

ARKANSAS DEVELOPMENT FINANCE AUTHORITY MULTIFAMILY HOUSING APPLICATION GUIDELINES

INTRODUCTION AND PURPOSE

The Multifamily Housing Application ("Application" or "MFHA") can be used for multiple housing funding sources available from Arkansas Development Finance Authority ("ADFA" or the "Authority"). However the primary use is for developments applying for the Low Income Housing Tax Credit ("LIHTC" or "Housing Credit").

The Housing Credit program encourages and promotes investment in affordable rental housing for low-income households. Through these investments, the supply of cost-effective housing units is increased for low- and moderate-income households. As a true public-private partnership, the award and deployment of Housing Credits is based on ability to complete housing on time and on budget and ensures professional management for the life of the development.

ADFA is charged by the Federal Government and the State of Arkansas with the responsibility of administering the federal housing credits and the state housing credits for the State of Arkansas (the "State"). The Tax Reform Act of 1986 created the Housing Credit to encourage the private sector to invest in the construction and rehabilitation of rental housing for low- and moderate-income individuals and families. See *I.R.C. §42*. The Revenue Reconciliation Act of 1989 amended *I.R.C. §42(m)* that requires allocating agencies, such as ADFA, to allocate the housing credit according to *I.R.C. §42* and local needs and priorities. As such, the Housing Credit program is based on Federal regulations which supercede State regulations unless Federal Law provides ADFA the discretion to choose otherwise. As stated in the State of Arkansas's Qualified Allocation Plan (QAP), the MFHA Guidelines below set forth details and regulations beyond those listed in the QAP.

Because the Housing Credit is such an important limited resource under ADFA's stewardship, it is paramount that only the most qualified developments meeting selection criteria in the QAP and MFHA Guidelines are awarded LIHTC. Only Applications that are "shovel ready" and able to close in a relatively short time frame will be recommended for Housing Credits.

It is ADFA's intent to work proactively in a transparent and positive manner with developers and applicants in a public-private partnership for the benefit of low-income households in Arkansas. ADFA will endeavor to fully deploy the annual allocation of the Arkansas Housing Credits to the most qualified developments.

I. APPLICATION DEFINITIONS, PROCEDURES, REQUIREMENTS AND REVIEW

A. DEFINITIONS.

"Application" or "MFHA" means a MS Excel file of the Application and all attachments and an Adobe.PDF scanned version of the paper Application and all attachments that ADFA will use interchangeably in review, underwriting and scoring.

"Application Deadline" means 4:30 P.M. on the 1st Monday of February.

"Application Requirement(s)" means the items listed in Section I(C) of the Guidelines that must be included in a MFHA by the Application Deadline to be considered a complete Application.

"Area of Opportunity Index" means the scoring computation for all census tracts that is intended to promote selection of developments that will create new housing supply in areas where population is growing, jobs are plentiful and housing comparatively scarce. Access via: <https://adfa-gov.maps.arcgis.com/apps/webappviewer/index.html?id=5a2c1978776747878ed941160dfa979f>

"Assisted Living Housing" means combination of housing, supportive services, personalized assistance and health care designed to respond to the individual needs of those who need help with activities of daily living, in a way that promotes maximum independence for each resident. Supportive services are available 24 hours per day to meet scheduled and unscheduled needs of each resident. An Assisted Living development applicant shall comply with all state and federal regulations for assisted living developments. Assisted Living development applicants will be required to submit an approved Certificate of Need or Permit of Approval from the State of Arkansas with their Application.

"DCR" or "Debt Coverage Ratio" is defined as the ratio of a development's net operating income (rental income less operating expenses and reserve payments) to total debt service obligations.

"Development Team" means the accountant, applicant, architect, attorney, developer, co-developer, consultant, contractor and nonprofit sponsor.

"Disability" which according to Federal law (Department of Housing and Urban Development) is defined as a person with a disability as "Any person who has a physical or mental impairment that substantially limits one or more major life activities; has a record of such impairment; or is regarded as having such impairment". In general, a physical or mental impairment includes hearing, mobility and visual impairments, chronic alcoholism, chronic mental illness, AIDS, AIDS Related Complex and mental retardation that substantially limit one or more major life activities. Major life activities include walking, talking, hearing, seeing, breathing, learning, performing manual tasks and caring for oneself.

"Financial Feasibility" is an Application Requirement consisting of the following criteria by which an Application will be underwritten and determined to be feasible: adequate reserve funding; fifteen year pro-forma based on operating incomes and expenses; reasonable increases in operating incomes and expenses; developer fee standard; general contractor requirements; utilization of current per-unit cost caps and meeting a minimum debt coverage ratio.

"Green Space" is defined as an open area of land or body of water that is protected through conservation or preservation for the sake of recreational, ecological, environmental, aesthetic or agricultural interests.

"Housing Credit" means Low Income Housing Tax Credit ("LIHTC"). It is a Federal allocation to States of tax credits that are tied to a per capita amount set by Congress. The LIHTC program is governed by the IRS per Section 42 of the IRC.

"Multifamily Housing Application Guidelines" or "Guidelines" means these instructions and scoring criteria set forth below and to be considered part of the Multifamily Housing Application.

"Pedestrian Trails" are non-motorized public right-of-ways that are regularly maintained for use by bicyclists, walkers and runners for transportation and recreation. They can be pathways within an urban area or rural paths through the countryside.

"Per-Unit Cost" means the total development cost divided by the total number of units.

"Public Transportation" means buses, trains, subways, and other forms of local transportation that charge set fares, run on fixed routes and are available to the public.

"Qualified Allocation Plan" or "QAP" is a public document that states ADFA's role in administering the Low Income Housing Tax Credit under *I.R.C. Section 42*. The document sets priorities and criteria for using the credit along with the Multifamily Housing Guidelines.

"Review and Response Period" means the Period after ADFA staff have underwritten Applications and notified all applicants of any outstanding deficiencies. Applicants will have ten (10) business days from electronic notification to contact staff, clarify and/or provide explanatory documentation.

"Rural Area" is:

- (1) Open country which is not part of, or associated with an urban area.
- (2) Any town, village, city or place including the immediately adjacent densely settled area, which is not part of, or associated with an urban area which:
 - (a) has a population not in excess of 10,000 if it is rural in character
or
 - (b) has a population in excess of 10,000 but not in excess of 20,000 and is not contained within a Metropolitan Statistical Area and has a serious lack of mortgage credit for low and moderate income households as determined by the Secretary of Agriculture and the Secretary of Housing and Urban Development.

"Scattered Site" means development that is any low income housing development whose buildings are at least 2000 feet away from each other. The development shall be so treated if all of the units in each building in the development are designated low income housing units and all of the buildings in the development are located within one jurisdiction (*i.e. city or county*) with the same highest elected official.

"Supportive (Disabled) Housing" is the housing intended for the use of persons with a disability as defined by federal law, which contains all the physical design, construction and on-site service provision components adequate to meet the needs of the disabled population targeted. Any market study submitted in support of an Application for housing intended for the use of persons with disabilities shall address the housing needs of the targeted disabled population in the primary market area. The applicant shall also include a marketing plan designed to reach the targeted disabled population for which the proposed housing is to be developed.

The applicant must submit its statement that the supportive services offered to the disabled population served will be optional as defined in *26 C.F.R. §1.42-11(b)*.

B. APPLICATION PROCESS FOR COMPETITIVE ALLOCATION.

The closing deadline for submitting an Application to ADFA for the Low-Income Housing Credit Cycle is as follows:

**APPLICATION DEADLINE IS 4:30 P.M.
THE FIRST MONDAY OF FEBRUARY
("Application Deadline")**

The applicant must use ADFA's MFHA, which is available on ADFA's website. An Adobe.PDF copy of the Application and all attachments and exhibits appropriately bookmarked must be delivered to ADFA no later than 4:30 p.m., on the Application Deadline. **Two (2) items comprise the Application and are required on or before Application Deadline in order to be considered. If any of the following Application pieces are missing by the Deadline, the Application will be rejected:**

- (1) The applicant must electronically submit by the Application Deadline their MFHA as a saved MS Excel file, in the same format as the ADFA MFHA is posted, via email to:

Multifamily.Housing@adfa.arkansas.gov

- (2) The applicant shall submit an Adobe.PDF copy of the Application and all exhibits, bookmarked to ADFA on a USB flash drive on or before Application Deadline.

