

## MEMORANDUM

To: Potential 2010 Applicants for Tax Credits and Exchange Funds

Date: April 19, 2010

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The following requirements apply to all applications, due May 19, 2010, requesting Exchange funds:

1. Applicant must apply for tax credits. Applicant must make a good faith effort to obtain the best price possible for the requested tax credits. The good faith effort must be evidenced as provided in Paragraph 7 herein.
2. If the price per credit you obtain, in addition to all other financing sources, will not generate sufficient funds to make the development financially feasible, you may request the gap between the price per credit obtained and the price per credit necessary to make the development financially feasible, limited to \$0.85 per credit. The ADFA Board of Directors has discretion to deny Exchange fund requests if it determines that the request does not maximize its utilization of Exchange funds.
3. You must provide evidence of alternative financing in the event Exchange funds are not awarded, if you wish your application to be alternatively considered for an award of tax credits only. The denial itself of Exchange funds will not be a basis to disqualify your application for tax credits; however, Applicant should be aware of the impact that lack of Exchange funds and use of the alternative financing will have on the threshold underwriting criteria.
4. Applicants requesting Exchange funds must include \$13,000 in Section XXIV. Development Costs worksheet. It should be inserted under Development Reserves on line item Other Reserve. This amount is in addition to the minimum amount required under Section XX. Annual Expense Information, Operating Reserves. This amount estimates two (2) years of asset management fees.
5. Applicants requesting Exchange funds must also include an asset management fee under Section XX. Annual Expense Information in the Operating Expense Annual budget, in General and Administrative-Other, of \$6,500.
6. Applications including a request for Exchange funds will be assessed an underwriting fee if the application is approved for Exchange funds. Staff will adjust the application budget and Exchange fund request for such fee.

7. Applicants must submit in addition to the commitment letter of the investor/syndicator purchasing the tax credits: (1) a letter from one nationally recognized investor/syndicator, stating they have been offered, and have refused, to purchase the tax credits at a price higher than the price submitted with the tax credit application, and (2) that Applicant has contacted at least two other nationally recognized investors/syndicators who have refused to purchase the credits at a price higher than the price submitted with the tax credit application. The affidavit must include the amount of tax credits offered, the identity of each investor/syndicator, contact name, contact address, and contact's telephone number and email address.
8. Applicants that were awarded tax credits in 2009 are eligible to apply for 2010 tax credits and Exchange funds if they return, in writing, the full amount of tax credits allocated in 2009.

2009 Applicants must ensure that all applications for tax credits comply with the 2010 Qualified Allocation Plan, including but not limited to a market study performed within 6 months of application, letter of support dated within 6 months of application, Capital Needs Assessment if applicable dated within 6 months of application, utility allowance documentation dated within 6 months of application, financing commitment letters dated within 6 months of application, and appraisal if applicable dated within one year of the application. **Updates to the documents provided in 2009 are acceptable so long as the update is performed within the time required by the 2010 Qualified Allocation Plan.** If an update is being submitted, please submit a copy of the original document as well.

9. Applications will first be reviewed under the 2010 Qualified Allocation Plan for credits, and, if threshold criteria met, scored pursuant to the 2010 Qualified Allocation Plan for tax credits. Applications that are recommended for an award of 2010 tax credits, and also include a request for Exchange funds, will then be ranked based upon this "tax credit score" (highest to lowest). Applications evidencing a price per credit below the price per credit determined by ADFA to be reasonable will be eliminated from this ranking, thus eliminating such applications from consideration for Exchange funds (this elimination does not affect the application's eligibility for a tax credit award, if sufficient alternative financing is provided). The remaining applications are the "eligible applications for Exchange funds."

Exchange funds will be awarded to the eligible applications for Exchange funds, beginning with the application with the highest tax credit score, then the next highest, and so forth until the earlier of these two events occur: (1) Exchange fund availability

based upon 40% of the 2010 population component is depleted, or (2) all eligible applications for Exchange funds are awarded Exchange funds.

If ADFA determines that Exchange funds in excess of the amount generated by exchange of 40% of its population credits is available, and that it is in the best interest of affordable housing in Arkansas to utilize some or all of this availability, ADFA retains discretion to increase the amount of Exchange funds available for award. If ADFA does so determine, the exchange of credits for additional Exchange funds may decrease the amount of tax credits available for award and decrease the number of applications recommended for an award of tax credits.

By applying for Exchange funds, Applicant acknowledges that as of the date of this Memorandum, legislation providing for Exchange fund availability in 2010 is not final and ADFA is permitting applications for Exchange funds based upon anticipation of the final legislation. If such legislation does not become final, such legislation is substantially changed or interpretation of the final legislation changes ADFA's ability to exchange 40% of its population credits for Exchange funds, ADFA retains the discretion to make an award of tax credits only and revise its plan for utilization of any Exchange funds made available under the final legislation, if any. ADFA further retains the right to impose additional requirements on requests for Exchange funds in the event ADFA determines that such additional requirements are necessary or in the best interests of affordable housing in Arkansas.