

ANNEX M: FINAL COST CERTIFICATION

Independent Auditor's Report
(Must be submitted with Final Cost Certification)
(To be submitted under Accounting's Firm Letterhead)

Date:

To: Puerto Rico Housing Finance Authority
P.O. Box 71361
San Juan, PR 00936-8461

Re: Name of Project
Address of Project
Project Owner
Project Building Identification Number (BIN)

We have audited the costs included in the accompanying Puerto Rico Housing Finance Authority (PRHFA) Final Cost Certification of insert Owner's name (the "Owner") for (insert Project's Name) (Project) as of , 20 . The Final Cost Certification is responsibility of the Owner and the Owner's management. Our responsibility is to express an opinion on the Final Cost Certification based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Final Cost Certification is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Final Cost Certification. An audit includes assessing the accounting principles used and significant estimates made my management, as well as evaluating the overall Final Cost Certification presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Final Cost Certification was prepared in conformity with the accounting practices prescribed by the Internal Revenue Service, under the accrual method of accounting, and in conformity with the format and qualified allocation plan rules set by PRHFA, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion the Final Cost Certification presents fairly, in all material respects, the actual costs of \$ and eligible basis of \$ of the Owner for the Project as of , 20 , on the basis of accounting described above. In our opinion the eligible basis of this Project includes all debt instruments, used as part of the financing of the Project, which met the all events test of the IRS and as such may be included in eligible basis.

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

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

/s/Independent Auditors

City, State

Date

INDEPENDENT AUDITOR'S REPORT
FINAL COST CERTIFICATION

SCHEDULE A: ITEMIZED COSTS & ELIGIBLE BASIS

ITEMIZED COSTS	Final Costs	Eligible Basis by Credit Type	
		4% Credit	9% Credit
LAND AND BUILDING *			
1 Land Costs	\$	\$	\$
2 Existing Structures	\$	\$	\$
3 Acquisition Fees	\$	\$	\$
4 Other: _____	\$	\$	\$
5 TOTAL	\$	\$	\$

SITE WORK			
6 On-site Work	\$	\$	\$
7 Off-site Work	\$	\$	\$
8 Other: _____	\$	\$	\$
9 TOTAL	\$	\$	\$

REHABILITATION OR CONSTRUCTION COSTS			
10 New Building	\$	\$	\$
11 Rehabilitation	\$	\$	\$
12 Accessory Buildings	\$	\$	\$
13 Contractor Overhead	\$	\$	\$
14 Contractor Profit	\$	\$	\$
15 General Requirements	\$	\$	\$
16 Construction Contingency	\$	\$	\$
17 Fees	\$	\$	\$
18 Other: _____	\$	\$	\$
19 TOTAL	\$	\$	\$

PROFESSIONAL FEES			
20 Design	\$	\$	\$
21 Supervision	\$	\$	\$
22 Engineer/Surveyor	\$	\$	\$
23 Real Estate Attorney	\$	\$	\$
24 Consultant Fees	\$	\$	\$
25 Other: _____	\$	\$	\$
26 TOTAL	\$	\$	\$

INTERIM COSTS			
27 Insurance	\$	\$	\$
28 Bond Premium	\$	\$	\$
29 Construction Loan Interest	\$	\$	\$
30 Loan Origination Fee	\$	\$	\$
31 Taxes and Fees	\$	\$	\$
32 Title and Recording	\$	\$	\$
33 Other: _____	\$	\$	\$
34 TOTAL	\$	\$	\$

PERMANENT FINANCING			

ITEMIZED COSTS		Final Costs	Eligible Basis by Credit Type	
35	Bond Premium	\$	\$	\$
36	Credit Report	\$	\$	\$
37	Loan Origination Fee	\$	\$	\$
38	Legal Fees	\$	\$	\$
39	Title and Recording	\$	\$	\$
40	Other: _____	\$	\$	\$
41	TOTAL	\$	\$	\$

SOFT COSTS				
42	Market Study	\$	\$	\$
43	Environmental Study	\$	\$	\$
44	Appraisal	\$	\$	\$
45	Tax Credit Fees	\$	\$	\$
46	Cost Certification	\$	\$	\$
47	Rent Up	\$	\$	\$
48	Other: _____	\$	\$	\$
49	TOTAL	\$	\$	\$

SYNDICATION COSTS **				
50	Organizational	\$	\$	\$
51	Tax Opinion and Title Policy	\$	\$	\$
52	Other: _____	\$	\$	\$
53	TOTAL	\$	\$	\$

DEVELOPER FEES				
54	Developer Fees	\$	\$	\$
55	Consultant	\$	\$	\$
56	Other: _____	\$	\$	\$
57	TOTAL	\$	\$	\$

PROJECT RESERVES				
58	Rent Up	\$	\$	\$
59	Operating Reserve	\$	\$	\$
60	Other: _____	\$	\$	\$
61	TOTAL	\$	\$	\$

OTHERS				
62	Working Capital	\$	\$	\$
63	Bridge Loan	\$	\$	\$
64	Other: _____	\$	\$	\$
65	TOTAL	\$	\$	\$

66	TOTAL DEVELOPMENT COSTS	\$	\$	\$
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* Legal fees and interest expense related to the land must be broken out and entered in this category.