Applications are scored based solely upon the information and documentation submitted in the Application by the Application Deadline.

If ADFA has question or needs clarifications on any submitted documentation, ADFA will contact the applicant via email. If contacted by ADFA, the applicant must respond within **ten (10) business days** or the Application will be rejected. Any additional information provided by the applicant to ADFA must be satisfactory to ADFA. A list of all ADFA requirements and explanations are provided herein.

The applicant's response during the Review and Response Period must be electronically transmitted unless otherwise stated. **If ADFA determines an applicant failed to meet the Application Requirements after the Review and Response Period, the applicant will be notified and the Application will be rejected and neither underwritten nor scored.**

If ADFA has questions or needs clarification regarding discrepancies or documentation in an Application when underwriting, ADFA will contact the applicant prior to the end of the Review and Response Period on as-needed basis.

NOTE: If any Application Requirements are not applicable, mark "N/A" on the respective tab insert and provide the reason why said item is not applicable.

During the Review and Response Period, the applicant may provide information or documentation requested by ADFA staff. During the Scoring Notification Period, the applicant will have an opportunity to submit comments by email on what the applicant considers a discrepancy in the score awarded by ADFA from the Scoring Criteria (Section II.A) based upon the Application and the information and documentation submitted by the Application Deadline.

Dates for Review of Applications and Reservation Process

Application Deadline	First Monday of February --4:30 pm
Review and Response Period Applications will be reviewed for all required documentation listed in Guidelines. Any applicant notified by ADFA between Application submission and the end of the Review and Response Period of items that require explanation or clarification will have ten (10) business days to respond. Applicants will be allowed the full ten (10) business days to respond if that time period extends past the Review and Response Period Deadline.	Ends on the Second Friday of May --4:30 pm
Scoring Notification Applicants notified of Application score. Any applicant who failed to submit all Application Requirements will be notified.	Third Friday of May --4:30 pm
Scoring Response Period Applicants may provide ADFA with a response to the Application score. Applicants will notified within ten (10) business days of the Scoring Response Period ONLY if there is a change in an Application's score.	Fourth Friday of May --4:30 pm
Successful applicants approved for reservation of Housing Credits by ADFA Board of Directors.	Third Thursday of June
Reservation letters mailed to successful applicants.	Last Friday of June

ADFA may modify at its sole discretion the dates set forth above if necessary. All such changes will be posted on the ADFA website under Forms, Low Income Housing Tax Credit, or other highly visible location on the ADFA website.

C. REQUIREMENTS FOR A COMPLETE APPLICATION.

The following Application Requirements (the "Requirements") must be submitted by the Application Deadline. Failure to submit these Requirements as set forth herein by the

Application Deadline will terminate the Application from consideration for Housing Credits, and no score will be provided.

1. **Application Fee.** The Application fee check, in the correct amount as set forth herein should be made payable to "Arkansas Development Finance Authority".

2. **Financial Commitment Letters.** **All** sources of financial commitments, including but not limited to the following, as applicable:
 - a. Commitment letter from permanent finance lender , including HOME, with which the applicant has submitted an Application for financing. The letter shall be dated within six (6) months prior to the Application Deadline and state that a formal Application for permanent financing is under serious consideration. The letter must contain:
 - (i) the amount of the loan;
 - (ii) amortization period;
 - (iii) annual loan payment; and
 - (iv) interest rate.

 - b. A commitment letter, dated within six (6) months prior to the Application Deadline, from from any investor or syndicator purchasing the Housing Credits, State Housing Credits, or Affordable Neighborhood Housing Tax Credits which will be utilized as a source of funds for the development.
 - (i) Because of the limited quantity of State Housing Credits and/or Affordable Neighborhood Housing Tax Credits, any applicant requesting either must provide alternate financing.
 - (ii) The financing commitment letter for requested federal housing credits must include at a minimum the following information:
 - (a) Price per credit;
 - (b) Amount of credits to be acquired;
 - (c) Total amount of equity to be paid to the development and the proposed schedule of equity payments;
 - (d) Amount of rehabilitation expenditures per unit required by investor or syndicator, if proposed development is seeking rehabilitation credits;
 - (e) Debt coverage ratio required; and
 - (f) Reserve amount required.

Applications must evidence compliance with the investor's requirements, if stricter than ADFA's requirement.

- c. A commitment letter dated within six (6) months prior to the Application Deadline, from any other sources providing funding for the development including, but not limited to:
 - (i) USDA Rural Development, including RD Form 3560-7;
 - (ii) HUD;
 - (iii) Project Reserves;
 - (iv) Deferred Developer Fee;
 - (v) Owner Equity; and
 - (vi) HOME or a Participating Jurisdiction.

ADFA reserves the right to contact the applicant regarding the financial commitments and to accept, **only upon ADFA's request**, supplemental or revised financial commitments.

3. **Appraisal.** For all Applications for new construction, a certified land appraisal must be submitted with the Application dated within one (1) year prior to Application Deadline.

For all acquisition and rehabilitation Applications and rehabilitation only Applications, applicant must submit an appraisal dated within one (1) year prior to the Application Deadline which supports the purchase price of the development.

- a. The appraisal must separately identify the appraised value for the buildings in the development and the value of the land.
- b. If the appraised value for the buildings is enhanced due to a federal rental subsidy attached to the buildings, the appraisal must separately identify the value of the federal rental subsidy.

In order to receive credit for the federal rental subsidy, the applicant will be required to submit a commitment letter from the federal agency stating the federal rental subsidy has been awarded to the applicant.

The purchase price must be equal to or less than the appraised value of the land and buildings.

4. **Site Control Information.** The applicant must have site control. Evidence of site control in **one** of the following forms shall be included:

- (i) Executed purchase option contract; or
- (ii) Executed long-term land lease or option on a long-term 99 year lease; or
- (iii) Evidence of executed assignment and assumption agreement with executed purchase option agreement, contract or land lease agreement attached.

- a. The Option, Contract or Agreement must be in the name of an existing entity or person that is in a position of control over the applicant. The Option, Contract or Agreement must indicate that the existing entity or person is in a position of control over applicant and that such entity or person has the exclusive right to purchase or lease the property for a period not to expire prior to **December 6 of the year of MFHA.** ***The option or contract cannot be subject to extension fees in order for contract to reach required expiration date.***

NOTE: If one of the above applies, the applicant must also submit a copy of the recorded deed evidencing the Seller's or Lessor's ownership if site control is evidenced by any of the above.

- b. Verification of Arm's-Length Transactions included in Tab 6 will be a signed statement from applicant verifying this is an arm's-length agreement. **A statement in the market study or appraisal asserting the property value is based on an arm's-length agreement WILL NOT suffice.** If the seller of land or buildings included in the Application is an entity, applicant must obtain knowledge of and disclose the identity of all members, partners,

or shareholders of the entity. The applicant is responsible for obtaining the consent of the seller entity to disclose this information in the Application for Housing Credits.

For all acquisition and rehabilitation developments, the Application shall include documentation for each building claiming acquisition credits that:

- (i) Satisfies the "purchase requirement" of *I.R.C. §42(d)(2)(B)(i)* (submission of Purchase Option, Contract or Agreement);
 - (ii) Provides the seller's certification that the 10-year hold rule in *I.R.C. §42(d)(2)(B)(ii)* has been satisfied for each building (including both placed in service and most recent nonqualified substantial improvement), or alternatively, the applicant may provide sufficient documentation and information to support a finding that the requirement is not applicable under *I.R.C. Section 42*; and
 - (iii) Provides the applicant's certification that each building was not previously placed in service by the applicant or by any person related to the applicant in accordance with *I.R.C. §42(d)(2)(B)(iii)*.
- c. The applicant must produce evidence of site ownership or a 99-year leasehold on the site at the earlier of:
- (i) Placement in Service Allocation; or
 - (ii) The date the taxpayer will be required, pursuant to federal statute, to prove that its basis in the development exceeds ten percent (10%) of the reasonably expected basis in the development as of December 31, two years following reservation.

