

**LAKE CROSSING APARTMENTS
COBB COUNTY, GEORGIA**

**Piedmont Realty Advisors
1150 Connecticut Avenue, N.W.
Suite 705
Washington, D.C. 20036
(202) 822-9000**

June 22, 1987

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PIEDMONT REALTY ADVISORS

1150 CONNECTICUT AVENUE, N. W.

SUITE 705

WASHINGTON, D. C. 20036

202-822-9000

June 22, 1987

Mr. Ronald A. Hughes
Assistant Vice President
USF&G
100 Light Street
Baltimore, Maryland 21202

Re: Lake Crossing Apartments
Cobb County, Georgia
H.U.D. Investment Program

Dear Mr. Hughes:

Enclosed for your review is information on Lake Crossing Apartments, a 300-unit apartment project proposed for the H.U.D. Investment Program using a forward commitment to fund a \$12,200,000 H.U.D. insured first mortgage and an equity joint venture in the amount of \$1,400,000. The project is located in Cobb County, Georgia, approximately 12 miles west of downtown Atlanta on Interstate 20. It is being developed by a joint venture of National Housing Partnership, Inc. (NHP) and Wilkinson Properties, Inc. In addition to the information contained in this report, USF&G will receive copies of H.U.D. application and processing materials, thereby providing documentation of a second underwriting process. The signed application letter is presented as Exhibit 1.

THE PROPERTY

Location - The subject property is located just south of Blair Bridge Road in Cobb County, Georgia, less than one-half mile east of the Douglas County line. This location is 12 miles west of downtown Atlanta on Interstate 20 near the Thornton Road exit (see Exhibits 2 and 3). I-20 provides freeway access to downtown, the I-285 beltway, and other points throughout Atlanta. Thornton Road connects with the recently completed Camp Creek Parkway which provides direct access to the Fulton Industrial Park (10 minutes south) and Hartsfield Airport (15 minutes south). Three miles north of the subject on Thornton Road lies the Hooker/Barnes Industrial Center, an office/R&D/warehouse center of over 1 million square feet of space.

In addition to the subject's excellent proximity to major employment centers, the intersection of Blair Bridge Road and Thornton Road contains a large community retail center with a full array of shops, services, and restaurants. Parkway Hospital (320 beds) is also located at this intersection. An aerial view of the adjacent land uses is presented in Exhibit 4.

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Currently unimproved, the land between Blair Bridge Road and I-20 is to be developed with the subject property, single family homes, and offices. The subject property will be the only multi-family project in this development. The area north of Blair Bridge Road is primarily residential, with two new single family home developments providing a substantial upgrade for the area.

The Site - The site is a 30.1 acre parcel that has 1,023 feet of frontage on I-20 (see Exhibit 5). This frontage does create traffic noise, although the major benefit of this frontage is excellent freeway visibility and free "drive-by" advertising. Additionally, the site drops about 30 feet at the edge of I-20, and the green belt on this hill helps diffuse the noise.

The major attribute of the site is an existing fresh water lake which is 8.3 acres in size of which 4.8 acres lies on the subject property. The lake provides a focal point for the project and clubhouse, very nice views, and an additional setback from I-20. Including the lake, a total of 10.2 acres lie within a 100-year flood plain (5.4 acres excluding the lake). The balance of the parcel is wooded, rolling land with a grade differential of about 50 feet from the lake surface to the northern boundary. This gradient will help break-up the lines of the project and provide more units with lake views.

The Improvements - The improvements will consist of 300 apartment units in 15 buildings of wood frame construction with cedar siding. As is common on Atlanta's hilly sites, the uphill half of the building will be two stories, and the downhill half will be three stories. The project will feature a swimming pool and lighted tennis courts, a 2,100 square foot clubhouse and a large deck overlooking the lake. 530 surface parking spaces will be provided which allows a ratio of 1.77 spaces per unit.

Unit interiors will use the floor plans presented in Exhibit 6. Each unit will feature a sliding glass door to a screened patio or balcony, individual storage rooms, European cabinetry, double sinks with disposal, dishwashers and walk-in closets. The units will also include washer/dryers in every unit, a significant advantage over competitive properties. Each unit will be separately metered for electric heat, hot water and central air conditioning. Additionally, each unit will be sprinklered in accordance with local building codes.

The unit mix and square footage calculations are presented in Exhibit 7. The average unit size will be 998 square feet. Eighty of the 300 units (27%) will be 3 Bedroom/2 Bath designs. This is in response to the very strong demand for 3 Bedroom units in the area, evidenced by waiting lists usually encountered at the few projects that offer this floor plan.

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Project Budget - The project budget is presented in Exhibit 8. Land costs were \$4,000 per unit for a total of \$1,200,000. Hard costs, including a 6% general contractors fee total \$9,075,000 or \$30,250 per unit. Soft costs are slightly higher than for conventionally financed projects, due to higher financing fees for H.U.D. coinsurance, and larger interest carrying costs due to a longer development period.

MARKET OVERVIEW

The five-county metropolitan Atlanta area had a population of 1.9 million in 1985 and surpassed the 2.0 million mark in early 1986. During the 1970's the growth trends for Atlanta were away from downtown to suburban areas around the city, most notably towards the northern locations. As the suburbs have developed their own infrastructure and employment base, and as northern suburbs have become more built out, developers have become active in more of the "beltway" markets.

This shifting of employment and population is evident in the subject property's area. Cobb County's population grew at an annual rate of 4.4% from 1980 to 1985, and household income averaged \$38,200 in 1984. Job growth in Cobb County has considerably out-paced population growth with employment growing 11.3% per year between 1980 and 1985. This job growth in the area is the leading indicator that residential demand will follow. Exhibit 9 presents summary demographic information on Cobb County.

While significant multi-family development has occurred in northern Cobb County, virtually no new construction took place in the subject property's market area of the county from the late 1970's until 1984. Apartment developers were heavily focused in the northeast, to the exclusion of other markets. During this period the suburban employment base increased markedly in areas other than north Atlanta and multi-family developers are only now responding to this shift in demand.

Competitive Properties - Typical apartment projects in Cobb County are 10-15 years old with outmoded amenity and interior packages. Four new projects with a total of 890 units have been opened in the relevant market area over the past 12 months, and these projects are reviewed as rent comparables in Exhibit 10. All of these projects except Parkway Station have leased extremely well, absorbing 20-25 units per month per project. Sweetwater and Concepts 21 were virtually full upon completion of construction, and have increased rents in the past few months.

Lake Crossing will have monthly rents that are competitive with other properties, but slightly smaller units. Lake Crossing's rent per square foot will be the highest of the comparables. These rents should be

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achievable given Lake Crossing's excellent freeway exposure, full amenity package, open area with lake, and proximity to community retail. Assuming absorption of 20-25 units per month, Lake Crossing should lease up within 12 to 15 months.

BORROWER/DEVELOPER

The borrowing entity for this transaction will be a limited partnership. The general partner will be a joint venture between National Housing Partnership, Inc. and Wilkinson Properties, Inc. An affiliate of USF&G will be a limited partner in the entity.

National Housing Partnership, Inc. (NHP) is a closely held private company. In 1968 it was authorized by Congress to stimulate affordable housing production, and NHP accomplished this by serving as an umbrella corporation that provided financing, development and management expertise to local developers that handle day to day activities. The local developers typically receive the majority of development fees and a modest continuing ownership interest in the project. Through the use of these joint venture agreements NHP has been involved with the development of 80,000 units in 700 properties and has raised over \$400 million in equity.

In March of 1986, the various NHP corporate entities and partnership interests were reorganized under the holding company National Housing Partnerships, Inc. Through this reorganization NHP, Inc. received \$37 million in new equity from investments by Berkshire Hathaway (Warren Buffet) and Weyerhaeuser Real Estate Company. NHP, Inc. was ranked by Builder magazine as the 29th largest multifamily developer for 1986. Financial highlights of NHP, Inc. are included as Exhibit 11.

NHP's local developer for Lake Crossing will be Wilkinson Properties, Inc. owned by Jerry C. Wilkinson. Mr. Wilkinson received his undergraduate degree from Duke University, and an MBA from the Wharton School in 1969.

Mr. Wilkinson spent the early years of his career with Lockheed and the Woodrow Wilson Foundation. In 1970 he co-founded Southeastern Vending Services to operate vending concessions in apartment projects. This company was sold to WEB Services in 1974. From 1974 to 1977 he was President of Peachtree Contractors, a 53-person plumbing and air conditioning contractor for commercial and residential developments. From 1973 to 1983 he was Chairman of Central Plumbing Supply, a \$5 million (sales) plumbing supply and contracting firm. Mr. Wilkinson sold this company to Ferguson Enterprises in 1983.

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Wilkinson Properties was formed in 1984 for the development of multi-family projects. Since that time, it has completed three projects including the rehabilitation of 60 units in Columbus, Georgia, development of 216 units in two phases of Lee's Crossing in La Grange, Georgia, and development of The Crossings, a 200-unit project in Atlanta, Georgia. All of these projects were financed with tax-exempt bonds in conjunction with private equity placements. The 200-unit Crossing was developed in joint venture with NHP, and the floor plans and development features of this project will be used in the subject development. A picture of The Crossings is included as Exhibit 12.

Overall, the development team for this project incorporates the financial strength and institutional resources of NHP, Inc. and a talented local developer with substantial experience in apartment operations, contracting, and apartment development.

RISK/RETURN

This investment is proposed under the H.U.D. insured debt plus equity joint venture format. Under this structure, USF&G would forward commit to fund both a H.U.D. insured mortgage in the amount of \$12,200,000 and an equity joint venture in the amount of \$1,400,000 for a total investment of \$13,600,000.

