and Rehabilitation

Information that must be provided by the owner or applicant to the Appraiser:

1. Project Name, Address and Property Contact Information
2. Legal Description of Subject Property (ies).
3. Current rent roll(s).
4. Operating History
    a. Minimum of three year and up to a five-year occupancy history
    b. Minimum of three year and up to a five-year actual income and expense history
5. Project Information: # of Units and Unit types
    a. Existing Basic Rents
    b. Proposed Basic Rents
    c. Low Income Housing Tax Credit (LIHTC) maximum tenant rents (if applicable).
6. Number of Phases of the Subject Property
7. Is the subject project currently consolidated with another project? If yes describe.
8. Current transaction documentation:
    a. Current Owner
    b. Proposed Owner
    c. Proposed Project Name
    d. Purchase Agreement
    e. Construction Cost Estimates (RD Form 1924-13) or similar construction cost estimate.
    f. Scope of Rehabilitation.
9. Will the project be consolidated with another project or other projects? If yes describe.
10. Financing Information: Sources and Uses (SAUCE)
    a. Existing RD Loan(s) amount, rates, and terms
    b. Proposed RD Loan(s) amount, rates, and terms (new terms for assumption of existing loan(s)) The terms of any RD debt that is to be deferred should be provided to the appraiser.
    c. Existing Third-party Loan(s) amount, rates and terms
    d. Proposed Third-party loan(s) amount, rates and terms
    e. Tax credit amounts (if applicable)
    f. Grant(s) (if applicable)
11. Project Budget Information (RD Form 3560-7 and/or FIN1700):
    a. Current RD Operating Budget – for HB-1 3560, Attachment 7-C, Value #3
    b. Proposed (Prospective) RD Operating Budget – need – for HB-1 3560, Attachment 7-C, Value #1
    c. Minimum of three year and up to a five-year actual income and expense history
12. Restrictive Use Provisions (RUPs), Restrictive Use Covenant(s) (RUCs), Land Use Restrictions (LURA) Information:
    a. Date RUPs/RUCs did expire
    b. Date RUPs/RUCS will expire
    c. LURA terms, expiration
    d. Any other restrictions placed on the property by any entity other than RHS
13. Rental Assistance (RA) units at project
    a. Existing RA
    b. Proposed RA
14. HUD Housing Assistance Payments (HAP) contract if existing or proposed for the subject.
15. Date Project was placed in service
16. Capital Needs Assessment (CNA)
    a. CNA “As Is” if available.
    b. CNA “Post Rehabilitation” if available.
    c. Transition Plan if available

NOTE: If this transfer is part of a portfolio transaction, assignment guidance will be required for each project included within the portfolio. A list of all projects within the portfolio should be provided to the appraiser and the separate list should be included in each of the individual appraisal reports for reference.

If as part of the transfer, properties are to be consolidated, a separate valuation for each project in its "as-is" condition is necessary. Prospective valuation must consider whether the consolidated properties are contiguous or whether they are non-contiguous.
Prospectively, contiguous properties are to be appraised together considering one prospective budget. Non-contiguous properties must be valued separately considering a separate prospective budget for each project.

ATTACHMENT 7-H

GUIDE FOR VALUATION OF INTEREST CREDIT SUBSIDY

Interest Credit Subsidy

Interest credit is a form of federal assistance available to eligible borrowers that reduces the effective interest rate of a loan. The USDA Rural Housing Service (RHS) offers direct loans with very favorable terms for affordable housing in the Rural Rental Housing Program (Section 515) and the Farm Labor Housing Program (Section 514). Section 514 and 515 permanent loans for new construction and subsequent loans for rehabilitation include interest rates as low as 1 percent. These loans are made at a "note rate" of interest, but a "basic rate" of interest to the borrower is typically 1 percent. A monthly mortgage payment is calculated at the note rate of interest, and the loan is amortized at the note rate of interest, but the borrower's actual mortgage payment is based on the basic rate of 1 percent. The difference between the note rate payment and the basic rate payment is the *interest credit*. The borrower is effectively subsidized with an income stream represented by the monthly *interest credit* that is available for the term of the loan.

