



J. BENJAMIN VAN KLEEF
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MEMORANDUM

TO: 2016 Tax Credit Recipients

DATE: June 28, 2016

FROM: J. Benjamin Van Kleeef

RE: 2016 Carryover Allocations and 2016 Carryover Certification

Posted today to the ADFA website are the following documents:

1. 2016 Carryover Allocation Application – Certification of Owner;
2. Exhibit A – Development Information Form;
3. Election Statement – Carryover; and
4. 2016 Carryover Certificate for 10% for 2015 awards.

Pursuant to Internal Revenue Code (“IRC”) Section 42 and the Authority’s Qualified Allocation Plan (“QAP”) and Guidelines, in order to receive a reservation from the 2016 state ceiling, each building that is part of the low-income housing development, must either place in service no later than December 31, 2016, or meet the carryover requirements of Section 42(h)(1)(E) of the IRC and related regulations.

For those buildings that will not be placed in service by December 31, 2016, in order for the Authority to issue a carryover allocation, the Owner must complete, execute and submit to the Authority the following carryover-allocation documents no later than 4:30 p.m. on December 5, 2016:

1. 2016 Carryover-Allocation Application – Certification of Owner;
2. 2016 Exhibit A – Development Information Form completed and returned in Word format;
3. 2016 Election Statement – Carryover, if appropriate; and
4. Sworn statement signed by Owner that all financial information remains as represented in the 2016 tax credit application.

For the developments which received a reservation from the 2015 state ceiling and must be placed in service by December 31, 2017, must complete the 2016 Carryover Certificate for 10% for 2015 Reservations.

The above mentioned must be submitted to the Authority via email and hard copy. Email Multifamily.Housing@adfa.arkansas.gov, and provide the hard copy to Lornea A. Wells, 900 West Capitol Avenue, Suite 310, Little Rock, Arkansas 72201.

The following documentation, if not already provided to the Authority, **must be provided no later than 4:30 p.m. on December 5, 2016**, in order for the Authority to issue a carryover allocation:

1. Phase I Environmental Site Assessment (“ESA”) dated within six (6) months of December 5, 2016, unless a developer has already submitted it to ADFA.

Failure to meet the above-requirements for reservation of 2016 low income-housing tax credits or the 2015 awarded developments 10% test will result in no allocation of credits and the return to the Authority of all tax credits awarded.

ARKANSAS DEVELOPMENT FINANCE AUTHORITY

**Federal Low-Income Housing Tax Credit Carryover-Allocation Application
For 2016 Awarded Developments**

Of

Owner

CERTIFICATION OF OWNER

In order to receive a Federal Low-Income Housing Tax Credit Carryover-Allocation Certificate for the development of _____ (the, "Development"), _____ (the "Owner") certifies to the following:

A. Owner/Development Information:

Owner Name: _____

Taxpayer ID No.: _____

Owner Address: _____

Development Name:

Development Address:

B. Each building within the Development:

1) is: newly constructed building

or

an acquired building that will be substantially rehabilitated and comply, at a minimum, with Section 42(e) of the Internal Revenue Code (the "Code");

2) is a "qualified building," as defined in Section 42(h)(1)(E)(ii) of the Code;

3) is a part of the Development in which the Owner will have adjusted basis in land and depreciable property in the Development, as of November 3, 2017, in an amount equal to at least \$_____ representing _____% of said Owner's reasonably expected basis of \$_____ in the Development as of December 31, 2018;

4) will be placed in service no later than December 31, 2018.

C. The Owner has executed and attached "Exhibit A – Development Information Form," in accordance with the Authority's instructions.

D. The Owner is required:

1) as of November 3, 2017, to have basis in land and depreciable property in the Development that is more than ten percent (10%) of the reasonably expected basis in the Development as of December 31, 2018;

2) to submit the "Certification of Carryover-Allocation Basis" form, required by the Authority, no later than 4:30 p.m., December 4, 2017 in the offices of the Authority; and

3) Submit a Phase I Environmental Site Assessment unless previously provided to the Authority by December 31, 2016.

- E. Failure to meet any of the above requirements by December 4, 2017, will cause all federal low-income housing tax credits reserved for the development to be returned to the Authority in accordance with 26 C.F.R. § 1.42-6(a)(2)(ii).