The debt portion of the investment will be co-insured by Patrician Mortgage Company through Section 221(d)(4) of the National Housing Act, and will receive an 8.75% mortgage rate with 40-year amortization of the principal. The mortgage will be reinsured through GNMA thereby creating a highly liquid security that is 100% insured by the full faith and credit of the U.S. Government with regard to interest and principal. GNMA receives a 25 basis point fee for this reinsurance indicating that the GNMA coupon rate on the fully insured debt would be 8.50%.

At this time, current market rates for 10-year Treasury Bonds are 8.50%, and 10.0% for GNMA securities. While both types of securities have the full backing of the U.S. Government, Treasuries have a specific repayment date while as mortgage securities GNMA's may be prepaid and have an uncertain repayment date. Due to this reinvestment risk, GNMA's must offer a higher coupon to the investor.

However, the proposed structure provides for a 10-year lock-in period on the mortgage which makes the GNMA repayment date much more certain, and makes this particular GNMA security much more competitive with 10-year Treasuries. The investment structure does allow for a one time prepayment option at the beginning of year 8, but the yield maintenance formula used to determine the prepayment penalty if this option is elected is based on reinvesting in two year Treasuries, thus maintaining the security, duration, and yield of the investment.

With regard to the equity joint venture, USF&G will commit to fund the full equity amount of \$1,400,000 at the time of the loan funding. NHP will provide a corporate guarantee to fund all deficits for 24 months after initial funding. After 24 months any deficits will be funded 50-50 by USF&G and NHP, and in the event either party fails to contribute, the non-contributing partner will be diluted.

USF&G will receive a 9.5% cumulative preferred return on the equity invested, will receive 50% of net cash flows, and 50% of residual at sale. However, the unpaid cumulative preferred return, if any, may not dilute NHP's sale participation below 35%.

If both the debt and equity are funded in their full amounts of \$12,200,000 and \$1,400,000 respectively, 89.7% of total funds will be fully insured by the U.S. Government and 10.3% will be in the form of equity. The deal structure allows the final amounts to adjust to the final H.U.D. commitment amount, but the overall debt/equity ratio will be no greater than 89.6% to 10.4%.

The projected returns for this investment are presented in Exhibit 13. Assuming 5% inflation, 35% expenses (\$2,050 per unit in today's dollars), 5% vacancy, and pro-forma rents, the estimated yields over a 10-year holding period are 8.75% for the mortgage debt (8.50% after GNMA fee), 23.14% for the equity joint venture, and 11.32% return for total capital.

A major attribute of this investment structure is its resiliency to adverse economic conditions. Since ninety percent of the total capital is fully insured the maximum downside of the investment would be the loss of 10% equity. More realistically, but still very pessimistically, assuming 2% inflation, 10% vacancy, 39% expenses (\$2,160 per unit in today's dollars) and USF&G's funding of 100% of deficits after the first 24 months, the estimated yield would be 8.75% on the debt (8.50% after GNMA fee) 3.04% on equity, and 8.03% on total capital. (See Exhibit 14.) The fact that these yields remain positive even under very adverse assumptions demonstrates the strength of this investment structure.

CONCLUSIONS AND RECOMMENDATIONS

The Lake Crossing Apartment project provides an opportunity for USF&G to invest in a multi-family property with a major national developer of considerable strength using a structure that creates unusually low risks. The property is well designed and located in a growing market. Wilkinson Properties has a good track record in apartment developments in the Atlanta area, and its efforts are backed with the management and

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financial guarantee of N.H.P., Inc. The projected returns are attractive, especially in light of the downside protection made possible through this H.U.D. insured investment structure. Piedmont Realty Advisors therefore recommends that subject to receipt of a firm commitment to insure from the coinsuring lender, USF&G issue a commitment to fund a first mortgage in the amount of \$12,200,000 and an equity joint venture in the amount of \$1,400,000 in accordance with the terms and conditions contained in Exhibit 1. If you have any questions, please call me.

Sincerely,



William C. Hunter

WCH:clg
Enclosures

**Lake Crossing Apartments
LIST OF EXHIBITS**

1. Application Letter
2. Regional Map
3. Local Map
4. Aerial Photograph
5. Site Plan
6. Floor Plans
7. Unit Mix
8. Project Budget
9. Demographic Information
10. Rent Comparable Survey
- 10A. Map of Rent Comparables
11. NHP Financial Highlights
12. Representative Photograph
13. Financial Projections - Most Likely
14. Financial Projections - Worst Case

Exhibit 1
APPLICATION LETTER

PIEDMONT REALTY ADVISORS

1150 CONNECTICUT AVENUE, N.W.

SUITE 705

WASHINGTON, D.C. 20036

202-622-9000

April 21, 1987

Lisa Kolker Max
National Housing Partnership
1225 Eye Street, N.W.
Washington, D.C. 20005

Re: H.U.D. Coinsured Mortgage
Lake Crossing Apartments
Cobb County, Georgia

Dear Lisa:

Piedmont Realty Advisors is prepared to recommend to its client's Real Estate Investment Committee that it issue a commitment for a participating first mortgage on the above captioned property subject to the following terms and conditions:

Property: Lake Crossing Apartments, a 300-unit apartment project containing approximately 288,000 net rentable square feet in two and three-story buildings of wood frame construction. The project will include a swimming pool, tennis courts, clubhouse, storage building, and at least 530 parking spaces.

Location: Southeast side of Blair Bridge Road, Land Lots 516, 517, 584, and 585, Cobb County, Georgia.

Land Area: Approximately 30.12 acres gross, approximately 19.89 acres net of flood plain and lake.

Borrower: A limited partnership to be formed by National Corporation for Housing Partnerships in conformance with the terms outlined in Exhibit A.

Lender: USF&G Realty Company

Loan Amount: \$12,200,000. This is a best estimate of the loan amount H.U.D. underwriting will allow. This amount will be subject to change upon issuance of a firm commitment to insure and upon final cost certification. If the firm commitment to insure is for less than ~~95%~~ of this

97.5%

AK- MEX
LKN

Lisa Kolker Max
April 21, 1986
Page Two

estimated loan amount, the amount may be deemed unacceptable by Borrower, and Borrower may withdraw from the terms of this Letter of Application, and receive back its fee.
acceptable HUD
The maximum loan amount will be no greater than 2.5% ~~greater~~ above \$12,200,000. If it is, lender may withdraw and our fee is returned.

H.U.D. Mortgage
Rate: 8.75%

Loan Constant: 9.78%, which includes mortgage insurance premiums and amortization.

Term: 40 Years

Amortization: Forty-year schedule, as required by H.U.D.

Call Option: Subject to conforming with H.U.D. regulations at time of funding, Lender has right to call loan due anytime after the 10th loan year. Lender will give Borrower six months written notice of intent to call the loan. Lender acknowledges that failure to repay principal in accordance with this call option does not constitute a default under H.U.D. insurance.

Prepayment: Subject to conforming with H.U.D. regulations at time of funding, there will be no prepayment through year 10, a prepayment fee of 1% of the outstanding loan balance in years 11 through 15 and no prepayment fee in year 16 and thereafter. There will be no prepayment fee if Lender exercises its call option.

Lender will allow a one-time option to prepay the loan on the eighth anniversary of initial funding. Borrower shall provide six months written notice of intent to prepay. The prepayment fee for this one time option shall be the greater of 1) 2.0% of the outstanding loan balance, or; 2) an amount determined by the yield maintenance formula described in Exhibit B.

Additional Interest

A. Operations: In conjunction with the equity joint venture described in Exhibit A, Lender will receive 50% of the project's cash flow available for distribution as defined in Exhibit C. Lender reserves the right to allocate participations between the mortgage and joint venture in any way, but in any event the total participations will equal 50%.

**B. Sale or
Refinancing:**

In conjunction with the equity joint venture described in Exhibit A, Lender will receive 50% of sales proceeds available for distribution as defined in Exhibit D or 50% of refinancing proceeds as defined in Exhibit E. Lender reserves the right to allocate participations between the mortgage and the joint venture in any way, but in any event the total participations will equal 50%.

**USF&G Commitment
Fee:**

Upon receipt of a firm Commitment to Insure from the Coinsuring Lender that is acceptable to Borrower under the terms of this letter, USF&G will issue a Commitment to Purchase the subject GNMA mortgage backed securities from the Coinsuring Lender. The Commitment Fee will be \$244,000 in cash which is earned upon acceptance of the commitment documents by the Coinsuring Lender. This fee is payable by NCHP through the Coinsuring Lender to USF&G.

Initial Funding:

Full loan amount will be funded upon receipt of final certificate of occupancy and endorsement of the mortgage note for coinsurance by H.U.D. Initial funding must occur within 22 months of start of construction. Construction must start within 60 days of acceptance of USF&G's commitment. The initial funding date may be extended for up to six months upon payment of a monthly extension fee of 3/8% of the loan amount.

Letter of Credit:

Upon funding of the loan, the Borrower will commit to provide any Letter of Credit required by the coinsuring Lender. The amount of the Letter of Credit will be determined upon issuance of the firm Commitment to Insure from the Coinsuring Lender. If the required Letter of Credit is greater than 3% of the mortgage amount, Borrower may withdraw from the terms of this Letter of Application.

Legal Fees:

NCHP will pay Lender \$25,000 for all legal work pertaining to this mortgage and equity joint venture described in Exhibit A. Borrower's cooperation is not to be unreasonably withheld. Borrower will use due diligence in preparing the transaction for closing.