5. Zoning and Planning Commission Information. A signed letter, dated within six (6) months months prior to the Application Deadline, from the appropriate zoning authority stating the proposed use of the property and that the property is properly zoned for such proposed use. If the development site is within the five (5) mile extra-territorial jurisdiction of a municipal planning commission, and planning commission approval is required for the development's construction, the applicant must submit written documentation that such approval has been granted by the planning commission. Planning commission approval documentation must be dated within six (6) months prior to the Application Deadline.

6. Independent Market Study. The Authority will select and commission as independent market study from a market analyst from an approved list developed by the Authority. The applicant will make payment in advance for the market study, which payment is nonrefundable. A comprehensive market feasibility study demonstrating that sufficient need for the affordable housing as proposed exists in the proposed geographic market area. The Application will be rejected if the market study fails to show need for any bedroom size proposed based upon the targeted income group for that bedroom size.

ADFA shall independently evaluate the need for additional affordable rental housing in the proposed geographic market area. If, in ADFA's sole determination, the proposed location's market is weak, the proposed development will detrimentally affect other affordable housing in the area, the proposed location is or nearly saturated or other negative impact or projection, even if the proposed development is otherwise eligible and even if the market study's conclusions do not indicate any negative impact or projection.

ADFA shall have no liability for determinations of the presence or absence of a sufficient market. An award of Housing Credits by ADFA does not constitute a determination by ADFA that a sufficient market exists for the proposed units so as to provide financial feasibility. ADFA shall not be liable for any costs incurred, profits lost or other damages that may result from ADFA's determination of market conditions, award of Housing Credits or denial of Housing Credits.

7. Tenant Income Audit. All Application with rehabilitation projects shall include as an appendix to Market Study, a complete, detailed Tenant Income Audit that identifies all existing tenant households and their income. The audit must separately identify those tenant households whose income exceeds applicable income limits.

8. Articles of Incorporation, IRS documentation and Nonprofit Determination Statement. To be considered for the "Nonprofit Set-Aside", the development shall involve a qualified nonprofit organization that:

- a. Owns an interest in the development;
- b. Materially participates in the development;
- c. Is not affiliated with or controlled by a for-profit organization; and
- d. Has as one of its exempt purposes in its Articles of Incorporation, the fostering of low-income housing.

In addition, to be considered for the "Nonprofit Set-Aside":

- a. The nonprofit organization's Articles of Incorporation and IRS documentation of its exemption from federal income tax must be included (pending requests with the IRS exemption will not be accepted);
- b. The applicant must provide proof in form of signed statements that all four (4) criteria listed above have been met; and
- c. The development must comply with *I.R.S. Revenue Procedure 96-32* in that at least seventy-five percent (75%) of the total number of residential units are designated for low-income residents.

9. Capital Needs Assessment. All rehabilitation developments shall include a capital needs assessment conducted by a firm on ADFA's "Capital Needs Assessment Firms--Approved List". The assessment shall include a physical inspection of the interior and exterior of each unit and structure, as well as an interview with the development manager and maintenance personnel. At a minimum, the following components must be examined and analyzed in the assessment:

- a. Site, including topography, drainage, pavement, curbing, sidewalks, parking, landscaping, amenities, water, sewer, storm drainage, gas and electric utility lines;
- b. Structural systems, both substructure and superstructure, including exterior walls, balconies and stairways, exterior doors and windows, roofing system and drainage, including but not limited to termite, mold and water damage;
- c. Interiors, including unit and common area finishes (carpeting, vinyl flooring, tile flooring, plaster walls, paint condition, etc), unit kitchen finishes, cabinets and appliances, unit bathroom finishes and fixtures, and common area lobbies and corridors;

- d. Mechanical systems, including plumbing and domestic hot water, HVAC, electrical, lighting fixtures, fire protection and elevators; and
- e. Buildings, facilities, common use areas, residential units, parking areas, curbs, ramps, and railings to ensure compliance with applicable federal, state and local laws regarding accessibility for persons with disabilities.

A report, signed and dated within six (6) months prior to the Application Deadline, of all components examined and analyzed in the assessment must be submitted with the Application.

The report must include a physical inspection of the interior and exterior of EACH UNIT AND EACH BUILDING and must specifically identify the scope of work and estimated costs necessary to:

- a. Rehabilitate all components examined and analyzed in the development to a new or "like-new" condition;
- b. Correct all deficiencies in order for the development to comply with applicable federal, state and local laws and requirements regarding accessibility for persons with disabilities; and
- c. Correct all deficiencies to ensure compliance with ADFA's Multifamily Minimum Design Standards.

Failure by the report to meet requirements set forth herein will result in a rejection of the Capital Needs Assessment submitted, thereby terminating the Application from further consideration for Housing Credits.

All rehabilitation development applicants must submit a statement that the scope of rehabilitation will include all capital needs of the development as set forth in the Capital Needs Assessment.

- 10. Financial Feasibility.** All Applications through the competitive allocation cycle will be underwritten using the same criteria regardless of project type or location. At a minimum ADFA determines that a development is financially feasible based on the following criteria: a) the extent to which the development's sources of funds equals the development's uses of funds; b) the extent to which any proposed developer fee deferral can be paid within the time frame allowed by the Internal Revenue Service; c) the reasonableness of total development costs, inclusive of ADFA predetermined cost caps; and d) repayment terms (including interest rates, total debt and loan terms) for all proposed debt in connection with the proposed development.

ADFA may incorporate terms and conditions required by the equity investor(s) and lender(s) into its underwriting of an Application if ADFA determines it necessary to provide an accurate, complete analysis of the financial feasibility of a proposed development.

Operating Deficit Reserve and Replacement Reserve Funds. The total development budget shall include:

- a. Operating Deficit Reserve Fund equal to the greater of:
For all rehabilitation developments that do not receive 100% project based rental

assistance and all new construction developments:

(i) Six (6) months of: (a) projected annual operating expenses, (b) annual debt service payments and (c) annual replacement reserve deposits;

OR

(ii) The amount of operating reserves required by the applicant's equity investor(s) or lender(s).

For all rehabilitation developments that receive, or will receive 100% project based rental assistance:

(i) Three (3) months of: (a) projected annual operating expenses, (b) annual debt service payments and (c) annual replacement reserve deposits;

OR

(ii) The amount of operating reserves required by the applicant's equity investor(s) or lender(s).

AND

b. The funding and maintenance of a Replacement Reserve Fund equal to the greater of:

(i) \$250.00 per unit per year;

OR

(ii) The amount of replacement reserves required by the applicant's equity investor(s) or lender(s).

The operating and replacement reserve accounts shall be incorporated into the MFHA. These amounts must be funded by the date the development is placed in service and evidenced in the final cost certification.

The Replacement Reserve shall be maintained, and yearly deposits shall be made equal to the above requirement, for the entirety of the affordability period. The applicant shall identify the name of the financial institution where each reserve will be held. A copy of the December bank statement for the Operating Reserve account and the Replacement Reserve account must be submitted by the Owner to ADFA's Compliance Department by February 1 of each year. If the December bank statements do not evidence a year-end summary of each month's balance, copies of bank statements for all twelve (12) months, for the Operating Reserve and the Replacement Reserve, shall be submitted to ADFA's Compliance Department by February 1 of each year. The ending balance of each reserve account must total the amounts required under (a) and (b) above, whether the accounts are replenished from operating income or by the general partner of owner or member, shareholder or partner of general partner, as deemed appropriate by ADFA.

ALL WITHDRAWALS FROM THE OPERATING DEFICIT RESERVES MUST BE APPROVED, IN WRITING, BY ADFA PRIOR TO WITHDRAWAL. Owner must submit with the withdrawal request supporting documentation evidencing the need for the funds, written evidence that insufficient funds exist in the primary operating account and a written guaranty by the general partner of owner or member, shareholder or partner of general partner, as deemed appropriate by ADFA, will deposit sufficient funds into the Operating Deficit Reserve account so that at the end of the year the total funds in the Operating Deficit Reserve account equal the amount required under (a) as modified herein for Rural Development

developments. ADFA will require notification from owner on any Replacement Reserve withdrawal and notice of approval from development's investor or lender as applicable.

