

Arkansas Development Finance Authority

Amended Housing Credit Program 2003 Qualified Allocation Plan

**Adopted by the Board of Directors
December 19, 2002**



TABLE OF CONTENTS

<u>DESCRIPTION</u>	<u>PAGE NO.</u>
I. <u>DEVELOPMENT OF THE PLAN</u>	3
II. <u>LIMITS ON ALLOCATION OF CREDITS</u>	3
III. <u>HOUSING CREDIT ALLOCATION STANDARDS</u>	3
IV. <u>ALLOCATION OF STATE HOUSING CREDITS</u>	4
V. <u>COMPETITIVE ALLOCATION OF NINE-PERCENT CREDITS</u>	5
A. APPLICATION PROCESS	5
B. SPECIAL NEEDS SET-ASIDE PRIORITIES	7
C. APPLICATION THRESHOLD REQUIREMENTS.....	8
D. PROCEDURES FOR SELECTING DEVELOPMENTS.....	11
E. SCORING AND PROJECT DETERMINATION	15
F. PROJECT SITE REVIEW	15
G. RESERVATION OF CREDITS	15
VI. ADDITIONAL PROGRAM REQUIREMENTS.....	16
A. MARKET STUDY FOR NEW CONSTRUCTION DEVELOPMENT AND ACQUISITION REHABILITATION DEVELOPMENTS	16
B. DEVELOPER FEE STANDARDS.....	16
C. BUILDER'S PROFIT	17
D. PER UNIT COST CAP	17
E. DEFINITION OF SCATTERED SITE HOUSING	17
F. DEFINITION OF ASSISTED LIVING HOUSING	17
G. JUSTIFICATION EXPENDITURES STANDARD.....	17
H. UNIT ACCESSIBILITY FOR PERSONS WITH DISABILITIES	18
I. LEAD-BASED PAINT	18
J. EQUAL OPPORTUNITY.....	18
VII. <u>CARRYOVER ALLOCATION</u>	18
VIII. <u>COMPLIANCE</u>	19
IX. <u>ADFA FEES</u>	20
X. <u>ALLOCATION OF CREDITS WITH BONDS</u>	20
IX. <u>CLARIFICATIONS</u>	21
QUALIFIED CENSUS TRACTS	ATT 1
SECTION 515 PLACES/COUNTIES	ATT 2

I. DEVELOPMENT OF THE PLAN.

The Arkansas Development Finance Authority (“ADFA” or the “Authority”) is charged with the responsibility of administering federal low-income housing tax credits (“Housing Credits”) for the State of Arkansas (the “State”). ADFA is also charged with the responsibility of promulgating rules and regulations concerning the allocation of the Arkansas low-income housing tax credit (the “State Housing Credits”) pursuant to ARK. CODE ANN. § 26-51-1701 *et seq.* The Tax Reform Act of 1986 created the Housing Credit to encourage the private sector to invest in the construction and rehabilitation of housing for low and moderate-income individuals and families. Section 42 of the Internal Revenue Code of 1986, as amended (“IRC” or the “Code”), mandates that Housing Credit agencies adopt a Qualified Allocation Plan for allocation of the Housing Credit to low-income rental developments throughout their respective states. Low-income housing tax credits shall be allocated in accordance with this plan or any amendments thereto.

II. LIMITS ON ALLOCATION OF CREDITS.

The Code requires that ADFA determine “the [Housing Credit] dollar amount allocated to the development will not exceed the amount the housing credit agency determines is necessary for the financial feasibility of the development and its viability as a qualified low-income housing development throughout the credit period.” Housing Credits will be limited to the amount the Authority, in its sole discretion, deems necessary. Housing Credits are not intended to provide the primary or principal source of financing for a development, but are intended to provide financial incentives sufficient to fill “gaps” which would otherwise exist in developing affordable rental housing for low-income households.

III. HOUSING CREDIT ALLOCATION STANDARDS.

The base amount of annual credit authority is currently calculated at \$1.75 per capita. This per capita amount is based upon population estimates released each year by the Internal Revenue Service.

The maximum amount of Housing Credits that may be allocated to one individual development located in a Designated Low-Income County as defined in the 2000-2005 State Consolidated Plan, or Places/Counties identified by Rural Development, shall be no more than **\$325,000** of the annual Housing Credits available in the calendar year. **Attachment 2 attached hereto is the Rural Development Low-income Place/County List.**

The maximum amount of Housing Credits that may be allocated to one individual development **NOT** located in a Designated Low-Income County as defined in the 2000-

2005 State Consolidated Plan, or Places/Counties identified by Rural Development, shall be no more than **\$300,000** of the annual Housing Credits available in the calendar year.