In appraisals of Section 514 and Section 515 Multi-Family Housing properties, valuation of the *interest credit subsidy* (favorable financing) is part of the assignment when the *market value, subject to restricted rents*, must be concluded. When *interest credit subsidy* is the only favorable financing involved, the security value, on which the loan is based, has two components: 1) the *market value, subject to restricted rents*, of the real estate, and 2) the value of the *interest credit subsidy*. The present value (PV) of the *interest credit subsidy* can be calculated with a financial calculator using a simple discounted cash flow if three variables are known: payment (PMT), discount rate (i), and period (n). Determination of each of these three variables is discussed below.

Methodology for Valuation of Interest Credit Subsidy

The first variable to consider, which is input as payment (PMT) in a financial calculator, is the income stream that accrues to the borrower from the savings in mortgage payments resulting from the *interest credit*. With the RHS direct loan, the borrower typically will make 360 monthly mortgage payments based on an interest rate of 1percent. Without the RHS direct loan, the borrower would have to obtain alternative conventional financing at a significantly higher market interest rate, resulting in higher monthly mortgage payments. Therefore, the borrower's income stream is equal to the difference between the monthly mortgage payment that would have been required at the conventional rate of interest and the actual mortgage payment at the reduced rate. (It should be noted that the USDA note rate of interest cannot be used to calculate the higher conventional payment because this rate does not represent a mortgage interest rate available to the borrower at the time of the appraisal.)

The second variable used in the calculation is the discount rate (i). The discount rate to be applied to the income stream is simply the alternative conventional mortgage interest rate. This is the rate of interest at which the borrower would have had to pay if a conventional loan had

been obtained, so this is the rate at which the borrower saves with the favorable financing. The conventional mortgage interest rate is extracted from the subject's lending market.

The third variable to determine is the period (n) over which the income stream is to be discounted. The loan term, or remaining loan term, is known at the time of the appraisal. Although the borrower might hold the property for a holding period less than the loan term, the income stream from the favorable loan is available for the period of the loan. The *interest credit subsidy* should be valued according to the actual terms of the loan, so the appraiser should discount the income stream over the term of the loan. For new construction, the loan term is 30 years for a Section 515 loan and 33 years for a Section 514 loan. The appraiser should use these terms for the period of the loan. For an existing property, the remaining loan term, which should not exceed the estimated remaining economic life of the property, should be used for the period of the loan.

The value of the *interest credit subsidy* from RHS direct loans on most existing properties can be calculated by subtracting the monthly debt service at the below-market rate of interest from the monthly payment at the current rate offered for conventional loans and discounting the difference by the current conventional interest rate over the remaining loan term. For RHS direct loans on proposed new construction, an additional step is required if the amortization period is longer than the loan term. With conventional financing, a loan with a term of 30 years is amortized at the end of the 30-year term. However, with a RHS direct loan that has a loan term of 30 years and an amortization period of 50 years, a large balloon payment is due at the end of 30 years. The PV of the balance of the RHS direct loan at the end of the 30-year loan term (the PV of the balloon payment) must be subtracted from the present value of the 30-year income stream to derive the value of the *interest credit subsidy*.

Example Problem and Solution

The following example problem is used to illustrate the method for valuing the *interest credit subsidy*.

Problem:

A Section 515 direct loan of $1,000,000 is offered by USDA Rural Development with a term of 30 years and an amortization period of 50 years. The loan is to be amortized at the USDA note rate of interest of 6.0%, but the base rate of interest to the borrower is 1.0%. At the end of the 30-year loan term, a balloon payment is due. Alternative conventional financing includes a 30-year loan term, completely amortized after 30 years, and an interest rate of 7.0%. What is the value of the "interest credit subsidy" or below-market financing?