Contingencies:

A. H.U.D. Insurance: The principal amount of this loan and payments of principal and interest must be coinsured by the United States Department of Housing and Urban Development pursuant to Section 221(d)(4) of the National Housing Act, as amended.

B. Plans and Specifications: Lender reserves the right to approve the plans and specifications for all proposed improvements and to approve any changes, modifications, or corrections to the plans during construction. Failure to respond within 30 days after submission of plans and specifications shall be considered approval.

C. Economic Due Diligence: This commitment will be contingent on Piedmont Realty Advisors satisfactory completion of its economic due diligence by ~~May 18~~, 1987.
MAY 18

D. Committee Approval: This application must be approved by the Lender's Investment Committee by ~~May 18~~, 1987.
MAY 18

E. Secondary Financing: Lender will not permit secondary financing on the property.

F. Budget Approval: Lender reserves the right to review and approve annual operating and capital budgets.

G. Market Value Appraisal: Lender will receive a market value estimate of the property from an MAI designated appraiser approved by Lender which is not less than \$15,000,000.

H. Tri-Party Agreement: The Commitment is contingent upon the Lender, Borrower, and the Interim Lender entering into an acceptable Tri-Party Agreement within 60 days after acceptance of the Commitment.

I. Partnership Documents: The commitment will be contingent upon the Lender's approval of the borrowing entity's partnership agreement.

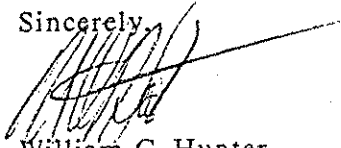
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LKM
LKM

Lisa Kolker Max
April 21, 1987
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may 11
If the terms outlined in this letter are acceptable to you, please sign below and return with an application fee of \$61,000 by April 25, 1987. The application fee should be paid by NCHP through the Coinsuring Lender and wired to a custodial account. Please call me for wiring instructions. If the Coinsuring Lender does not issue a Firm Commitment to Insure that is acceptable to Borrower under the terms of this Letter of Application, this application fee will be refunded to the Borrower and Borrower is solely responsible for the Coinsuring Lender's Fee. The Application Fee will be earned in full upon receipt of a Firm Commitment to Insure from the Coinsuring Lender that is acceptable to Borrower, and will be applied to USF&G's commitment fee.

KK- [initials]
LKM

Sincerely,


William C. Hunter

Accepted:

Lisa Kolker Max
Name

5/8/87
Date

Vice-President
Title

Exhibit A
EQUITY JOINT VENTURE

Piedmont Realty Advisors is prepared to recommend to its client's Investment Committee that it issue a commitment to enter into a joint venture agreement with National Corporation for Housing Partnerships subject to the following terms and conditions:

Property: Lake Crossing Apartments, a 300-unit apartment project containing approximately 288,000 net rentable square feet in two and three-story buildings of wood frame construction. The project will include a swimming pool, tennis courts, clubhouse, storage building, and at least 530 parking spaces.

Location: Southeast side of Blair Ridge Road, Land Lots 516, 517, 584, and 585, Cobb County, Georgia.

Land Area: Approximately 30.12 acres gross, approximately 19.89 acres net of flood plain and lake.

Total Project Cost: \$13,600,000 subject to change as described below.

Maximum Equity Investment: \$1,400,000. *

Parties: A limited partnership to be formed by National Corporation for Housing Partnerships (NCHP), and an affiliate of United States Fidelity and Guaranty Company (USF&G).

Ownership Structure: A Limited partnership in which USF&G is a limited partner and NCHP is a general partner.

1/2
* To the extent the Co-insured mortgage amount varies from the estimated amount of \$12,200,000, the equity amount will vary by one-half of the percentage change in the loan amount, e.g. if the loan is reduced 40%, the equity will be reduced 20%. Or, if the loan is increased 20%, the equity will be increased 10% - xkm

Exhibit A - Equity Joint Venture
Page Two

Basic

Responsibilities: USF&G

1. Provide Equity Capital

NCHP

1. Delivery of completed project with acceptable title;
2. Leasing;
3. Property Management. NCHP will be allowed a management fee of 5% of gross collected income. The management contract will allow USF&G to change management companies after showing cause to NCHP and allowing a 60-day period to cure.

Initial

Contributions: USF&G

Upon completion of the project, receipt of final certificate of occupancy, and upon USF&G's funding of a H.U.D. insured first mortgage of approximately \$12,200,000, USF&G will make an initial equity contribution of \$1,400,000 (or as adjusted).

- Cash Deficits:
1. NCHP will provide a corporate guarantee to fund 100% of cash flow deficits (excluding cumulative preferred return) for 24 months after initial funding.
 2. In Month 25 and thereafter, cash flow deficits will be funded 50-50 by NCHP and USF&G as additional equity contributions.

Partnership

Loans: Upon consent of both parties the partnership may borrow from NCHP, USF&G, or a third party lender. NCHP and/or USF&G will receive a rate of Prime + 1.0%. The loan(s) will be repaid from cash flow, refinancing or sale proceeds as defined in Exhibits C, D, and E.

Failure to
Contribute
Additional
Equity:

If either party fails to contribute its 50% share of Additional Equity, the other party may contribute the required Additional Equity, and the contributing party will receive an additional 1% ownership in the partnership for each \$5,000 contributed on behalf of the non-contributing party. In the event NCHP is the non-contributing party, NCHP's 35% minimum participation in distribution of sale proceeds will also be reduced by 1% for each \$5,000 contributed by USF&G on behalf of NCHP.

Handwritten: RLP
Ltm

Exhibit A - Equity Joint Venture
Page Three

Distribution of
Cash Flows:

USF&G

1. 9.5% cumulative preferred return compounded annually on Initial Equity Contributions, earned from the time of funding.
2. In conjunction with the H.U.D. coinsured first mortgage, USF&G will receive 50% of the project's cash flow available for distribution as defined in Exhibit C. USF&G reserves the right to allocate participations between the mortgage and the joint venture in any way, but in any event the total participations will equal 50%.

NCHP

50% of cash flow available for distribution.

Allocation of
Profits and Losses:

USF&G

50% (or as adjusted) of profits and losses.

NCHP

50% (or as adjusted) of profits and losses.

Distribution of
Sale Proceeds:

USF&G

In conjunction with the H.U.D. coinsured first mortgage, USF&G will receive 50% of sales proceeds available for distribution as defined in Exhibit D or 50% of refinancing proceeds as defined in Exhibit E. USF&G reserves the right to allocate participations between the mortgage and the joint venture in any way, but in any event the total participations will equal 50%. In the event of sale, USF&G shall receive a maximum of 65% (or as adjusted by the provisions of failure to contribute additional equity) of equity proceeds, as defined in Exhibit D, Line G.

NCHP

50% of Sales or Refinancing Proceeds available for distribution. In the event of sale, NCHP will receive a minimum of 35% (or as adjusted by the provisions of failure to contribute additional equity) of equity proceeds, as defined in Exhibit D, Line G.

Lock in Period: Unless agreed upon by both parties, there will be no sale of the property for ten years. The Joint Venture Agreement will contain acceptable buy/sell provisions that will prevail after 10 years.

Refinancing: Unless agreed upon by both parties, there will be no refinancing or prepayment of the H.U.D. coinsured mortgage for ten years. Anytime after the 10th anniversary of the loan funding, either party may elect to prepay the mortgage. In the event that the property is refinanced or the loan is prepaid in full, any participations associated with the mortgage will transfer to this joint venture to the benefit of USF&G. If the property is refinanced or the loan is prepaid after the tenth year, the Borrower will pay Lender a 1% prepayment penalty in years 11 through 15 and no prepayment fee in year 16 and thereafter. Refinancing proceeds will be distributed as defined in Exhibit E.

Joint Venture Fee: ~~\$19,500~~ ^{\$28,000} payable upon acceptance of Joint Venture Commitment.

Legal Fees: NCHP will pay USF&G \$25,000 for all legal work pertaining to this joint venture and mortgage. Borrower's cooperation is not to be unreasonably withheld. Borrower will use diligence in preparing the transaction for closing.

Contingencies:

A. H.U.D. Mortgage: The joint venture agreement will be contingent upon the Coinsuring Lender issuing a final endorsement to insure the first mortgage in the amount of approximately \$12,200,000 pursuant to Section 221(d)(4) of the National Housing Act. This joint venture will also be contingent upon funding of said mortgage.

Lcm

Exhibit A - Equity Joint Venture
Page Five

B. Plans and

Specifications:

USF&G reserves the right to approve the plans and specifications for all proposed improvements and to approve any changes, modifications, or corrections to the plans during construction. Failure to respond within 30 days of submission of plans and specifications shall be considered approval.

C. Economic Due

Diligence:

The joint venture agreement will be contingent on Piedmont Realty Advisors satisfactory completion of its economic due diligence by ~~May 8, 1987~~.

May 18

D. Committee

Approval:

This application must be approved by USF&G's Investment Committee by ~~May 8, 1987~~.

May 18

E. Secondary

Financing:

USF&G will not permit secondary financing on the property.

F. Budget Approval:

USF&G reserves the right to review and approve annual operating and capital budgets.

G. Market Value

Appraisal:

The joint venture agreement will be contingent upon USF&G receiving a market value appraisal from a MAI designated appraiser approved by USF&G for not less than \$15,000,000.

H. Partnership

Documents:

This joint venture agreement will be contingent upon USF&G's approval of the partnership documents.