IV. ALLOCATION OF STATE HOUSING CREDITS.

ARK. CODE ANN. § 26-51-1702 provides that developments qualifying for the Housing Credit at the federal level will be eligible for State Housing Credits equal to twenty percent (20%) of the federal amount. The State statute imposes an overall limit of \$250,000 of State Housing Credits allocated in any one taxable year. Recognizing the limited availability of the State Housing Credits and with a desire to assign those credits where they are most needed, the applicant must demonstrate need on the Housing Credit application. Based on demonstrated need in the application, the Authority will give a priority allocation of State Housing Credits to those developments that are designated for low-income counties under the State's Consolidated Plan submitted to the federal Department of Housing and Urban Development. The list of these counties is contained in Selection Criterion #1 of this Qualified Allocation Plan. The allocation of State Housing Credits will be as follows:

1. Developments receiving an allocation of Housing Credits that are to be located entirely in any one of the low-income counties designed in the State Consolidated Plan will be allocated State Housing Credits equal to twenty percent (20%) of the applicable federal Housing Credits.
2. In the event of a shortage of State Housing Credits for eligible developments in low-income counties designated in the Consolidated Plan, priority will be given to those developments that have the highest aggregate score under the scoring system set forth in this Qualified Allocation Plan.
3. To the extent that there are remaining State Housing Credits after the allocation to eligible developments in low-income counties, then the State Housing Credits will be allocated (at 20% of the applicable Housing Credits) to remaining qualified developments until such time as the available State Housing Credits are exhausted, with priority given to those developments with the highest scores.
4. The Authority expects to allocate at least ten percent (10%) of State Housing Credits, and possibly more to non-profit organizations.
5. A list of State Housing Credit recipients will be provided annually to the Arkansas Department of Finance and Administration.
6. The Arkansas Department of Finance and Administration will be notified of any revocation of State Housing Credits.

V. **COMPETITIVE ALLOCATION OF NINE-PERCENT CREDITS.**

A. **APPLICATION PROCESS**

All of the State's annual credit ceiling and any unused carry-forward from the previous year will be awarded during one eligibility cycle. Applicants must apply during the eligibility cycle to receive a credit allocation during the calendar year.

The closing deadline for submitting a Multi-Family Housing Application for the one full 2003 Low-Income Housing Tax Credit Cycle is as follows:

FINAL APPLICATION DEADLINE IS THURSDAY, FEBRUARY 13, 2003

The deadline for submitting applications for the 2003 LIHTC cycle is set forth above. Facsimiles and e-mails will not be accepted. **All applications must be delivered to ADFA in person, by courier, by overnight mail for next day delivery, or by any other means of physical delivery. If applications are hand delivered, they must be received by 4:30 p.m. on the application deadline date. If applications are mailed they must be mailed via overnight mail, priority, next day for early morning delivery.** Applications may be mailed, or otherwise physically delivered to ADFA at the following address:

**Arkansas Development Finance Authority
Attn: Multi-Family Housing Department
423 Main Street, Suite 500
Little Rock, AR 72201
Telephone Number: 501-682-5900**

ADFA will not accept any applications submitted after the Final Deadline Date.

Final Applications. An applicant must submit a **complete** application by the applicable deadline. The application must be complete upon receipt by ADFA. The Multi-Family Housing staff will review and evaluate the application, and notification of deficiencies and scoring of the application will be faxed and mailed to the applicant in accordance with the schedule below.

Cure Period. All Applicants will have an opportunity to cure certain application deficiencies by submitting the required documentation to ADFA within five (5) business days from the date of notification. Applicants will also be allowed to discuss scoring with ADFA during the five (5) day Cure Period. The additional documentation will then be reviewed, and a final score will be mailed to the Applicant. **Changes to the original application, certain Threshold Requirements and Selection Criteria documentation cannot be cured after**

the final application deadline. The Applicant will be notified of deficiencies and curable application items according to the schedule below. ADFA will not accept any missing documentation, nor will the applicant be allowed to discuss final scoring with ADFA after the expiration of the five (5) day cure period.

Non-Curable Items. The Application must be complete when submitted on the deadline. Items that cannot be cured or submitted after the deadline include the following:

- Application Fee
- Project Narrative
- Site Control Documentation
- Financial Commitment Letters
- Market Study
- Resumes and Letters of Acknowledgement for all Development Team Members
- Plans and Specs

If any of the above threshold items are missing from the application, the application will be considered incomplete and will **NOT** be processed for funding.