Rural Development-funded developments:

In the event Rural Development ("RD") requires initial operating capital in an amount greater than ADFA's Operating Deficit Reserve, ADFA's required Operating Deficit Reserve under (a) above must be funded. In the event that RD requires initial operating capital in an amount less than ADFA's Operating Deficit Reserve required under (a) above, ADFA will credit the amount of reserves required by Rural Development to the total amount of reserves required under (a) and (b) above, but in no event shall the **total** amount of reserves be less than that required under (a) above. (For example, if under (a) \$50,000 is required and under (b) \$10,000, and Rural Development requires \$20,000 of initial operating capital, the owner must fund a separate Operating Deficit Reserve account, withdrawals from which must be approved by ADFA, in the amount of \$30,000. Using the same amounts except that RD requires \$70,000 initial operating capital, the owner must fund a separate \$50,000 Operating Deficit Reserve).

A copy of the December bank statement for the Operating Reserve account and the Replacement Reserve account must be submitted by the Owner to ADFA's Compliance Department by February 1 of each year. If the December bank statements do not evidence a year-end summary of each month's balance, copies of bank statements for all twelve (12) months, for the Operating Reserve and the Replacement Reserve, shall be submitted to ADFA by February 1 of each year. The ending balance of the Operating Deficit Reserve account plus the development's ending cash balance per RD Form 3560-7, plus the balance of RD's initial operating capital must total the amounts required under (a) and (b) above; thus, general partner of owner or member, shareholder or partner of general partner of owner may have to deposit funds into the separate Operating Deficit Reserve account to total this amount.

ADFA acknowledges that RD shall have authority over the initial operating capital account and that RD will review and approve or deny all withdrawal requests by owner from such account. ADFA shall have approval authority over the separate Operating Deficit Reserve account. Owner shall not make any withdrawals from the Operating Deficit Reserve account without providing the following items to ADFA: 1) supporting documentation evidencing the need for the funds, 2) written evidence from RD that the use of reserve funds is not an eligible expense from RD initial operating capital account or that insufficient funds exist in the account and 3) written guaranty by the owner or general partner of owner, as deemed appropriate by ADFA, that sufficient funds will be deposited into the ADFA Operating Deficit Reserve account so that at the end of the year the total funds in the Operating Deficit Reserve account equal the amount required under (a) above as modified herein for Rural Development developments.

Pro Forma. Each Application must complete the Pro Forma document set forth in, or as an exhibit to the MFHA. The Pro Forma for all applicants must be based on reasonable projections of increases in expenses and incomes.

NOTE: Provide an **additional** Pro Forma and alternative list of sources if applying for State Housing Credits showing the alternative financing proposed.

Developer Fee.

- a. Developer Fee Standard. The developer's fee, which is defined to include the developer fee plus developer's overhead and profit plus consultant's fee, plus any interest payable on a deferred fee, must meet the following standard:

The developer fee cannot exceed fifteen percent (15%) of the "Net Development Costs".

"Net Development Costs" is defined as the total uses of funds, less syndication-related costs, developer's fee and development reserves.

For purposes of applying the developer's fee to eligible basis, eligible basis **must be proportioned separately reflecting that amount of the developer's fee attributed to the acquisition of existing property from that amount attributed to the rehabilitation costs.** The amount attributed to the acquisition of existing property must be equal to or greater than the percentage that the total acquisition costs of existing property is to the total development costs.

The applicant must disclose in its Application or an attachment thereto all persons and entities that will receive any portion of the developer fee proposed in the Application. For all such entities, all members, partners and shareholders of such entities shall be disclosed and the respective portion of the amount of developer fee to be received by the entities shall be identified. If after time of Application, there is any proposed change in the person(s) or entity/entities that shall receive any portion of the developer fee, all revised parties and amounts must be disclosed in writing to ADFA.

- b. Developer Fee - Deferral. Any portion of the developer's fee that is deferred and included as a source of funds will be underwritten to ensure payment by the earlier of the end of the 15-year compliance period or the time frame required by the Applicant's equity investor or lender(s).

For multifamily bond applications, eligible basis will be reduced by that amount of deferred developer fee that is not payable within the 15-year compliance period.

General Requirements, Contractor's Overhead and Contractor's Profit. The amount allocated to General Requirements of the development cannot exceed seven percent (7%) of its construction hard costs. General Requirements include items that are required for the contractor to provide for the specific project including, but not limited to, the following: field supervision; field engineering such as field office, sheds, toilets, phone; performance and payment or latent defects bonds; building permits; site security; temporary utilities; property insurance; and cleaning and rubbish removal. Such items should not be accounted for as separate line items in the development budget.

ADFA will limit the Contractor's Overhead to four percent (4%) of the development's construction hard costs plus its general requirements' costs. ADFA will limit the Contractor's Profit to ten percent (10%) of the development's construction hard costs plus its general

requirements' costs. ADFA reserves the right to determine whether costs included in the contractor's overhead and contractor's profit calculations are appropriate and reasonable.

The applicant must disclose in its Application or an attachment thereto all persons and entities, whether or not affiliated with the applicant that will receive any portion of the contractor's profit proposed in the Application. For all such entities, all members, partners and shareholders of such entities shall be disclosed and the respective portion of the amount of contractor's profit to be received by the entities shall be identified. If after time of Application, there is any proposed change in the person(s) or entity/entities that shall receive any portion of the contractor's profit, all revised parties and amounts must be disclosed in writing to ADFA.

Per-unit Cost Cap. ADFA limits the per-unit cost for developments to:

Assisted Living	\$179,000
Historic Rehabilitation	\$179,000
Single family - New Construction	\$162,000
All other new multifamily	\$151,000
Acquisition/Rehabilitation	\$131,000

Applications that represent on the face of the Application a higher cost per-unit than the allowable cost per-unit stated herein may be rejected from further consideration for an award of Housing Credits. Applications that represent costs within the allowable costs stated herein but which ADFA reasonably determines to inaccurately reflect actual costs per-unit are subject to rejection from further consideration for an award of Housing Credits.

ADFA shall have the discretion to determine reasonableness of all costs stated in the proposed development budget regardless of whether the costs per-unit comply with the maximum costs per-unit limitation set forth above. ADFA may deny Applications based upon the unreasonableness of costs, regardless of whether the costs per-unit complies with the maximum costs per-unit limitation set forth above. Upon request by ADFA staff, applicants may provide justification and supporting documentation of costs. ADFA will review the items submitted and make a final determination. ADFA's determination will be set forth in writing as to whether the Application will be further considered or rejected.

Minimum Debt Coverage Ratio. The development will be required to establish a minimum debt coverage ratio that is the greater of: (1) 1.15 or (2) the minimum debt coverage ratio required by any investor or lender providing a financial commitment letter to the applicant.

Rural Development (RD) developments shall use the income, expenses and reserves as approved in the most recently executed Form 3560-7. The applicable minimum debt coverage ratio must be evidenced by the MFHA and supporting documentation.

A development's DCR may not be projected to be below the DCR required herein at any time during the compliance period. If the Application or ADFA's underwriting evidences that the development will fail to meet the requisite DCR at any time during the compliance period, the Application will be rejected from further consideration for an allocation of Housing Credits.

After a development is placed in service, the DCR will be monitored by ADFA's Compliance Department and/or ADFA's Multifamily Programs Department.

11. **Rehabilitation Standard.** Rehabilitation hard costs (labor and materials) on any rehabilitation development will be no less than \$15,000 per unit and no less than twenty percent (20%) of the development's total costs.

Developments financed with 4% LIHTC/Tax-exempt bonds: Applicants for tax-exempt bond financing subject to private activity volume cap MUST elect to meet the Rehabilitation Standard set forth above.

12. **Rental Assistance Contract.** All applicants proposing a development that has been approved for project-based rental assistance shall submit with its Application a copy of the executed rental assistance contract **and if applicable Form RD 3560-7 or HUD-92458**; if a rental assistance contract has not been executed at time of Application submission, a commitment letter from the agency providing the rental assistance must be submitted. All such applicants must also submit documentation, if not set forth in the rental assistance contract or the commitment letter, or the most recently **approved amount of rent to be charged**. If an Application proposing a development represented to have project-based rental assistance does not submit this required information, and complete all portions of the Application relevant to project-based rental assistance, ADFA will underwrite on the assumption of no rental assistance. If such underwriting results in a determination that the development is not financially feasible, the Application will be rejected from further consideration for an allocation of Housing Credits.