[Handwritten signature]
LKM

[Handwritten signature]
LKM

Exhibit B

YIELD MAINTENANCE FORMULA

$$((1 - R) \times ((MR \times OSB) - (R \times OSB))) + \\ ((1 - R)^2 \times ((MR \times OSB) - (R \times OSB))) = \text{Prepayment Fee}$$

Where: R = Interest Rate on 2 Year Treasury Note
MR = Mortgage Interest Rate
OSB = Outstanding Mortgage Balance

Example: R = .06
MR = .0875
OSB = \$1000

$$((1 - .06) \times ((.0875 \times 1000) - (.06 \times 1000))) + ((1 - .06)^2 \times ((.0875 \times 1000) - (.06 \times 1000)))$$

$$(.94 \times (87.50 - 60)) \quad + \quad (.88 \times (87.50 - 60))$$

$$(.94 \times 27.50) \quad + \quad (.88 \times 27.50)$$

$$25.85 \quad + \quad 24.20 \quad = \quad \$50.05$$

Exhibit C

DEFINITION OF CASH FLOW AVAILABLE FOR DISTRIBUTION

<u>Line</u>	<u>Item</u>
A	Actual Gross Collected Income
B Less:	<u>Approved Operating Expenses *</u>
C Equals:	Net Operating Income
D Less:	First Mortgage Debt Service
E Less:	<u>Any Expenditures Required by H.U.D. Including Reserves and Escrows</u>
F Equals:	Surplus Cash as Defined by H.U.D. Regulatory Agreement
G Less:	Debt Service on Partnership Debt
H Less:	<u>Cumulative Preferred Return</u>
I Equals:	Cash Flow Available for Distribution

Note * Taxes, utilities and insurance expenses are deemed automatically approved. All other expenses must be approved by USF&G.

Exhibit D

DEFINITION OF SALE PROCEEDS AVAILABLE FOR DISTRIBUTION

Line

A. Gross Sales Price

Less:

B. Actual Sales Expenses to Unrelated Third Parties not to exceed 3% of Gross Sales Price.

C. Outstanding First Mortgage Balance.

D. Any H.U.D. Required Reserves.

E. Any Outstanding Partnership Debt

F. USF&G's Initial Equity Contributions

Equals:

G. Equity Proceeds from Appreciation

Less:

H. USF&G's Unpaid Cumulative Compounded Preferred Return (Not to Exceed 65% of Line G unless adjusted by failure to contribute additional equity.)

I. Pro-Rata Repayment of Both Parties' Additional Equity Contributions.

Equals:

J. Sales Proceeds Available for Distribution.

Exhibit E

DISTRIBUTION OF REFINANCING PROCEEDS

Line

A. Net New Loan Proceeds

Less:

B. Outstanding First Mortgage Balance

C. Any Outstanding Partnership Debt

D. USF&G's Unpaid Cumulative Compounded Preferred Return

E. Pro-Rata Repayment of Both Parties' Additional Equity Contributions

Equals:

F. Refinancing Proceeds Available for Distribution

Exhibit 2
REGIONAL MAP

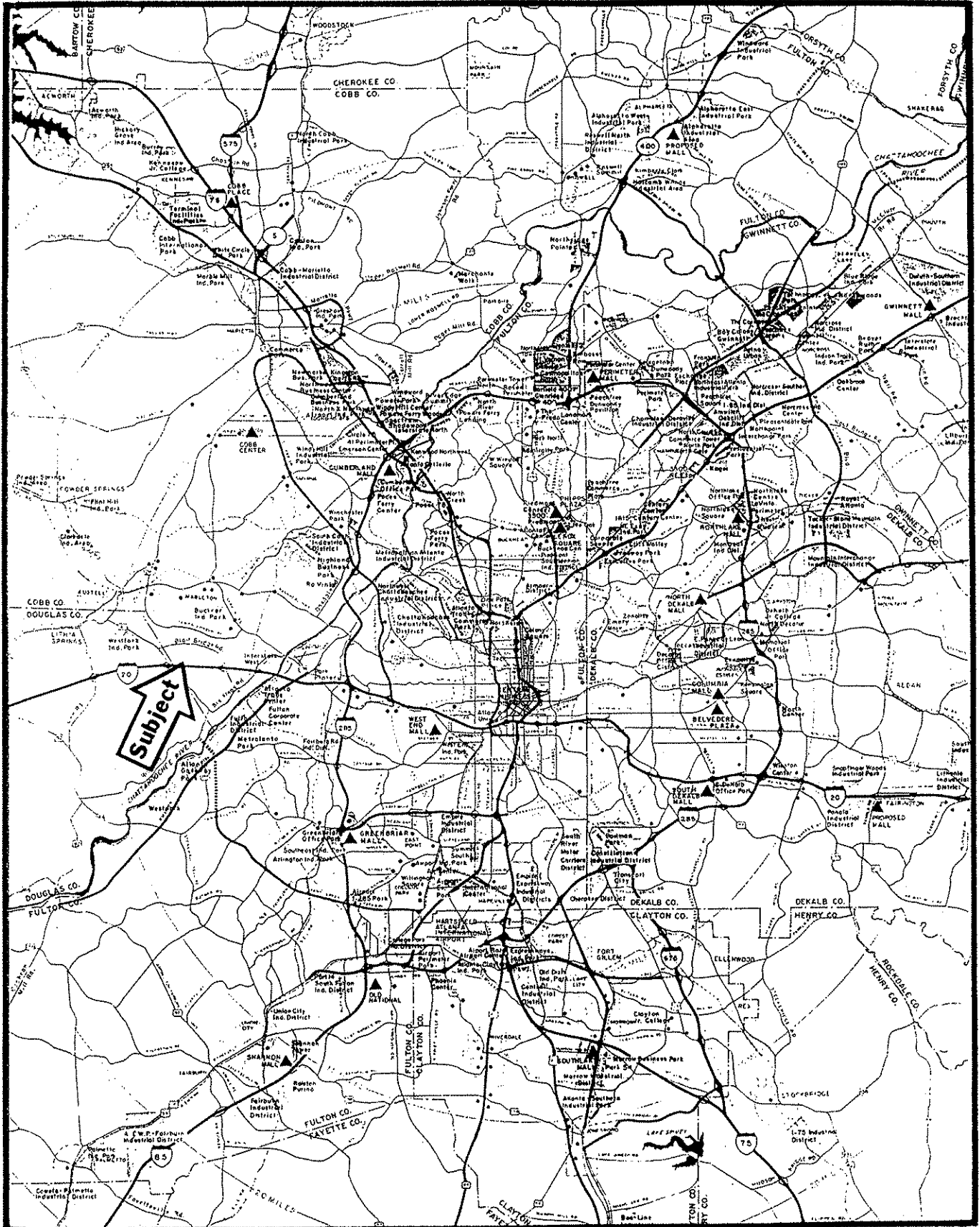


Exhibit 3
LOCAL MAP

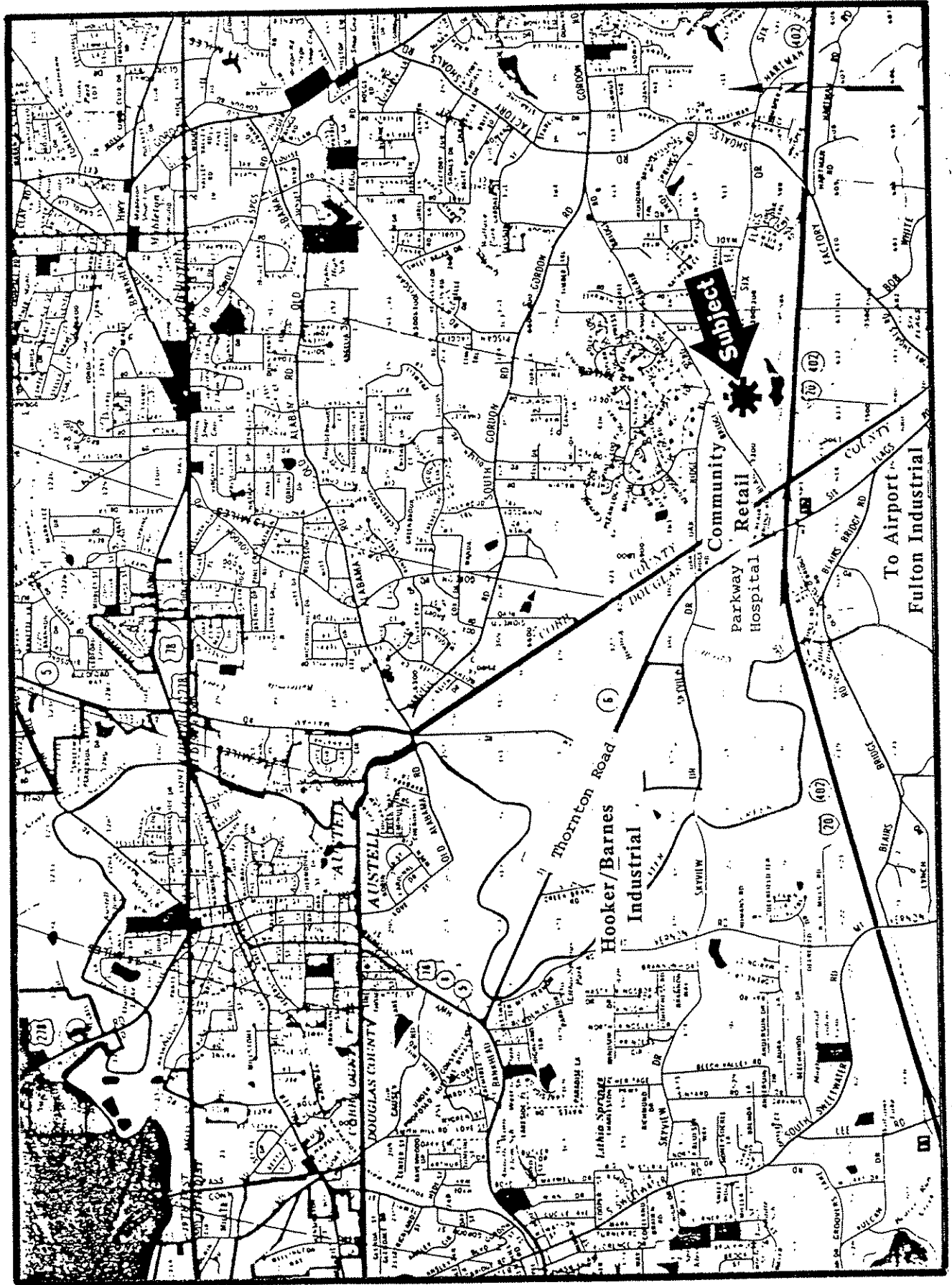
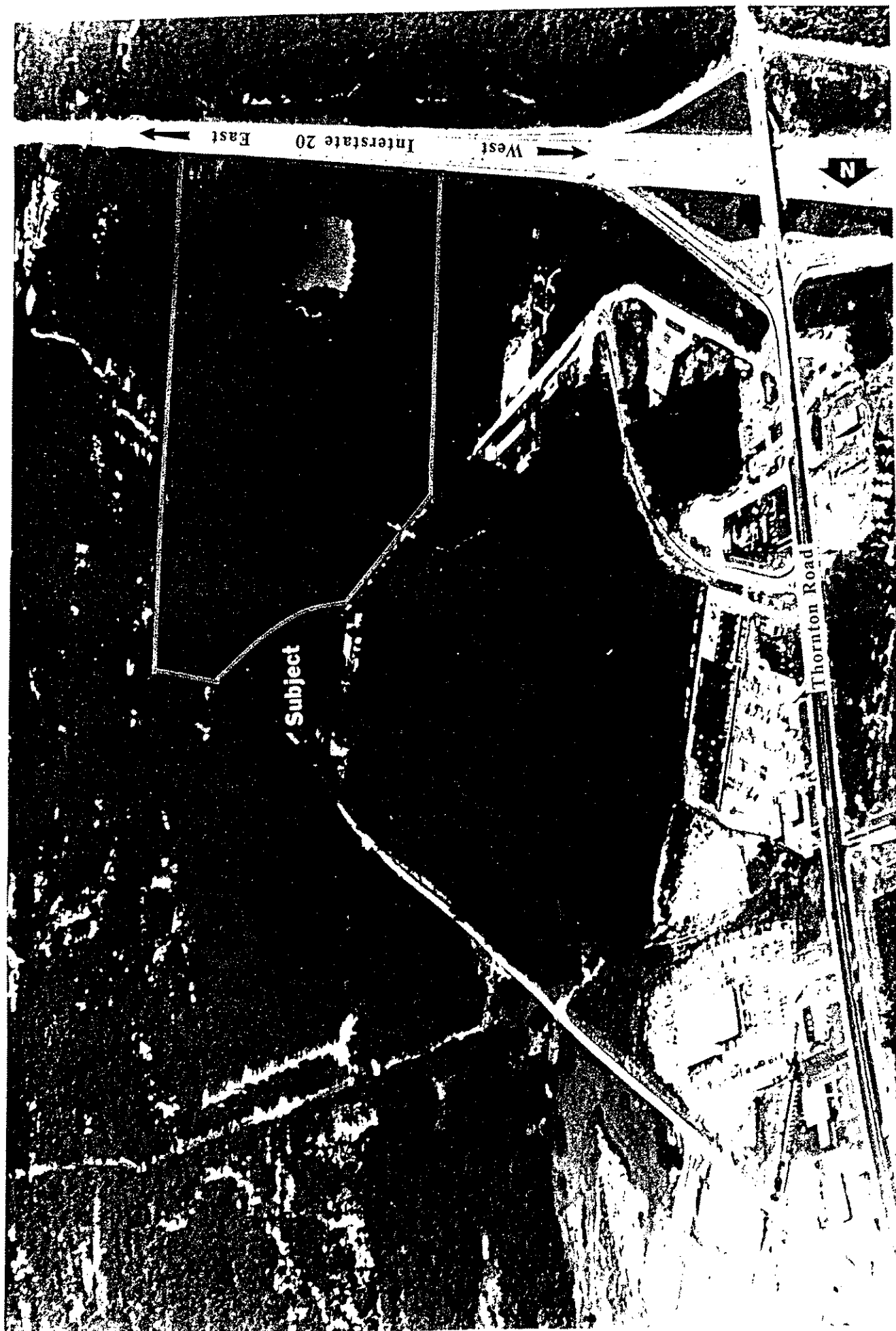
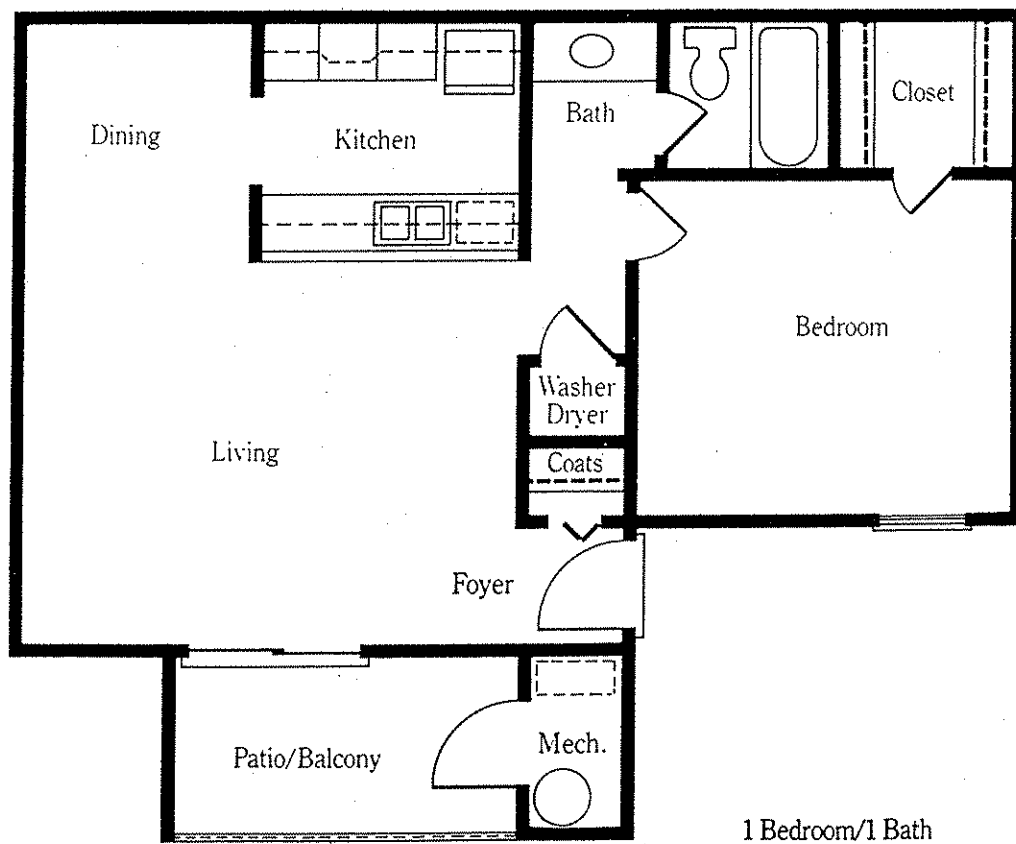