The Owner acknowledges that, in issuing a Carryover-Allocation Certificate, the Authority will rely upon the information submitted by the Owner. The Owner further acknowledges that the Authority, by its issuance of a Carryover-Allocation Certificate for Additional Tax Credits, makes no representation or guarantee that the Owner will be eligible to receive the federal low-income housing credits reserved therein; eligibility is determined by the Internal Revenue Service.

OWNER:

By:
Its: General Partner

By: _____
Name:
Title:
Owner Mailing Address:

ACKNOWLEDGEMENT

STATE OF

COUNTY OF

On this _____ day of _____, 2016 before me a Notary Public within and for said County and State, personally appeared _____, to me known to be the person described herein and who, being by me first duly sworn, executed the foregoing "Certification of Owner", and acknowledged, deposed and said that he/she was authorized to execute the same for the consideration and purposes therein contained and stated that the information and certifications contained therein are true and correct to the best of his/her knowledge and belief.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this _____ day of _____, 2016.

Notary Public

My commission expires: _____

**BINDING AGREEMENT AND ELECTION STATEMENT
UNDER SECTION 42(b) (2) (A) (ii) (I) OF THE
INTERNAL REVENUE CODE
2016 TAX CREDIT DEVELOPMENTS**

The undersigned, this _____ day of _____, 2016, hereby enters into this Binding Agreement in the furtherance of the reservation letter dated _____, 2016 from the Arkansas Development Finance Authority (the "Authority"), wherein the maximum housing credit dollar amount of \$ _____ has been reserved for (the "Development") from the 2016 calendar year allocation. The undersigned hereby agree that the aforesaid amount shall be the maximum dollar amount of housing credit that can be allocated to the Development, which consists of:

- Newly constructed building(s)
or
 Acquired building(s) that will be substantially rehabilitated and comply, at a minimum, with Section 42(e) of the Internal Revenue Code.

The Owner of the Development, _____ (the "Owner"), hereby irrevocably elects, pursuant to Section 42(b)(2)(A)(ii)(I) of the Internal Revenue Code of 1986, as amended (the "Code") to fix the applicable credit percentage for the Project as the percentage prescribed by the Secretary of Treasury for the month of _____, 2016, which is the month this Binding Agreement has been entered. The Authority and the Owner acknowledge that this Binding Agreement and Election Statement constitutes an agreement binding upon the Authority, the Owner and all successors in interest to the Owner to fix the applicable credit percentage as to the ultimate allocation of 2016 tax credit authority to the buildings in the Development, subject to compliance by the Owner with the Requirements of Section 42 of the Code and the requirements of the Authority. The Owner acknowledges that this Binding Agreement must be executed and notarized by the Owner no later than January 6, 2017.

OWNER:

By:
Its: General Partner

By: _____
Name:
Title:
Owner Mailing Address:

STATE OF _____)
COUNTY OF _____)

Subscribed and sworn to before me this _____ day of _____, _____.

Notary Public

My commission expires: _____

**ARKANSAS DEVELOPMENT FINANCE
AUTHORITY**

By: _____
J. Benjamin Van Kleef
Vice President of Housing

STATE OF ARKANSAS)
COUNTY OF _____)

Subscribed and sworn to before me this ____ day of _____, _____.

Notary Public

My commission expires:

**FEDERAL LOW-INCOME HOUSING TAX CREDIT CARRYOVER-ALLOCATION
CERTIFICATION OF CARRYOVER-ALLOCATION BASIS
FOR 2015 AWARDED DEVELOPMENTS**

(Development)
by

(Owner)

The undersigned hereby certifies that more than ten percent (10%) of the reasonably expected basis in which is classified as new construction, existing buildings, and/or rehabilitation, has been expended/incurred by November 4, 2016, hereby continuing qualification of the Owner for the December 2015 Carryover-Allocation from the State of Arkansas 2015 state ceiling. The Owner acknowledges that in order to retain its allocation(s), the Development must be completed and must be placed in service by December 31, 2017.

The Owner further acknowledges that in order to continue to receive the 2015 Carryover-Allocation the following attachments must accompany this Certification of Carryover-Allocation Basis:

1. Verification of ownership/leasehold of the land or depreciable real property. Furnish one of the following documents: (1) Written Legal Opinion; (2) Copy of Warranty Deed(s); (3) Copy of Title Commitment; (4) 99-year Leasehold; and
2. Written certification from an attorney or a certified public accountant that he/she has examined all eligible costs and it is his/her belief that the Owner has incurred by November 4, 2016 more than ten percent (10%) of its reasonably expected basis in the Development as of December 31, 2017. The attorney or certified public accountant must use the format attached or similar format containing all information requested in the attached form.