HUD Section 8 supported developments: In the event that the Department of Housing and Urban Development ("HUD") anticipates granting a waiver, or other process whereby HUD has agreed to underwrite an existing HUD-assisted development based on rents and rental assistance it has agreed to provide after rehabilitation, ADFA **may** also underwrite such proposed developments based upon such rent or rental assistance if substantiated by a letter from HUD and supported by the market study and/or appraisal. It is within ADFA's sole discretion, on an Application-by-Application basis, to determine whether utilization of such future rents and rental assistance in its underwriting is reasonable and appropriate.

Any award of Housing Credits under such circumstance is conditioned upon the development obtaining the waiver or approval. If the waiver or approval is not obtained by the carryover allocation Application Deadline, ADFA may terminate the Housing Credit award and no carryover allocation will be issued by ADFA for the development.

13. **Fair Housing Training.** Applicant must include with its Application a copy of the certification evidencing completion of the Arkansas Fair Housing Commission training by a principal of the following members of the development team, or manager dealing with day-to-day operations, as appropriate under the circumstances: (a) Owner; (b) Developer; (c) Management Agent; (d) Consultant, if applicable; and (e) Architect. Failure to submit the requisite evidence of completion by all required development team members shall result in rejection of the Application from consideration for an allocation of Housing Credits. The certification is valid for the purpose herein for two (2) years from date of certification.

Each development team member should attend the class most relevant to his or her development team role.

14. Identification of Applicant. The applicant must identify within its Application the General Partner and Limited Partner(s), or all members as applicable, of the applicant entity. The applicant must also identify all members, partners, or shareholders of the General Partner; if any such members, partners, or shareholders are entities, the applicant must identify all members, partners, or shareholderholders of such entities.

15. Assisted Living Developments. Assisted living development applicants shall submit an approved Certificate of Need or Permit of Approval from the State of Arkansas. See definition of "Assisted Living" herein Section I(A).

All assisted living development Applications must submit the following representations from the applicant:

- a. All low-income housing units within the assisted living development contain separate and complete facilities for living, sleeping, eating, cooking and sanitation. (*See 26 C.F.R. §1.103-8(b)(8)*);
- b. All low-income housing units within the assisted living development are available for use by the general public (*See 26 C.F.R. §1.42-9*);
- c. Supportive services available to tenants in low-income housing units within the assisted living development are optional (*See 26 C.F.R. §1.42-11*); and
- d. Supportive services available to tenants in low-income housing units within the assisted living development do not include continual or frequent nursing, medical or psychiatric services (*See 26 C.F.R. §1.142-11 and I.R.S. Revenue Ruling 98-47*).

16. Narrative Description of Development. A detailed narrative description of the development that includes the type of development; geographical description of the development site and surrounding area; types of financing; tenants served; bedroom mix; percentage of low income units; involvement of non-profit support service organizations; amenities for the development; energy efficiency; rehabilitation work to be performed, if applicable; and any other relevant descriptive information.

17. Letter to Public Housing Authority ("PHA") for use by Persons on Waiting List. The applicant shall provide written documentation to the local PHA of its intent to develop a low income multifamily rental development. The notice shall provide the PHA with:

- a. A copy of the Narrative description set forth above;
- b. The development's proposed address/location; and
- c. A description of the number, type, income limits and unit mix (by bedroom size and anticipated rents).

The applicant must submit a copy of the above notice with its Application to ADFA.

18. Utility Allowance Calculation. Pursuant to *26 C.F.R. §1.42-10*, documentation of utility calculations from one of the following entities shall be included:

- a. Local Public Housing Authority, unless the applicant is a Housing Authority or affiliated therewith, then it must be from an unrelated third party;
- b. HUD;
- c. RD;
- d. Utility company; or
- e. Energy Consumption Model study.

NOTE: IF applying for HOME : Effective January 2015, the applicant must use the HUD Utility Schedule Model or otherwise determine the utility allowance for the development based on the type of utilities used at the development.

The applicant must submit written documentation from the utility allowance entity selected which clearly marks the allowance for each type utility usage applicable for each type of unit to be constructed or rehabilitated. The supporting documentation must be signed and dated by an authorized representative of the utility allowance entity.

The utility allowance documentation must be dated within six (6) months prior to the Application Deadline, unless the Application is for acquisition/rehabilitation of a HUD or RD development, then the current executed HUD or RD rent schedule forms are acceptable.

19. **Section 106 and Fish and Wildlife Service's Clearance Letters.** A Section 106 (National Historic Preservation Act, *16 U.S.C. §470(f)*) clearance letter from the Arkansas Department of Heritage and a Fish and Wildlife clearance letter from the U.S. Fish and Wildlife Services must be submitted with the MFHA.
20. **Letter of Participation and Resume of Development Team Members.** Each development team member shall submit:
 - a. A cover letter describing its participation in the development along with a copy of its resume listing qualifications, experience, previous experience with the low-income Housing Credit program, address, telephone number and email address.
 - b. The General Contractor/Builder, Architect and Engineer must be licensed to conduct business in Arkansas and a copy of such licenses must be submitted with the Application.
 - c. Certification of Good Standing from the Arkansas Secretary of State for the applicant, developer and management company.

It is within ADFA's sole discretion to evaluate the capacity of any development team member to undertake performance on any development. A determination by ADFA that any development team member does not have the capacity to undertake performance on any development may result in a disqualification of the Application.

Any development team member, including the applicant, developer, management agent or consultant may be considered ineligible for an award of Housing Credits in scenarios whereby documentation supports instances of nonperformance. Instances of poor or nonperformance may occur during construction, lease up, the Compliance Period or the Extended Use Period. Below is a list of some possible performance issues. This is not an exclusive list.

- a. Failure to meet and maintain minimum property standards;
- b. Failure to meet and maintain any material aspect of a development as represented in an Application;
- c. Excessive late or incomplete reports to ADFA;
- d. Failure to obtain prior approvals from ADFA;
- e. Having been involved in uncured financing defaults, foreclosures or placement on HUD's list of debarred contractors;
- f. Events of material uncorrected noncompliance with any federal or state assisted housing programs within the prior seven (7) year period;
- g. Failure to comply with ADFA's request for information or documentation on any development funded or administered by ADFA; or
- h. Removal as a general partner.

21. Statement of Previous Performance. Utilizing the Criminal Background and Disclosure Form Housing, Attachment A, the applicant, its consultant and each development team member shall inform ADFA whether or not it has any existing contract or indebtedness with ADFA and identify any prior or currently delinquent, defaulted, or foreclosed upon contract, loan or other indebtedness of the applicant, consultant or development team member with ADFA, or any judgements, proceedings or investigations or any pending or threatened litigation.

In addition, ADFA will review the previous performance of the applicant, its consultant and each development team member under all affordable housing programs with ADFA or other State Housing Finance Authorities, including the HOME program, the Housing Credit program, Tax-Exempt Bond program and any other affordable housing loan program, including disbursements, payment history, compliance history and any findings. Unsatisfactory performance, **as determined by ADFA's Staff Housing Review Committee**, on previous developments or delinquencies in payments will result in disqualification of an Application by the ADFA Staff Housing Review Committee, regardless of scoring.

22. Criminal Background and Disclosure. Each applicant, developer, consultant and other development team member on the Application, and all principals of development team members as well as any public official affiliated with a Housing Credit, Housing Credit/HOME or bond program Application, shall complete a Criminal Background and Disclosure Form-Housing, Attachment A to the Application.

Failure to submit, or correctly complete the Criminal Background and Disclosure Form-Housing by each applicant, developer, consultant and development team member on the Application or affiliated public official on a HOME program Application may disqualify the Application for reservation of Housing Credits, Tax-Exempt Bonds utilizing Private Activity Volume Cap ("Bonds"), HOME funds or other ADFA Housing resources.

Each applicant or recipient of Housing Credits, Bonds, HOME funds or other ADFA housing resources and any principal of such applicant or recipient, is subject to ADFA's Criminal Background Check Policies and Procedures and their requirements. Each developer, consultant or other development team member or any principal of such developer, consultant or other development team member, is subject to ADFA's Criminal Background Check Policies and Procedures and their requirements.

ADFA shall determine whether the criminal background of an applicant, developer, consultant or other development team member or of a partner, member, or shareholder of the applicant, developer, consultant or other development team member disqualifies such person(s) or entity or entities. If such person(s) or entity or entities are determined to be disqualified to participate on the development team of the proposed development, the Application may be rejected from further consideration for Housing Credits, which may necessarily result in rejection from further consideration for other ADFA resources. ADFA may allow the applicant to provide, after notice of such determination to the applicant, a replacement development team member subject to approval of such replacement member by ADFA.