Solution:

The loan amount in the example problem is $1,000,000. With conventional financing, the monthly payment at 7.0% interest, amortized over 30 years, would have been $6,653.02. This payment can be calculated on an HP-12C calculator using the following keystrokes:

1,000,000 PV
7.0 g i
30 g n
Solve for PMT = -6,653.02

With the Section 515 direct loan and *interest credit*, the monthly payment, at 1.0% interest, amortized over 50 years, is $2,118.59 (calculated in the same way), but a balloon payment of $734,760 is due at the end of 30 years. The borrower makes a monthly payment based on a 1.0% interest rate. However, the loan is amortized at the note rate of interest at the time of the loan (6.0% in this example), as if the mortgage payment was the sum of the borrower's payment and the *interest credit* calculated by USDA. The balloon due at the end of 30 years on the RHS loan can be calculated on an HP-12C calculator using the following keystrokes:

1,000,000 PV
6.0 g i
50 g n
Solve for PMT = -5,264.05
30 g n
Solve for FV = -734,760

The difference in the payments at the two different interest rates is $4,534.43 ($6,653.02 - $2,118.59) per month. The borrower saves $4,534.43 per month due to the below-market financing. Without the benefit of the favorable financing (*interest credit subsidy*), the owner would pay an additional $4,534.43 per month, at an interest rate of 7.0%, over the projected holding period. The projected holding period for the subject property is the loan term, 30 years.

With the Section 515 direct loan, a large balloon payment is due at the end of the 30-year loan term, but a conventional loan would be fully amortized at the end of the 30-year loan term, and there would be no balloon. Therefore, to calculate the value of the *interest credit subsidy*, the present value (PV) of the balance of the RHS loan at the end of the 30-year loan term (the PV of the balloon payment) must be subtracted from the present value of the income stream resulting from the savings in the mortgage payments. The present value of the balloon payment is calculated by discounting the balloon payment ($734,760) by the current mortgage interest rate (7.0%) over the term of the loan (30 years). In this example, the PV of the balloon payment can be calculated with an HP-12C calculator using the following keystrokes:

734,760 CHS FV
7.0 g i
30 g n
Solve for PV = 90,527

The value of the *interest credit subsidy* is equal to the amount of the monthly debt service saved, discounted by the current conventional mortgage interest rate over the remaining loan term, minus the present value of the RHS direct or guaranteed loan balloon payment. The value of the

interest credit subsidy for the subject property can be calculated with an HP-12C calculator using the following keystrokes:

4,534.43 CHS PMT
7.0 g i
30 g n
Solve for PV = 681,559
90,527 –
Value of interest credit subsidy = $591,032
The Value of the Interest Credit Subsidy is $591,000 (rounded)

Conclusion

When appraising existing properties, calculation of the value of the *interest credit subsidy* usually does not involve a balloon payment. Only valuation of the income stream is considered. The appraiser should obtain the current balance of the original loan from the Rural Development Office. The remaining loan balance and the remaining term of the loan are used to calculate the monthly mortgage payment at the current conventional interest rate. The appraiser should use the borrower's actual payment based on a below-market rate (usually 1%) that has been calculated by the Rural Development Office in this process. The difference in the payments at the two rates is then discounted at the current conventional mortgage interest rate over the remaining loan term to calculate the value of the *interest credit subsidy*.

The *interest credit subsidy* for a RHS original loan should be valued separately from the *interest credit subsidy* of any subsequent RHS loans. *Interest credit subsidy* should be valued separately from the *market value, subject to restricted rents*, of the real property.

ATTACHMENT 7-I

USDA Rural Development

Insurable Value Calculation

Property Name:	
Street Address:	
City, County, State, Zip:	

BASE COST				
Main Structure				
Sprinkler				
Other				
Adjustments and/or Multipliers				
TOTAL BASE COST PER SQ. FT				
Building Area Square Footage				
TOTAL REPLACEMENT COST NEW				
EXCLUSIONS	Per SF	Percent		
Excavations				
Foundations				
Site Work				
Site Improvements				
Architect's Fees				
Underground Piping				
TOTAL EXCLUSIONS				
INCLUSIONS				
Appliance Packages				
Patios / Balconies, etc.				
TOTAL INCLUSIONS				
CONCLUDED INSURABLE VALUE				
Total Replacement Cost New				
Less Total Exclusions				
Plus Total Inclusions				
CONCLUDED INSURABLE VALUE				

Pinnacle Appraisals

Andrew J. Moye, MAI, AI-GRS, ASA
Pinnacle Appraisals
Certified General Appraiser
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Profile

Andrew's experience includes real estate appraisal, litigation support, going concern reports, business appraisals, appraisal reviews, construction draw reports, and fractional (partial) interest valuation assignments for commercial and residential real estate.