DATES FOR REVIEW OF APPLICATIONS AND RESERVATION PROCESS	
Final Application Deadline	February 13, 2003 (4:30 p.m.)
Applicants notified by e-mail or fax of Application Results (Missing documentation/scoring)	March 20, 2003
Cure Period Deadline for receipt by ADFA of Application deficiencies (The Applicant must include cover page to denote any changes to application to assist with final scoring.) Deadline for Applicants to discuss scoring	March 27, 2003 (4:30 p.m.)
Final application scores e-mailed or faxed to Applicants	April 4, 2003
Successful applicants approved for reservation of Housing Credits by ADFA Board of Directors	April 17, 2003
Reservation letters mailed to 2003 Housing Credit recipients	May 1, 2003

B. SPECIAL HOUSING NEEDS-SET ASIDE PRIORITIES.

1. **Non-Profit Set-Aside.** Not less than ten percent (10%) and up to twenty percent (20%) of the Housing Credit Fund will be reserved for allocation to non-profit developments meeting the standards set forth in IRC § 42 (h)(5). The organization must be a qualified non-profit, defined as a 501(c)(3) or 501(c)(4) organization, which is not affiliated with or controlled by a for-profit organization and has included, as one of its tax-exempt purposes, the fostering of low-income housing. Section XXV. Non-Profit determination of the Multi-Family Housing application must be completed, and copies of the Non-Profit's Articles of Incorporation and IRS documentation of status must be included with the application.

2. **ADFA HOME and Rural Housing Services Set-Aside.** Twenty percent (20%) of the total Housing Credits available for allocation in Arkansas will be set-aside for successful HOME and Rural Housing applicants. To be considered for HOME Program funds, Applicants must request HOME funds by completing the appropriate sections in the 2003 Multi-Family Housing Application when submitted on the Application Deadline Date. All projects approved for HOME Program funds and LIHTC will have the option to receive funds from this set-aside. Applicants applying under this set-aside with Rural Development funding must submit a copy of the Rural Development commitment letter with their Application. ADFA has entered into a Memorandum of Understanding with Rural Housing Services of the Rural Development ("MOU") dated July 27, 2000, and have agreed to engage in cooperative efforts to enable ADFA and Rural Housing Services to effectively evaluate Housing Credit requests of Rural Housing Services' applicants. The MOU will be applied to the processing of these loans. A copy of the MOU will be provided to all Rural Housing Service/ADFA recipients of tax credits.

3. **Assisted Living Set-Aside.** An amount up to \$300,000 of the total Housing Credits available for allocation in the State will be set-aside for qualified assisted living developments that qualify for financing assistance under the "Coming Home" Program of the Robert Wood Johnson Foundation. A copy of the award letter must be included with the application. Any Housing Credits reserved under this set-aside that are not allocated for that purpose, will be allocated to other eligible Housing Credit applications approved under this Qualified Allocation Plan. Beginning with the 2004 Low-Income Housing Tax Credit cycle and continuing thereafter, the Applicant will be required to submit a copy of the Certificate of Need or Permit of Approval from the State of Arkansas at the time the application is submitted to ADFA for funding consideration.

If the Applicant meets the requirements for more than one set-aside, it will be the responsibility of the applicant to choose a set-aside in the 2003 Multi-Family

Housing Application. All Applicants that do not meet the requirements for a set-aside or applicants that do not choose a set-aside will automatically compete in the For-Profit Category.

C. APPLICATION THRESHOLD REQUIREMENTS.

An application meets the threshold requirements when the application is complete, including all required documents as determined by ADFA. The following are Threshold Requirements that must be included with the application when submitted on the Final Deadline Date:

1. Narrative Description of the Development

A detailed narrative description of the development which includes the type of development; type of financing; tenants served; set-aside if applicable; bedroom mix; percentage of low-income units; involvement of non-profit support services organization; amenities for the development; energy efficiency; rehab work to be performed if applicable; and any other relevant descriptive information.

2. Financial Commitment Letters

Evidence of submission of application to a mortgage lender/s for all sources of funds. The letter should state that a formal application for construction and/or permanent financing has been submitted and is under serious consideration and should contain the approximate amount of loan, term and interest rate, if possible.

For applications with HOME funds, applicants must complete all appropriate sections of the 2003 Multi-Family Housing Application pertaining to HOME funding, including all required threshold items and documentation to be considered for an allocation from the HOME set-aside.

For applications with RHS funds, a firm commitment letter from RHS/RD is required.