ADFA may disqualify an Application based upon the Criminal Background and Disclosure,

23. **Environmental Checklist.** The Environmental Checklist included in the Application as Attachment B must be completed, signed and dated.

24. **Conflict of Interest Acknowledgement and Contract and Grant Disclosure and Certification Form.** Each member of the development team as listed in the Development Team tab of the MFHA must complete the "Conflict of Interest Acknowledgment" and "Contract and Grant Disclosure and Certification Form", which will be available on ADFA's website as an attachment to the MFHA.

25. **Attachment C - Identity of Interest.** As appropriate for each entity listed on the Development Team and the Limited Partnership, prepare an organizational chart for each member of the development team listing the entity and all applicable stockholders, directors, officers, members, managers, trusts, trustees, etc. including full names and addresses and percentage of ownership and voting rights. If a sole proprietorship, state the same. Reference Attachment C as an example.

26. **Site Plan, ALTA/NSPS Survey, and Topographic Survey.** A site plan depicting the location and orientation of each existing or proposed building and all paved areas throughout the development site, including sidewalks and parking areas.

An ALTA/NSPS survey and topographic survey of the proposed development site signed and dated within six (6) months of the Application Deadline by a person authorized to perform such surveys by the Arkansas State Board of Licensure for Professional Engineers and Professional Surveyors.

27. **Tax Abatement.** ADFA will not consider the effect of lowered, abated or deferred real estate taxes in its underwriting of the proposed development unless documentary evidence of the development's entitlement to tax abatement, reduction or deferral is submitted by applicant with its Application.

28. **Attachment G.** Multifamily Housing Minimum Design Standards: Construction of the development must be in accordance with ADFA's "Multifamily Housing Minimum Design Standards", as well as all applicable local, state and national building codes. The applicant's architect must complete and execute the "Multifamily Housing Minimum Design Standards Checklist", Attachment G of the MFHA. The applicant must certify that all features,

standards and specifications acknowledged in Attachment G, certified by the architect, will be incorporated and complied with in the construction or rehabilitation of the proposed development. The general contractor must execute an acknowledgement of Attachment G before a Notice to Proceed will be issued.

For rehabilitation developments: If **structural** constraints prohibit adherence to ADFA's "Multifamily Housing Minimum Design Standards", the applicant may seek a waiver from ADFA for the standard concerned. Such waiver request must be in writing, must be included with the Application (separate from Attachment G), but Attachment G must evidence the waiver request, and include the following:

- a. Certification by the design architect or licensed engineer that the standard concerned cannot be met due to structural constraints and a description of the structural constraint;
- b. Description of alternative design which will achieve the benefit of the required standard; or certification by the design architect or licensed engineer that no alternative design can be undertaken to achieve the benefit of the required standard due to structural constraints; and
- c. Statement by applicant that it will implement any alternative identified by the design architect or licensed engineer.

A certification from the design architect or licensed engineer will be required to be submitted confirming compliance with ADFA's "Multifamily Housing Minimum Design Standards", as amended for the development by any approved waivers, prior to the issuance of I.R.S. Form 8609.

- 29. Allocated Credit Limitation for Competitive Round.** A development team member, whether an individual or entity, may not have an economic interest, as defined below, in more than 30% of the total amount of 9% Housing Credits that ADFA has available for allocation in that given year. The ADFA Board of Directors shall have the discretion to limit the number of developments under development at any one time by any developer or owner.

This section is not intended to prohibit any independent third-party professionals from rendering services on behalf of multiple proposed developments. However, this section will apply to such service provider if the service provider has an economic interest as defined below, in addition to its provision of services to the proposed development.

ADFA may determine when this rule regarding economic interest should apply in circumstances other than those specifically referenced above. In addition to the Allocated Credit Limitation for any development team member among which ADFA determines an economic interest exists, ADFA may impose special condition and limitations upon Applications, applicants and development team members.

Applicant must identify **all** members, partners and shareholders of the applicant, contractor, architect, management company, consultant and developer of the proposed development. If any such identified members, partners or shareholders are entities, then **all** members, partners and shareholders of such entities must be identified. **All** development team members must be identified at time of Application.

No changes can be made in the composition of the development team without ADFA's written approval. Applicant must identify to ADFA all members, partners and shareholders of the proposed replacement member. If any such identified members, partners or shareholders are entities, all members, partners and shareholders of such entities must be identified. All policies regarding economic interest shall be applicable to the proposed replacement member. If the proposed replacement would cause a development team member or related person or entity to violate the Allocated Credit Limitation, such proposed replacement will be denied, or if the economic interest becomes known to ADFA at a later time, ADFA may terminate the reservation, terminate the carryover allocation, deny issuance of credits via I.R.S. Form(s) 8609, suspend all responsible persons and entities from the Housing Credit Program for a period of time determined by the ADFA Board of Directors, or take other action reasonable under the circumstances as as determined by ADFA.

An economic interest exists in the context of an Application and development when:

- a. There is any financial interest in the development, including but not limited to the lending of funds to a development team member or the owner of the development for the construction or operation of the development, the guaranteeing of a note on behalf of a development team member or owner of the development, or the making of any other guarantee that is contingent upon the construction or performance of the development; and/or
- b. A development team member also has an economic interest in a development if the ownership entity or any portion thereof should be stated on the financial statements of the development team member or related entity according to Generally Accepted Accounting Standards.

Economic interest shall not include a contractual relationship whereby a development team member provides services that are within its ordinary course of business and receives reasonable payment for such services. For example, an architect contracting with a development owner to prepare plans for the rehabilitation of a development in exchange for a contractual sum shall not constitute an economic interest. Or, for example, an independent contractor providing a payment or performance bond or guarantee and warranty pertaining to their construction work and budget as outlined in an AIA A series contract shall not constitute an economic interest.

For the purposes stated herein, "development team member" shall include but not be limited to all persons and entities stated in the Application as members of the Development Team.

The applicant must disclose **all** identities of interest that exist among all persons or entities acting as a development team member whether or not expressly named as a development team member.

The applicant shall include with its Application a verified statement from **all** development team members in which each discloses all economic interests in the development. ADFA may deem a person or entity as a development team member if ADFA reasonably determines that such person or entity is acting as a development team member.

30. Multiple Phase Developments. ADFA will typically not consider for an award of Housing Credits an Application for a proposed development that is a phase of another proposed development for which an Application has been submitted in the same funding cycle. However, ADFA and Board will consider waiver requests on a case-by-case basis for rehabilitation developments that would require a multi-phase development in a single funding round. **Waiver requests must be submitted to ADFA staff and heard by the ADFA Board prior to the Application submission deadline .**

A senior development located, or proposed to be located, adjacent to a family development, or proposed development, shall not be considered phases of the same development.

II. PROCEDURES FOR AWARDING POINTS AND RANKING APPLICATIONS

A. POINTS CRITERIA.

Each Application will be awarded or penalized points based upon the Points Criteria outlined below.