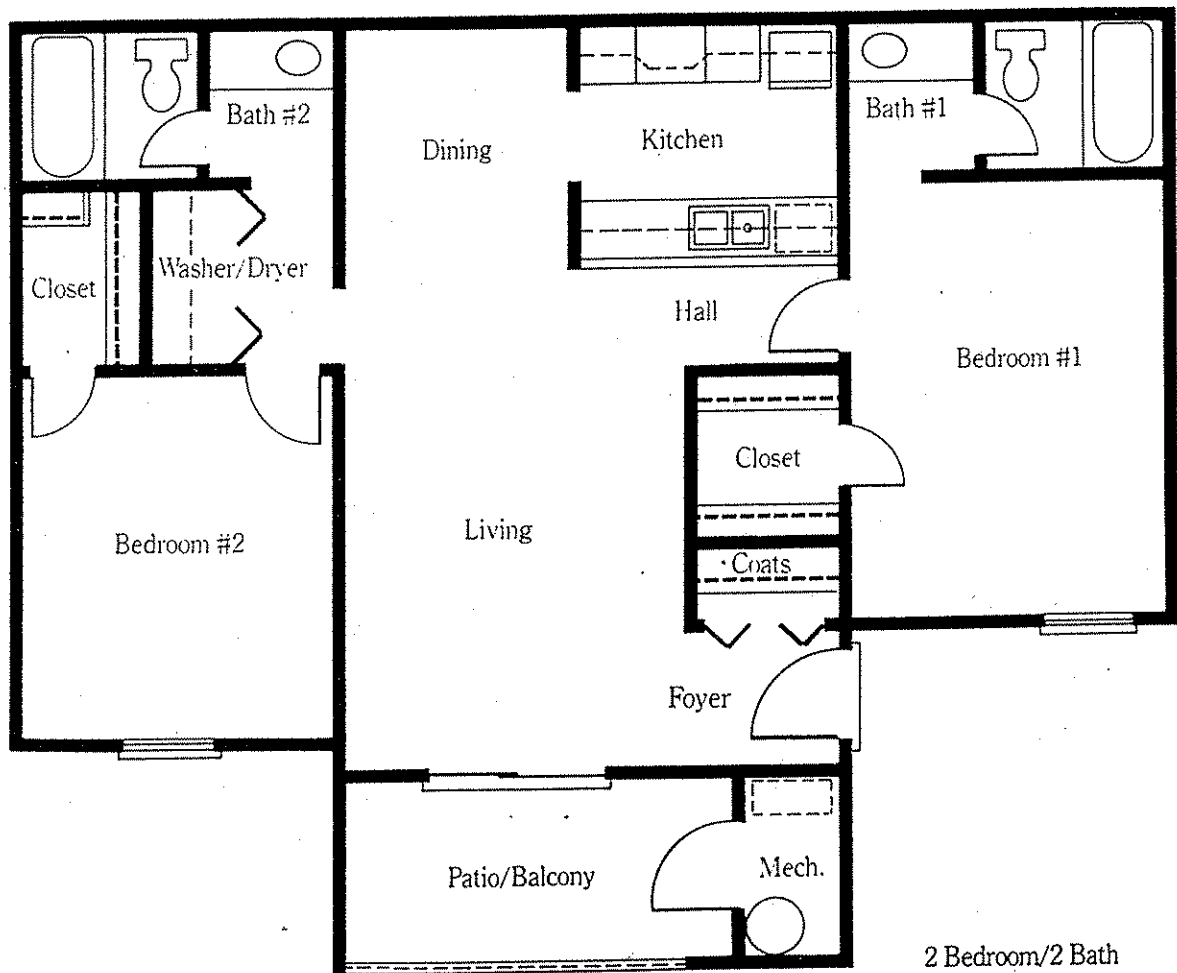
Exhibit 4
AERIAL PHOTOGRAPH



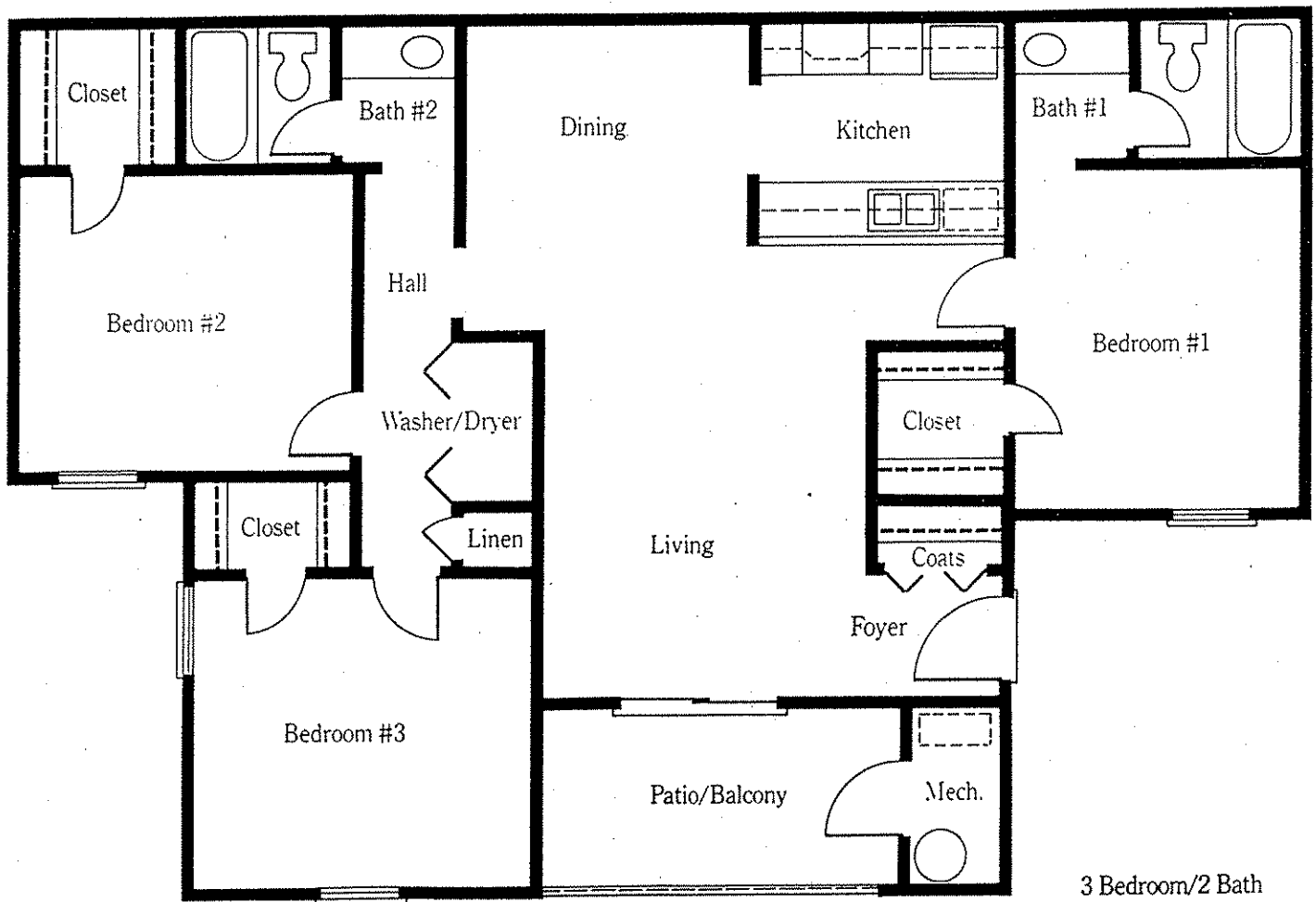
**Exhibit 6A
FLOOR PLANS**



**Exhibit 6B
FLOOR PLANS**



**Exhibit 6C
FLOOR PLANS**



**Exhibit 7
UNIT MIX**

Number of Units -----	Unit Type -----	Size -----	Total Square Footage -----
40	1BR/1BA	730 S.F.	29,200
60	1BR/1BA	772 S.F.	46,320
48	2BR/2BA	992 S.F.	47,616
72	2BR/2BA	1,041 S.F.	74,952
48	BR/2BA	1,246 S.F.	59,808
32	BR/2BA	1,295 S.F.	41,440
---			-----
Totals	300		299,336
			Avg. 998 S.F.

Exhibit 8
PROJECT BUDGET
LAKE CROSSING APARTMENTS

	<u>Total Cost</u>	<u>Cost Per Unit</u>
Land	\$ 1,200,000	\$ 4,000
Hard Costs		
Site Development	\$ 860,000	
Sewer & Tap Fees	175,000	
Construction Contract	7,200,000	
Landscaping	400,000	
Contractors Fees	<u>440,000</u>	
Total Hard Costs	\$ 9,075,000	\$30,250
Soft Costs		
Architect/Engineer	\$ 130,000	
Construction Interest	1,100,000	
Taxes and Insurance	125,000	
Lease-Up Costs	175,000	
Furniture and Fixtures	125,000	
Contingency and Reserves	250,000	
Legal	40,000	
Financing Fees	550,000	
Developers Fees	<u>830,000</u>	
Total Soft Costs	\$ 3,325,000	\$11,083
Total Project Costs	\$13,600,000	\$45,333
		\$47.46 P.S.F.

Exhibit 9
DEMOGRAPHIC INFORMATION

County	Population			Average Annual Percent Increase 1980-1985	Average Household Income 1984	Employment			Average Annual Percent Increase 1980-1985
	1970	1980	1985			1970	1980	1985	
Cobb	196,792	297,718	363,033	4.4	\$38,207	61,211	97,151	151,900	11.3
Clayton	98,043	150,357	161,629	1.5	\$33,844	24,761	52,841	80,000	10.3
Dekalb	415,386	483,024	507,310	1.0	\$36,545	120,607	218,142	279,000	5.6
Fulton	605,581	589,904	625,987	1.2	\$31,866	390,479	446,229	490,000	2.0
Gwinnett	72,349	166,903	237,293	8.4	\$39,291	14,555	48,514	89,400	16.7
Total	1,388,151	1,687,907	1,895,252	2.2	\$35,302	550,402	765,726	938,400	9.18

Source: Atlanta Regional Commission
Dale Henson Associates
Piedmont Realty Advisors

Exhibit 10 RENT COMPARABLE SURVEY

Map No.	Project	Year Built	Unit Type	Rentable Area	Rent	\$/S.F.	Comments
1.	Parkway Station Austell Road 344 Units	1987	1BR/1BA 2BR/2BA 3BR/2BA	720 1,050 1,337	\$395 505 535	.55 .48 .40	Completed construction 5/87. Lease-up special, \$99 covers application fee, security deposit, first month's rent. Leasing 20 units/mo. Strong interest in 3 BR units.
2.	Concepts 21 Six Flags Road 220 Units	1987	1BR/1BA 2BR/1BA 2BR/2BA 3BR/2BA	790 963 1,150 1,264	\$420 455 510 575	.53 .47 .44 .45	Completed and fully leased 2/87. Frontage on I-20 an asset. Currently waiting lists, no specials, 3 BR's are all adult. Recent rent increase of \$15 to \$30 per unit.
3.	Sweetwater Maxon Road 156 Units	1987	1BR/1BA 2BR/1BA 2BR/2BA	700 1,115 1,150	\$385 450 490	.55 .40 .43	Still under construction, began leasing in 1/87. Leasing 25 units/mo. with no specials.
4.	Parkway Village Powder Springs Road 170 Units	1986	1BR/1BA 2BR/2BA 3BR/2BA	675 1,090 1,250	\$395 520 625	.59 .48 .50	New project reached full occupancy within 10 months. Currently waiting list for 3 Bedrooms.
5.	Subject Blair Bridge Road 300 Units	U/C	1BR/1BA 2BR/2BA 3BR/2BA	772 1,041 1,246	435 515 575	.56 .49 .46	Subject property. Will have excellent frontage on I-20 and better amenities than comparables.