** All Syndication costs must be separated from other project costs and included on this line.

SCHEDULE B: QUALIFIED BASIS TEST

1. Total Development Costs (Line 66 from Schedule A):		<u>\$</u>
Less Costs Ineligible for Tax Credit Basis (from Schedule A):		
Land (Line 5)	<u>\$</u>	
Market Study (Line 42)	<u>\$</u>	
Permanent Financing Fees (Line 41)	<u>\$</u>	
Syndication Costs (Line 53)	<u>\$</u>	
Project Reserves (Line 61)	<u>\$</u>	
Other: _____	<u>\$</u>	
Other: _____	<u>\$</u>	
 2. Eligible Basis		 <u>\$</u>
Total Number of Units	_____	
Total Number of Low Income Units	_____	
 3. Applicable Fraction ***		 _____%
 4. Qualified Basis (Applicable Fraction x Eligible Basis)		 <u>\$</u>
Difficult to Develop Area Adjustment, <u>if applicable</u>		130 %
 5. Total Eligible Basis		 <u>\$</u>
(Qualified Basis x 130%)		
Tax Credit Rate (as stated in Carryover Allocation Agreement)		_____%
 6. Annual Tax Credit - Qualified Basis Test		 <u>\$</u>
(Total Eligible Basis x Tax Credit Rate)		

*** Use the smaller of the unit fraction (LI units/residential units) or the floor space fraction (LI unit floor space/residential unit floor space)

SCHEDULE C: EQUITY GAP TEST

1. Total Development Costs (Line 66 from Schedule A)		<u>\$</u>
2. Permanent Financing Sources*		
First Mortgage:	<u>\$</u>	
Second Mortgage	<u> </u>	
Grants	<u> </u>	
Owner Equity	<u> </u>	
Other: <u> </u>	<u> </u>	
TOTAL		<u>\$</u>
3. Equity Gap (Line 1 less Line 2 Total)		<u>\$</u>
4. Syndication Rate (net cent per credit \$)		<u> </u>
5. Investor Ownership Percentage		<u> </u>
6. 10 year Credit Allocation [Line 3/(Line 4 multiplied by Line 5)]		<u>\$</u>
7. Annual Credit - Equity Gap Test (Line 6 divided by 10)		<u>\$</u>

* In general these funding sources should include only permanent financing sources of cash funding expected to be repaid out of project operations. Do not include deferred fees, such as deferred developer fees or imputed capital for which cash is not received.

Schedule D: ANNUAL TAX CREDIT DETERMINATION

A. Tax Credit Allocation (From Carryover Allocation Agreement)	<u>\$</u>
B. Annual Tax Credit - Qualified Basis Test (Schedule B - Line 6)	<u>\$</u>
C. Annual Tax Credit - Equity Gap Test (Schedule C - Line 7)	<u>\$</u>
D. Final Tax Credit Determination ** (the lowest amount between lines A, B or C)	<u>\$</u>
E. Returned Credits (Line A less Line D) (If zero or less, enter 0)	<u>\$</u>

** The actual allocation may be less than this amount.

FINAL COST CERTIFICATION

ANNEX M

Exhibit A

Schedule E: Qualified Basis on a Building by Building Basis:

Address (must be complete)	30%PV				70% PV				Place in Service Date
	Eligible	Square	Applicable	Qualified	Eligible	Square	Applicable	Qualified	
	Basis	Feet	Fraction	Basis	Basis	Feet	Fraction	Basis	
1)	\$			\$	\$			\$	
2)	\$			\$	\$			\$	
3)	\$			\$	\$			\$	
4)	\$			\$	\$			\$	
5)	\$			\$	\$			\$	
6)	\$			\$	\$			\$	
7)	\$			\$	\$			\$	
8)	\$			\$	\$			\$	
9)	\$			\$	\$			\$	
10)	\$			\$	\$			\$	
TOTALS	\$			\$	\$			\$	