Andrew has provided testimonies in the following venues:

Expert witness in Federal Bankruptcy Court
Common Pleas Courts throughout Ohio
various Ohio Boards of Revision, Ohio State Board of Tax Appeal

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Professional Affiliations, State License

MAI designation offered by Appraisal Institute
AI-GRS designation offered by Appraisal Institute
ASA designation offered by American Society of Appraisers

State of Alabama, (License No. G00681)
State of Illinois, (License No. 553.002306)
State of Kentucky, (License No. 3266)
State of Michigan, (License No. 1205003289)
State of North Carolina, (License No. A7387)
State of New York, (License No. 46000043454)
State of Virginia, (License No. 4001017242)
State of West Virginia, (License No. CG 321)
State of Arkansas, (License No. CG2537)
State of Georgia, (License No. 5464)
State of Indiana, (License No. CG40300066)
State of Louisiana, (License No. 4435)
State of Mississippi, (License No. GA-1295)
State of Ohio, (License No. 378467)
State of South Carolina, (License No. 2643)

Education

Masters of Business Administration (Finance), The Ohio State University, Columbus, Ohio.
Bachelor of Science in Business Administration (Real Estate), The Ohio State University, Columbus, Ohio.

Partial Coursework

- Basic Valuation Procedures
- Basis Income Capitalization
- Capitalization Theory, Part 1
- Residential Valuation
- Capitalization Theory, Part 2
- The Appraiser as Expert Witness
- Advanced Income Capitalization
- Condemnation Appraising
- Litigation Appraising: Specialized Topics
- Case Studies in Real Estate Valuation
- General Appraiser Market Analysis
- Valuation Analysis and Report Writing
- Review Theory – General
- Advanced Applications
- Capitalization Theory, Part B Market Analysis
- Advanced Sales Comparison and Cost

State of South Carolina
Department of Labor, Licensing and Regulation
Real Estate Appraisers Board

ANDREW J MOYE

Is hereby entitled in practice as a:

Certified General Appraiser

License Number: **2643**

Expiration Date: 06/30/2026
OFFICE COPY

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Profile

Kim's experience includes valuation of commercial properties throughout the United States. This includes preparation of appraisal reports (supply and demand analysis, financial and site feasibility, and overall market examination). She has experience in the following property types: Multifamily (Market Rate and Affordable), Industrial, Office, Retail, MHC, and Storage Facilities.

Professional Affiliations

Registered Real Estate Appraiser Assistant

Education

Kentucky Christian College, Grayson, Kentucky
Bachelor of Arts in Business Administration

Coursework

- Appraisal Principles
- Fair Housing
- Appraisal Procedures
- National Unified Standards of Professional Appraisal Practice
- General Market Analysis and Highest and Best Use
- General Appraiser Income Capitalization Approach Part I
- Real Estate Finance, Statistics & Valuation Modeling
- General Appraiser Sales Comparison
- General Appraiser Site Valuation and Cost Approach
- General Appraiser Report Writing and Case Studies
- General Appraiser Income Capitalization Approach Part II

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Profile

Michael's experience includes valuation of commercial properties throughout the United States. This includes preparation of appraisal reports (supply and demand analysis, financial and site feasibility, and overall market examination). He has experience in the following property types: Multifamily (Market Rate and Affordable).

Professional Affiliations

Registered Real Estate Appraiser Assistant

Education

Grand Canyon University, Phoenix, Arizona
Bachelor of Arts in Business Administration

Coursework

- Appraisal Principles
- Fair Housing
- Appraisal Procedures
- National Unified Standards of Professional Appraisal Practice