Source: Piedmont Realty Advisors

Exhibit 10A
RENT COMPARABLE MAP

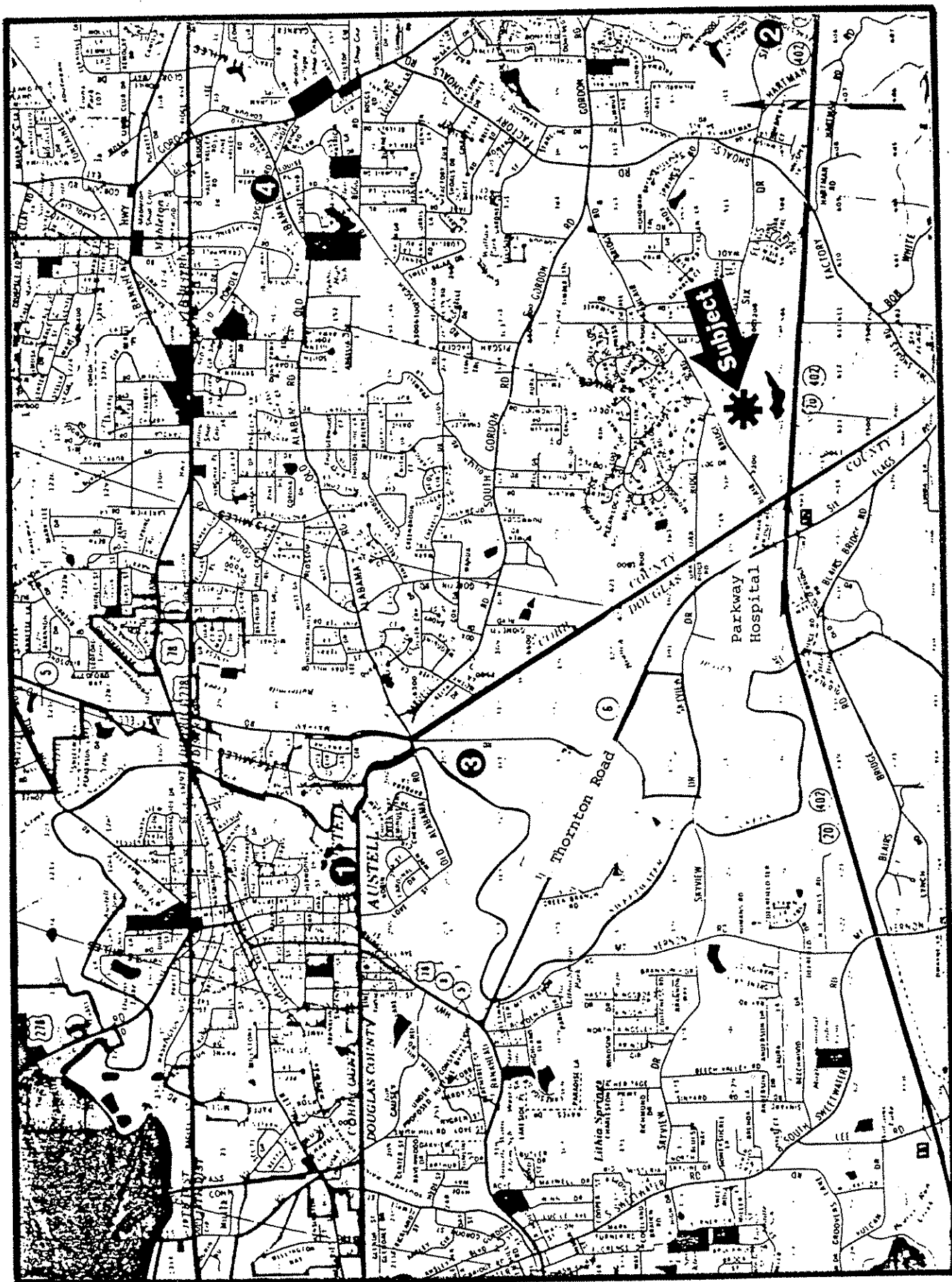
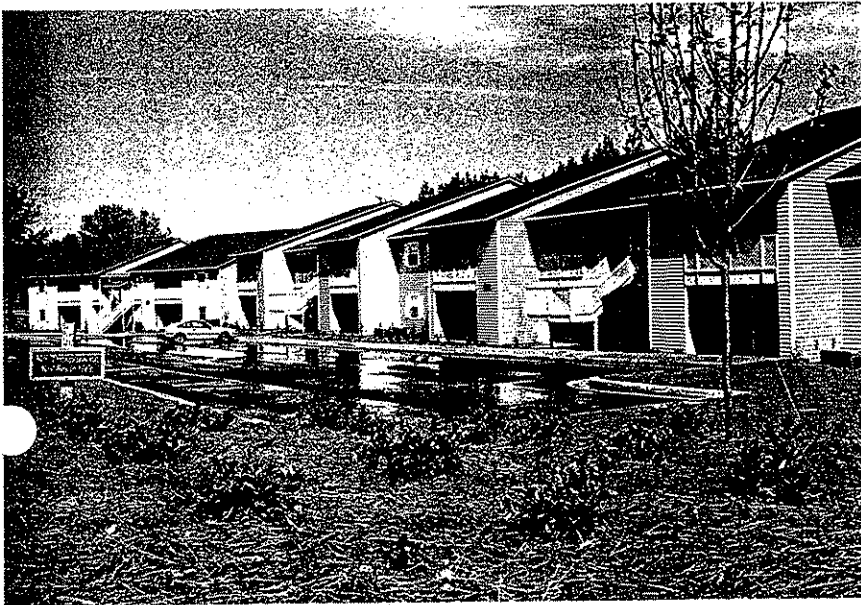


Exhibit 11
NHP, INC. FINANCIAL HIGHLIGHTS

	Fiscal 1986	Fiscal 1985	Fiscal 1984
Summary of Combined Financial Operations			
Revenue	\$ 56,138,000	\$ 54,923,000	\$ 52,801,000
Net Income	11,446,000	5,698,000	3,541,000
Net Income per Investment Unit	13,790	6,849	4,255
Cash Provided by Operations	15,338,000	9,536,000	9,208,000
Summary of Combined Financial Condition			
Receivables-Partnership Investors	118,863,000	123,051,000	121,497,000
Total Assets	235,326,000	268,731,000	238,747,000
Liabilities	158,343,000	199,494,000	175,597,000
Deferred Income	39,688,000	43,352,000	42,963,000
Net Worth	37,295,000	25,885,000	20,187,000
Assets of Non-Consolidated Rental Properties In Which NHP Has an Interest	\$2,642,089,000	\$2,431,091,000	\$2,067,253,000
Number of States, including D.C. and Puerto Rico			
Number of Properties			44
Number of Units Under Construction, Completed, or Acquired			707
Total Property Costs			96,657
Total NHP Equity Commitment			\$4,378,089,000
			\$438,994,000

The Crossings

Atlanta, Georgia



The Crossings is a community where natural surroundings and luxury apartments blend in perfect harmony. The 200-unit complex overlooks a large lake and is nestled among giant oak, maple and pine trees. The spacious clubhouse, pool and tennis courts combine to encourage the leisurely life style. Just minutes from downtown Atlanta, The Crossings features one, two, and three bedroom units with patios or decks, walk in closets, soft pastel interiors and private entrances.

Partnership:

DeKalb Crossing Limited Partnership

General Partner:

National Corporation of Housing Partnerships,
Washington, DC

Local Partner:

Wilkinson Properties, Inc., Atlanta, Georgia

Permanent Debt:

\$8,000,005. AAA Rated Tax Exempt Bond

7.625% Coupon, 12 Year Bond

7 Year Call 30 Year Amortization

Credit Enhancement:

Continental Casualty Company

Underwriter:

Newman and Associates, Inc.

E.F. Hutton & Company, Inc.