By:
Its:

By: _____
Name:
Title:

STATE OF)
COUNTY OF)

On this day of , 20 , before me a Notary Public within and for said County and State, personally appeared , to me known to be the person described herein and who, being by me first duly sworn, executed the foregoing **“CERTIFICATION OF CARRYOVER-ALLOCATION BASIS”** and acknowledged that he/she executed the same as his/her free act and deed and stated that the information and certifications contained therein are true and correct.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this day of , 20 .

Notary Public

My commission expires: _____

INDEPENDENT ACCOUNTANTS REPORT
to accompany
Federal Low-Income Housing Tax Credit Carryover-Allocation
Certification of Carryover-Allocation Basis
for

To:
Arkansas Development Finance Authority
c/o Multi-Family Programs Manager
P.O. Box 8023
Little Rock, Arkansas 72203-8023
And

_____ (“the Owner”)

Re: _____ (“the Development”)

We have examined the column entitled Eligible 10% Test Expenditures Incurred, as shown on the accompanying 10% Test: Taxpayer’s Basis Schedule related to the development of _____ as of November 4, 2016. _____ is responsible for the 10% Test: Taxpayer’s Basis Schedule. Our responsibility is to express an opinion based on our examination.

We have not examined or reviewed the columns Total Development Cost or Reasonably Expected Basis, as shown on the accompanying 10% Test: Taxpayer’s Basis Schedule and therefore express no opinion or any other form of assurance on them.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining on a test basis, evidence supporting the information presented in the column entitled Eligible 10% Test Expenditures Incurred as shown on the 10% Test: Taxpayer’s Basis Schedule and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the column entitled Eligible 10% Test Expenditures Incurred referred to above presents, in all material respects, the Development’s Eligible 10% Test Expenditures Incurred as of November 4, 2014, using the accrual method of accounting, in accordance with Internal Revenue Code (IRC) Section 461 and also the 10% carryover rules in accordance with IRC Section 42(h)(1)(E) and Treasury Regulation Section 1.42-6.

At the request of the General Partner of the Owner, we have performed certain procedures as stated below agreed to by the General Partner of the Owner with respect to the documents supplied to us. These procedures were performed solely to assist you in determining that appropriate items and amounts were included in the computation of the 10 percent carryover rule in accordance with Internal Revenue Code (IRC) Section 42(h)(1)(E) and Treasury Regulation Section 1.42-6 (the "Computation"). Management of the Owner is responsible for the Computation. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Owner and the Arkansas Development Finance Authority. Consequently, we make no representations regarding the sufficiency of the procedures described below either for the purposes for which this report has been requested or for any other purpose.

The following procedures were performed:

- We calculated, based on estimates of total development costs provided by the Owner, the Project's total reasonably expected basis, as defined in Treasury Regulation Section 1.42-6, to be \$ _____ as of December 31, 2017.
(Dollar Amount)
- We calculated the reasonably expected basis incurred by the Owner as of November 4, 2016, to be \$ _____.
(Dollar Amount)
- We compared the reasonably expected basis incurred as of November 4, 2016 to the total reasonably expected basis of the Development as of December 31, 2017, and calculated that _____ had been incurred as of November 4, 2016.
(Percentage)

City, State
[Date]