Points Criteria

1	<p>Location Area of Opportunity Index ("AOI") calculated for the development's Census Tract.</p> <p>AOI is based on unemployment rate, vacancy rate and population growth. The AOI is calculated for every Census Tract and ranges 0-10. Points will be rounded accordingly: 0-.4 receive 0 points, .5-1.4 receive 1 point, etc.</p> <p>The AOI of each Census Tract can be found on ADFA's website.</p>	Maximum 10 Points
2	<p>Tenant Needs 4 points will be given to developments with 100% of the units in the development designed, equipped and set-aside for elderly defined at <i>42 U.S.C. 3607(b)(2)</i> and <i>Ark. Code Ann. §16-123-307(d)(1)</i></p> <p style="text-align: center;">OR</p> <p>4 points will be given to developments targeting low-income families (or individuals with children) with a minimum of 20% of the units having three or more bedrooms. <i>(If an applicant chooses 100% elderly, the applicant will <u>not</u> receive points for three or more bedrooms)</i></p> <p style="text-align: center;">OR</p> <p>4 points will be given for Supportive Housing for disabled persons (as defined in Section I(A) above) with a minimum of 30% of the units for such special needs tenants.</p> <p>The applicant must submit a statement:</p> <ol style="list-style-type: none"> 1. Describing the design and construction of the development that will meet the needs of the disabled population served; 2. Describing the on-site support services that will meet the needs of the disabled population served; and 3. Stating the supportive services will be optional to the disabled population served (<i>see 26 C.F.R. §1.42-11(b)</i>) <p>The proposed service provider must submit a statement describing:</p> <ol style="list-style-type: none"> 1. The disabled population to be served; 2. The needs of the disabled population to be served; and 3. The service to be provided to the disabled population served, including the frequency of provision <p style="text-align: center;">OR</p>	Maximum 4 Points

	4 points will be given for 100% Assisted Living housing (as defined in Section I(A) above).	
3	Rehabilitation Point Deduction 12 points will be deducted if the proposed development involves the acquisition and/or rehabilitation of existing structures that were allocated LIHTC within 20 years or less from the date of the Application Deadline.	-12 Points
4	Public Housing Evidence of a public housing waiting list's need for affordable housing. Evidence shall be in the form of a signed letter from the respective public housing authority dated within six (6) months of the Application Deadline.	4 Points
5	Historic Developments Proposed development involves rehabilitation of structures that are individually listed in the National Register of Historic Places ("NRHP") or have been determined to contribute to a Registered Historic District. The applicant must submit a letter dated within six (6) months from the date of the Application Deadline and must verify the structures are individually listed in the NRHP or have been determined to contribute to a Registered Historic District.	4 Points
6	Developer Fee Developer Fee, including consultant fees, are 10% or less of net development costs. The applicant must submit a signed statement of its election to limit its combined developer and consultant fees to 10% or less of net development costs and such limitation such limitation must be evidenced in the MFHA's Development Budget.	8 Points
7	MARKET RATE UNITS To be eligible for market rate unit points, a minimum of 20% of the total residential units in the development must be market rate units. The market rate units must be evenly distributed throughout the buildings of the development and, if a single building, throughout the floor(s) of the building. The distribution of the market rate units must be reflected on Attachment E, the Building and Unit Designation submitted with the MFHA.	4 Points
8	Rental Rate Impact of Tax Credits Proposed development will be awarded one (1) point for each percentage advantage of net LIHTC rents below the allowable rents for a 60% AMI unit of comparable multifamily rental developments in the area. The percentage advantage will be calculated by the average percentage below the maximum allowable rents for a 60% AMI unit for each type of unit (<i>i.e. one bedroom and two bedroom units</i>) in the development.	Maximum 100 Points

Net LIHTC Rents, as evidenced in the MFHA, will be allowed to increase at a rate of 2.75% per year for the 15-year credit period. In no instance shall the rents exceed those required by *I.R.C. §42 or 24 C.F.R. §92*, if applicable.

Percentage Advantage will be calculated using the following formula for ADFA's underwriting purposes:

Percentage Advantage = 1.0000 (one) minus (Proposed LIHTC Rent ÷ 60% AMI Rent Limit)

The overall Percentage Advantage will be calculated using a weighted average of the Percentage Advantage for each type of unit.

Unit Type	# of Units	Proposed	60% Limit
1 BR	17	511	525
2 BR	13	527	632
3 BR	11	699	772

1 BR Advantage: $1.0000 - (511 \div 525)$
 $= 1.0000 - .9733$
 $= .0267$ or 2.67%

In this example, the net LIHTC rents for the 1 bedroom units have a 2.67% advantage to that of 60% LIHTC AMI Rent Limit.

2 BR Advantage: $1.0000 - (527 \div 632)$
 $= 1.0000 - .8338$
 $= .1662$ or 16.62%

In this example, the net LIHTC rents for the 2 bedroom units have a 16.74% advantage to that of 60% LIHTC AMI Rent Limit.

3 BR Advantage: $1.0000 - (699 \div 772)$
 $= 1.0000 - .9054$
 $= .0946$ or 9.46%

In this example, the net LIHTC rents for the 3 bedroom units have a 9.46% advantage to that of 60% LIHTC AMI Rent Limit.

The composite Percentage Advantage will be calculated as follows:

The development has forty-one (41) units consisting of seventeen (17) 1BR units, thirteen (13) 2BR units and eleven (11) 3BR units. One bedroom units are 41.46% of the total number of units. Two bedroom units are 31.71% of the total number of units. Three bedroom units are 26.83% of the total number of units.

1 Bedroom Weighted LIHTC Advantage: $2.67\% \times 41.46\% = 1.10\%$

2 Bedroom Weighted LIHTC Advantage: $16.62\% \times 31.71\% = 5.27\%$

	<p>3 Bedroom Weighted LIHTC Advantage: $9.46\% \times 26.83\% = 2.53\%$</p> <p>Composite LIHTC Advantage: $1.10\% + 5.27\% + 2.53\% = 8.90\%$</p> <p>This example results in an award of 9 points for the Rental Rate Impact of Tax Credits.</p>	
<p>9</p>	<p>Site Selection</p> <p>The site location will be evaluated for accessibility and proximity to services appropriate to the type of housing proposed (e.g. grocery stores, schools, medical facilities, public parks and public transportation).</p> <p>The Application shall identify the name, driving directions and driving distance to the site amenities listed below.</p> <p>Two (2) points will be given for the following site amenities located within three (3) miles of the site. <i>Site amenities must be appropriate for the population served.</i> Distances will be measured by the shortest available driving distance from the development's address to the applicable address of the site amenity as calculated by Google Maps. Points will ONLY be given for the site amenities listed below:</p> <ol style="list-style-type: none"> a. Grocery Store or Supermarket; b. Pharmacy or Drug Store; c. School, daycare or educational center (<i>cannot be awarded if 100% elderly only property</i>); d. Public Park or Green Space, as defined in Section I(A) (<i>does NOT include school grounds</i>); e. Book lending public library; f. Daily operated senior center or facility offering daily services for seniors (<i>can be awarded only if 100% elderly only property</i>); g. Hospital, health clinic or medical doctor's office (medical doctor's office must have a general practitioner); h. Public transportation; and i. Access to designated pedestrian trails. <p>NOTE: Site amenities presented for scoring shall be referenced in the Market Study map (Market Study Guidelines Section V(B)). All site amenities presented for scoring must list a contact person and a verifiable telephone number in the Application.</p> <hr/> <p>Points will be deducted on site selection. There is not a limit on the total on the total number of points that can be deducted.</p> <p>Three (3) points will be deducted if any of the following incompatible uses are adjacent to the site (adjacent is defined as nearby, but not necessarily touching).</p>	<p>Maximum 16 Points</p>

	<p>Two (2) points will be deducted if any of the following incompatible uses are within 0.3 mile (approximately 500 yards) of the site. Distances are measured by linear distance or "as the crow flies". The following is NOT an exclusive list:</p> <ul style="list-style-type: none"> a. Junk Yard, Public Dump or Solid Waste Disposal; b. Pig Farm or Chicken Farm; c. Prison or Jail; and d. Airport. <p>Scoring considerations will also include, among other things, site suitability regarding topography (grade, low-lying area, flood plain or wetlands).</p>	
<p>10</p>	<p>Market Need A Market Study shall be submitted which adequately demonstrates need for the rental housing units proposed.</p> <p>Fifteen (15) points will be awarded for capture rates of 20% and below. For capture rates exceeding 20%, points will be awarded based upon 5% increments of the capture rate, up to and including 90%. Points shall be weighted based upon number of units.</p> <p>Zero (0) points will be awarded when the capture rate is 91% to 100%.</p> <p>The Application will be rejected if the Market Study fails to show need for <u>any</u> bedroom size proposed based upon the targeted income group for that bedroom size. ADFA may substitute its own market analysis, in its discretion, and may reject the Application as a result.</p>	<p>Maximum 15 Points</p>
<p>11</p>	<p>Serves Lowest Income Group Possible Special priority will be given to developments with units dedicated to serve households whose incomes are 30% or less of the area median income. Rents must be restricted accordingly. The number of units must be at least 5% of the total number of residential rental units in the development.</p> <p><u>Applications for developments that will receive, or do receive and is anticipated to continue to receive, project based rental assistance for more than 75% of units are not eligible for these points. These units cannot be used to satisfy low HOME requirements.</u></p> <p>Applicant must submit a signed statement with the Application stating the number of units to be set-aside for the extremely low-income tenants and such set-aside must be evidenced in the rent schedules of the Application.</p>	<p>7 Points</p>