Bond Counsel:

King and Spalding

Construction Lender:

Letter of Credit, The Citizens and Southern

National Bank

Trustee:

Trust Company Bank

Equity:

\$2,863,440. (Dean Whitter)

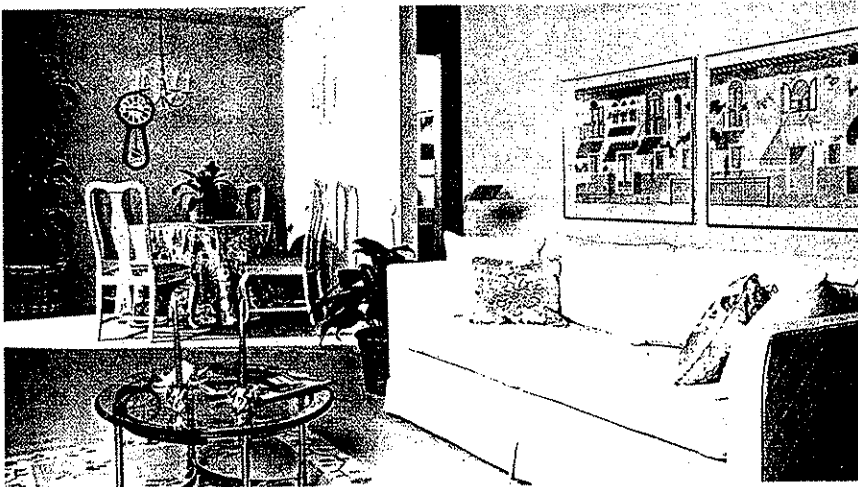


Exhibit 13 FINANCIAL PROJECTIONS - MOST LIKELY

LAKE CROSSING
300 UNITS
COBB COUNTY, GEORGIA

PROJECTED RETURNS (I.R.R.)	ASSUMPTIONS				5.00%	NET RENTABLE			RENT/HO	\$/HRA	# OF UNITS
	LOAN AMT	NOTE RATE	12.200,000	INFLATION		CURRENT	1/1	724			
DEBT	8.75%	ANDRT	8.75%	VACANCY	5.00%	RENTS	2/2	959	435	0.60	100
EQUITY	23.14%	INSUR. FEES	40	EXPENSES	35.00%		3/2	1,228	515	0.54	120
TOTAL CAPITAL	11.32%	EQUITY AMT.	1,000,000	CAP RATE	9.00%	TOTALS		285,720	575	0.47	80
		PARTICIPATION	50.00%	OTHER INC.	10				151,300	0.53	300
		PFED RET RATE	9.50%	COST/UNIT	45.333						
				COST/FOOT	47.60						
				AVG. S.F.	952						

LOAN YEAR	1	2	3	4	5	6	7	8	9	10
RENT	2,001,699	2,101,784	2,206,873	2,317,217	2,433,078	2,554,732	2,682,468	2,816,592	2,957,421	3,105,292
OTHER INCOME	39,690	41,675	43,758	45,946	48,243	50,656	53,188	55,848	58,640	61,572
VACANCY	(102,069)	(107,173)	(112,532)	(118,158)	(124,066)	(130,269)	(136,783)	(143,622)	(150,803)	(158,343)
EFF. GROSS	1,939,320	2,036,286	2,138,100	2,245,005	2,357,255	2,475,118	2,598,874	2,728,817	2,865,258	3,008,521
EXPENSES	(678,762)	(712,700)	(748,335)	(785,752)	(825,039)	(866,291)	(909,606)	(955,086)	(1,002,840)	(1,052,982)
NOI	1,260,558	1,323,586	1,389,765	1,459,253	1,532,216	1,608,827	1,689,268	1,773,731	1,862,418	1,955,539
VALUE	14,006,197	14,706,507	15,441,832	16,213,924	17,024,620	17,875,851	18,769,643	19,708,125	20,693,532	21,728,208

LOAN INFORMATION										
PAYMENT	1,106,103	1,106,103	1,106,103	1,106,103	1,106,103	1,106,103	1,106,103	1,106,103	1,106,103	1,106,103
INTEREST	1,067,500	1,064,122	1,060,449	1,056,454	1,052,110	1,047,395	1,042,248	1,036,660	1,030,584	1,023,976
AMORTIZATION	38,603	41,981	45,655	49,649	53,994	58,718	63,856	69,443	75,520	82,127
ENDING BAL	12,161,397	12,119,415	12,073,761	12,024,112	11,970,118	11,911,400	11,847,544	11,778,101	11,702,582	11,620,454
FEES	122,000	122,000	122,000	122,000	122,000	122,000	122,000	122,000	122,000	122,000
CASH FLOW	32,454	95,482	161,662	231,150	304,112	380,723	461,165	545,628	634,314	727,435

EQUITY INFORMATION										
EQUITY BAL.	1,400,000	1,500,546	1,547,615	1,532,977	1,447,460	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000
PFED DUE	133,000	142,552	147,023	145,633	137,509	133,000	133,000	133,000	133,000	133,000
PFED REC'D	32,454	95,482	147,023	145,633	137,509	133,000	133,000	133,000	133,000	133,000
PAYDOWN	0	0	14,638	85,517	47,460	0	0	0	0	0
ADD'L INT	0	0	0	0	59,572	123,862	164,082	206,314	250,657	297,218
SALE PROCEEDS										4,353,877
ENDING BAL	1,500,546	1,547,615	1,532,977	1,447,460	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000

SUMMARY CASH FLOWS										
DEBT	IRR	8.75%								
(12,200,000)	1,106,103	1,106,103	1,106,103	1,106,103	1,106,103	1,106,103	1,106,103	1,106,103	1,106,103	1,106,103
EQUITY	IRR	23.14%								
(1,400,000)	32,454	95,482	161,662	231,150	244,541	256,862	297,082	339,314	383,657	6,184,095
TOTAL CAPITAL	IRR	11.32%								
(13,600,000)	1,138,558	1,201,586	1,267,765	1,337,253	1,350,644	1,362,965	1,403,186	1,445,417	1,489,761	16,910,652

Exhibit 14 FINANCIAL PROJECTIONS - WORST CASE

LAKE CROSSING
300 UNITS
COBB COUNTY, GEORGIA

ASSUMPTIONS																			
PROJECTED RETURNS (I.R.R.)		LOAN AMT		12,200,000		INFLATION		2.00%		CURRENT		NET RENTABLE		RENT/MD		\$/MRA		# OF UNITS	
		NOTE RATE		8.75%		VACANCY		10.00%		1/1		724		435		0.60		100	
		AMORT		40		EXPENSES		39.00%		2/2		959		515		0.54		120	
DEBT		8.75%		1.00%		CAP RATE		9.00%		3/2		1,228		575		0.47		80	
EQUITY		3.24%		1,400,000		OTHER INC.		10		TOTALS		285,720		151,300		0.53		300	
TOTAL CAPITAL		8.03%		50.00%		COST/UNIT		45.333											
				9.50%		COST/FOOT		47.60											
						PRPD RET RATE		AVG. S.F.											
								952											

LOAN YEAR	1	2	3	4	5	6	7	8	9	10
RENT	1,888,950	1,926,729	1,965,264	2,004,569	2,044,660	2,085,554	2,127,265	2,169,810	2,213,206	2,257,470
OTHER INCOME	37,454	38,203	38,968	39,747	40,542	41,353	42,180	43,023	43,884	44,761
VACANCY	(192,640)	(196,493)	(200,423)	(204,432)	(208,520)	(212,691)	(216,944)	(221,283)	(225,709)	(230,223)
EFF. GROSS	1,733,764	1,768,439	1,803,808	1,839,884	1,876,682	1,914,216	1,952,500	1,991,550	2,031,381	2,072,009
EXPENSES	(676,168)	(689,691)	(703,485)	(717,555)	(731,906)	(746,544)	(761,475)	(776,705)	(792,239)	(808,083)
NOI	1,057,596	1,078,748	1,100,323	1,122,329	1,144,776	1,167,672	1,191,025	1,214,846	1,239,142	1,263,925
VALUE	11,751,068	11,986,090	12,225,811	12,470,528	12,719,734	12,974,129	13,233,612	13,498,284	13,768,249	14,043,614

LOAN INFORMATION	1	2	3	4	5	6	7	8	9	10
PAYMENT	1,106,103	1,106,103	1,106,103	1,106,103	1,106,103	1,106,103	1,106,103	1,106,103	1,106,103	1,106,103
INTEREST	1,067,500	1,064,122	1,060,449	1,056,454	1,052,110	1,047,385	1,042,248	1,036,660	1,030,584	1,023,976
AMORTIZATION	38,603	41,981	45,655	49,649	53,994	58,718	63,856	69,443	75,520	82,127
ENDING BAL	12,161,397	12,119,415	12,073,761	12,024,112	11,970,118	11,911,400	11,847,544	11,778,101	11,702,582	11,620,454
FEES	122,000	122,000	122,000	122,000	122,000	122,000	122,000	122,000	122,000	122,000
CASH FLOW	(170,507)	(149,355)	(127,780)	(105,774)	(83,327)	(60,432)	(37,078)	(13,258)	11,039	35,822

EQUITY INFORMATION	1	2	3	4	5	6	7	8	9	10
EQUITY BAL.	1,400,000	1,533,000	1,678,635	1,965,886	2,258,419	2,556,296	2,859,576	3,168,314	3,482,561	3,802,365
PFRO DUE	133,000	145,635	159,470	186,739	214,550	242,848	271,660	300,990	330,843	361,225
PFRO REC'D	0	0	0	0	0	0	0	0	11,039	35,822
PAYDOWN	0	0	(127,780)	(105,774)	(83,327)	(60,432)	(37,078)	(13,258)	0	0
ADD'L INT	0	0	0	0	0	0	0	0	0	0
SALE PROCEEDS										(689,603)
ENDING BAL	1,533,000	1,678,635	1,965,886	2,258,419	2,556,296	2,859,576	3,168,314	3,482,561	3,802,365	4,127,768

SUMMARY CASH FLOWS	1	2	3	4	5	6	7	8	9	10
DEBT	IRR	8.75%								
(12,200,000)	1,106,103	1,106,103	1,106,103	1,106,103	1,106,103	1,106,103	1,106,103	1,106,103	1,106,103	12,726,557
EQUITY	IRR	3.24%								
(1,400,000)	0	0	(127,780)	(105,774)	(83,327)	(60,432)	(37,078)	(13,258)	11,039	2,423,160
TOTAL CAPITAL	IRR	8.03%								
(13,600,000)	1,106,103	1,106,103	978,323	1,900,329	1,022,776	1,045,672	1,069,025	1,092,846	1,117,142	15,149,718