Contact Person xxx-xxx-xxxx

State Agency			
10% Test: Taxpayer's Basis Schedule			
Development Name and Information			
Date			
Cost Category	Total Development Cost	Reasonably Expected Basis	Eligible 10% Test Expenditures Incurred
Purchase of Land and Buildings			
Land	125,000	125,000	125,000
Existing Structures	1,518,241	1,518,241	1,518,241
<i>Total Purchase</i>	<i>1,643,241</i>	<i>1,643,241</i>	<i>1,643,241</i>
Site Work	<i>218,091</i>	<i>218,091</i>	-
Rehab/New Construction			
Rehabilitation	912,595	912,595	-
General Requirements	75,351	75,351	-
Contractor Overhead	25,428	25,428	-
Contractor Profit	75,073	75,073	-
Contractor Bond Fee	30,181	30,181	-
Construction Contingency	146,230	146,230	-
Relocation Expense/FFE	182,576	182,576	-
<i>Total Construction</i>	<i>1,447,434</i>	<i>1,447,434</i>	-
Other Fees			
Architect Fee - Design	17,000	17,000	17,000
Architect Fee - Supervision	8,000	8,000	-
Real Estate Attorney	15,000	15,000	-
Survey	5,000	5,000	-
<i>Total Other Fees</i>	<i>45,000</i>	<i>45,000</i>	<i>17,000</i>
Interim Costs			
Construction Insurance	16,309	16,309	-
Construction Interest	64,120	64,120	-
Construction Loan Origination Fee	14,962	14,962	-
<i>Total Financing Costs</i>	<i>95,391</i>	<i>95,391</i>	-
Financing Fees and Expenses			
Title and Recording	3,600	-	-
Counsel's Fee	10,000	10,000	-
<i>Total Financing Fees and Expenses</i>	<i>13,600</i>	<i>10,000</i>	-
Soft Costs			
Appraisal	8,000	8,000	-
Market Study	4,500	4,500	-
Environmental Review	5,000	5,000	-
Tax Credit Application Fee	37,285	-	-
Tax Attorney Fees	15,000	15,000	-
Accounting	10,000	10,000	-
<i>Total Soft Costs</i>	<i>79,785</i>	<i>42,500</i>	-
Syndication Costs			
Partnership Organization	6,000	-	-
Tax Opinion	17,000	17,000	-
Accounting Fees	10,000	10,000	-
<i>Total Syndication Costs</i>	<i>33,000</i>	<i>27,000</i>	-
Developer Fee			
Acquisition	70,000	70,000	14,000
Rehabilitation	312,500	312,500	62,500
<i>Total Developer Overhead & Fee</i>	<i>382,500</i>	<i>382,500</i>	<i>76,500</i>
Development Reserves			
Rent-up Reserve	3,357	-	-
Operating Reserve	110,643	-	-
Replacement Reserve/Rent-up Expenses	40,000	-	-
<i>Total Development Reserves</i>	<i>154,000</i>	-	-
Total Development Costs	4,112,042	3,911,157	1,736,741
10% Test Calculation			
Total Reasonably Expected Basis		3,911,157	
Costs Incurred as of 3/20/06		1,736,741	
Costs Required to pass 10% Test		391,116	
Percentage of costs incurred/REB		44.40%	

EXHIBIT A
DEVELOPMENT INFORMATION FORM
A Separate Development Information Form will be issued for Existing Buildings and New Buildings

DEVELOPMENT NAME:
 Address: Zip Code: County:

Building							Total
Building Identification Number ¹							
Building Address ²							
Type of Building (new construction, existing, rehabilitation)							
Expected Placed in Service Date							
Estimated Eligible Basis for All Buildings – 130%? ____ ³							
Estimated Applicable Fraction ^{3,4}							
Estimated Qualified Basis for All Buildings of the Same Type							
Maximum Credit Percentage for All Buildings of the Same Type ⁵							
Maximum Credit Calculation for All Buildings of the Same Type							

- The Authority will assign Building Identification Numbers. Leave this row blank.**
- Provide complete address for each building that will have tax credit units. Do not include buildings that do not, or will not, have tax credit units, such as a community building or office building. If additional space per building is needed for a complete address, please attach a listing of buildings and addresses on a separate page(s) and attach to Exhibit.
- Mark Y only if the amount of estimated eligible basis for all buildings includes the 130% basis boost designation either by statute or Board action; otherwise, mark N. Refer to 2015/2016 Qualified Allocation Plan/Guidelines.
- "Estimated Eligible Basis for All Buildings" is the total estimated eligible basis for all buildings of the same type, *i.e.*, new construction; existing; or substantial rehabilitation. "Estimated Eligible Basis" and "Estimated Applicable Fraction" must be no greater than that represented in Owner's 2015/2016 Multi-Family Housing Application for tax credits. If there are more than 6 buildings in the development requiring additional Forms, Development estimates and calculations are only on the last page.
- If the Owner has elected to fix the credit percentage at Reservation, or is electing to fix the credit percentage at Carryover, pursuant to Section 42(b)(1)(A)(ii)(I), the credit percentage is fixed and binding upon all existing buildings in the development. If no such election has been made, existing buildings will be assigned the credit percentage applicable for the month of Carryover Allocation. New buildings (newly constructed or substantial rehabilitation), the applicable percentage for LIHTC allocations made before January 1, 2016 shall be no less than 9% in accordance with Section 42(b)(2).