<p>12</p>	<p>4 Points for Extended Duration of Low-Income Use The applicant must submit a signed statement which indicates the number of years the period of affordability will be extended. To receive points, the period of affordability must be at minimum 35 years.</p> <p style="text-align: center;">OR</p> <p>4 Points for Eventual Tenant Ownership Pursuant to <i>26 U.S.C. §42(i)(7)</i>, eventual tenant ownership is when the tenant exercises a right of first refusal after completion of the Compliance Period. The applicant must submit the proposed right of first refusal contract to be offered for eventual tenant ownership.</p>	<p>Maximum 4 Points</p>
<p>13</p>	<p>Community Revitalization Plan Points are available to a development that is located in a Qualified Census Tract if it contributes to a concerted community revitalization plan.</p> <p>The applicant must submit with its Application a copy of the Community Revitalization Plan approved by the appropriate planning authority and such Plan <u>must</u> specifically address a need for affordable housing. Please highlight specific sections of the Revitalization Plan that reference affordable housing.</p>	<p>4 Points</p>
<p>14</p>	<p>Past Performance Point Deduction ADFA will reduce an Application's score up to but no more than twenty-five (25) points if the applicant or any related party or development team member failed to meet program or ADFA requirements on a prior ADFA development. These points will be assessed and evaluated on a round-by-round basis, and applicants will be notified at Scoring Notification Period when a situation necessitating the assessment of these points occurs.</p> <p>Some examples that will result in point reduction include:</p> <ol style="list-style-type: none"> a. Failure to follow through with representations made at the time of Application on previous developments where points were awarded that resulted in the development being funded; b. Repeated and documented poor response or slow response in providing follow-up documentation or clarification requests made by ADFA staff; c. Failure to meet one or multiple deadlines on previous developments – including Form 8609/Cost Certification Packages; d. Failure to submit Final Cost Certification with Total Development Costs at or below applicable Cost Cap; and e. Failure to submit inspection reports and draw requests on monthly basis during construction. 	<p>Maximum -25 Points</p>

15	<p>Non-Compliance Point Deduction</p> <p>ADFA will reduce an Application's score up to but no more than twenty (20) points for the calculated Non-Compliance Percentage for each Application. The Non-Compliance Percentage shall be based upon any history of non-compliance of existing or past LIHTC developments of which the following parties were or are part of the Development Team or otherwise involved in the operation of the development as determined by ADFA:</p> <ul style="list-style-type: none"> a. Members, partners or shareholders of the applicant; b. General Partner of the applicant; c. Members, partners or shareholders of the General Partner of the applicant; or d. Members, partners or shareholders of members of the applicant. <p>NOTE: If applicant or management company has not previously participated in ADFA's Housing Credit Program, the applicant and/or management company must request a report from any other housing finance agency where the applicant, management company or any related entity has previous LIHTC experience that lists each instance issuance of IRS Form 8823, any report of non-compliance and UPCS inspection standard within the last three (3) years.</p> <p>The Non-Compliance Percentage is calculated during the Review and Response Period and evidenced by the issuance of the IRS Form 8823, Report of Non-Compliance, and UPCS inspection standards. The Non-Compliance Percentage is the percentage of non-compliant units over total units reviewed. The Non-Compliance Percentage of all ADFA properties reviewed within a 3-year period of time will be averaged and given an average Non-Compliance Percentage. Owners are subject to point deductions based on the average Non-Compliance Percentage as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Average Non-Compliance Percentage</th> <th style="text-align: left;">Negative Points</th> </tr> </thead> <tbody> <tr> <td>51% or more</td> <td>20</td> </tr> <tr> <td>41-50%</td> <td>15</td> </tr> <tr> <td>31-40%</td> <td>10</td> </tr> <tr> <td>16-30%</td> <td>5</td> </tr> <tr> <td>0-15%</td> <td>0</td> </tr> </tbody> </table>	Average Non-Compliance Percentage	Negative Points	51% or more	20	41-50%	15	31-40%	10	16-30%	5	0-15%	0	Maximum -20 Points
Average Non-Compliance Percentage	Negative Points													
51% or more	20													
41-50%	15													
31-40%	10													
16-30%	5													
0-15%	0													
TOTAL POINTS POSSIBLE:		180												

B. RANKING AND AWARD DETERMINATION.

Each Application will be ranked according to the score awarded. In the event that some Applications score the same, ADFA will employ a tie-breaker methodology to determine the final rankings. All final staff recommendations are subject to ADFA Board of Director's final decision.

In the event there is a tie in the scoring amount for two or more Applications, then a funding recommendation will be made for the Application based on one of the following criteria. The following are probable tie-breaker criteria ADFA would use, but not meant to be exclusive of others:

1. Funding recommendation will be based on maximum number of affordable rental units produced; or
2. Funding recommendation will be based on the Application which requested the least amount of Housing Credits per unit; or
3. Funding recommendation will be based on the Application that has the least amount of aggregate participation by any one owner or development team member. Aggregate participation is defined as the total of all Applications recommended for funding in the current round; or
4. Funding recommendation will be based on equitable geographic distribution of awarded Housing Credits.

ADFA may not approve any Application for an allocation of Housing Credits, regardless of the ranking under the priorities and point ranking outlined above. ADFA may, in its sole discretion, suspend or bar any applicant from the Housing Credit Program, which ADFA determines has acted improperly or inappropriately in the applicant's dealings with ADFA or in any way relative to the Housing Credit Program. ADFA may reject any Application from consideration for an award of federal or state housing tax credits if any member of the Development Team is determined by ADFA to be out of compliance in regard to any existing development financed with ADFA-awarded resources.

III. EQUAL OPPORTUNITY

ADFA requires that occupancy of all housing financed or otherwise assisted by ADFA be open to all persons regardless of race, color, religion, sex, handicap, familial status or national origin. Contractors and subcontractors engaged in the construction or rehabilitation of such housing must provide equal opportunity for employment without discrimination as to race, color, religion, sex, handicap, familial status or national origin.

IV. ADFA FEES

A. APPLICATION FEE.

The appropriate Application fee (determined from the list below) shall be included with the Application and be in the form of a check payable to the Arkansas Development Finance Authority.

All fees are non-refundable. Overpayments will not be refunded.

Competitive Applications

For-profit applicants	1.0% of requested annual amount of Housing Credits
Nonprofit applicants	0.5% of requested annual amount of Housing Credits

Bond Applications

For-profit applicants	\$10,000 per development site
Nonprofit applicants	\$3,000 per development site

Market Study

All applications require a non-refundable Market Study fee of \$6,000.00 per development site.

B. RESERVATION FEE.

A non-refundable reservation fee of \$150.00 per low-income unit will be required to secure the reservation of Housing Credits. Overpayments will not be refunded.

C. ISSUANCE OF IRS FORM 8609 FEE.

A fee equal to \$150.00 per low-income unit will be required at the time the owner submits the final development cost certification requesting issuance of IRS Form 8609(s). Overpayments will not be refunded.

D. MONITORING FEE.

A monitoring fee equal to ten percent (10%) of the total annual Housing Credit allocation will be required at the time the owner submits the final development cost certification requesting issuance of IRS Form 8609(s). Overpayments will not be refunded.

V. FINANCING WITH TAX-EXEMPT BONDS AND HOUSING CREDITS

Developments financed with tax-exempt bonds must apply to receive Housing Credits not allocated as part of the State's annual Housing Credit ceiling. *I.R.C. §42(m)(1)(D)* of the Code requires such developments to satisfy the "requirements for allocation of a housing credit dollar amount under the qualified allocation plan applicable to the area in which the project is located". Although these developments need not compete for an award through the competitive process, they will be evaluated for compliance with the Application Requirements.

In addition, each development financed with tax-exempt bonds shall be in compliance with the monitoring provisions of ADFA. Applicants shall comply with ADFA's Guidelines for Reserving Volume Cap for Tax-Exempt Private Activity Bonds for Residential Rental Housing and ADFA's Rules and Regulations Implementing the Law on the Allocation of the State Volume Cap for Private Activity Bonds Pursuant to Act 1004 of 2001 in effect at the time of the filing of the Application.