For assisted living set-aside funds a commitment letter from the “Coming Home” Program of the Robert Wood Johnson Foundation must be included. Beginning with the 2004 LIHTC cycle and continuing thereafter, a copy of the Certificate of Need or Permit of Approval must be included as an attachment to the application.

If proceeds from the sale of the affordable housing credits are being utilized as a source of funds, a commitment letter from syndicator/investor must be included.

A commitment letter for any other gap financing included in the sources/uses of funds must be included.

3. Utility Allowance Calculation

Documentation of utility calculations from one of the following entities must be included:

Local Public Housing Authority
State Public Housing Authority
Utility Company

4. Site Control Information

Evidence of site control in one of the following forms must be included:

Deed
Option
Purchase Contract

Verification of Arm's Length Transactions must be included. ADFA reserves the right to require an appraisal of the property for all Arms' Length Transactions, at the applicant's expense.

For **all** rehabilitation projects claiming acquisition credits, the application must include documentation to satisfy the purchase requirement, 10-year hold rule and related party requirement of IRC Section 42.

5. Zoning Information

Documentation of proper zoning for both new construction and acquisition/rehabilitation must be included.

6. Independent Market Study

A market study in the appropriate format outlined in the ADFA Market Study Guidelines must be included with the application. The study should be dated within twelve (12) months of the date of the application submission. Only approved market analyst firms on the ADFA Approved Market Study Firm List will be allowed to perform market studies for this program. Market studies performed by firms not approved by ADFA will not be accepted. See Market Study Requirements below for additional requirements.

7. Letter from highest elected local official supporting proposed development

A letter from the highest elected local official in which the development shall be located must be included with the application. If the development is or shall be located in the city limits, a letter from the Mayor is acceptable. If development is or shall be located in the county, a letter

from the County Judge is acceptable. The letter must be dated within six (6) months of the date of the application submission. The letter, at a minimum, should address the need for affordable housing in the area and support for the specific development. Should the highest elected official withdraw the letter of support at any time prior to the deadline for Carryover Allocations, ADFA will revoke the reservation of LIHTC for the development. Revocation of the letter of support after the deadline for Carryover Allocations will not affect the reservation of credits.

8. Resumes and Letter of Acknowledgment for Development Team Members

Each member of the development team must submit a cover letter acknowledging participation in the project and identify their role along with a copy of their resume, which should list qualifications, experience, previous experience with the low-income housing tax credit program, address and telephone number. If the Applicant does not have the minimum required experience with the Low-Income Housing Program, a consultant or sponsor with LIHTC experience is required to be a part of the development team. The consultant or sponsor's participation letter, resume and a summary page specifically describing their role in the development must be included. Minimum required experience shall include having an application for low-income housing tax credits successfully funded and 8609s have been issued for the development indicating the development has completed construction and has been placed in service.

9. Previous Participation Record of Owner. ADFA's Multi-Family Housing staff will conduct a review of the Applicant's previous performance 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. Non-performance on previous developments and delinquencies in payments will result in disqualification of an application by the ADFA Board Housing Review Committee, regardless of scoring.

10. Articles of Incorporation and IRS documentation for Non-Profit Set-Aside Applicant

If the development is to be considered for the non-profit set-aside, Articles of Incorporation and IRS documentation of non-profit status must be included with the application. Pending requests with the IRS for non-profit status will not be accepted.

11. Preliminary Plans and Specifications

One set of preliminary plans and outline of specifications must be included.

12. Environmental Checklist

All Applicants must complete the Environmental Checklist attached hereto.

13. Application Fee

The application fee check should be made payable to Arkansas Development Finance Authority. See page 23 of the 2003 Multi-Family Housing Application for all required fees.

D. PROCEDURES FOR SELECTING DEVELOPMENTS.

Each application will be awarded points according to the nature and character of the development. The maximum number of points which may be awarded for each set of criteria are indicated below:

SELECTION CRITERIA		MAXIMUM POINTS
1.	<p>Location.</p> <p>A. Development is located in the following low-income counties designated in the 2000-2005 State Consolidated Plan: Bradley, Chicot, Crittenden, Desha, Fulton, Jackson, Lafayette, Lawrence, Lee, Miller, Monroe, Newton, Phillips, St. Francis, Searcy and Woodruff. (15 points)</p> <p>B. Development is located in designated places for Section 515 Rural Rental Housing 2002 applications. (See "Attachment 2" for listing.) (15 points)</p> <p>C. Development is not located in one of the above low-income counties or designated places for Section 515 Rural Rental Housing 2002 applications, but is located in a Qualified Census Tract ("QCT") or a Difficult to Develop Area ("DDA"); copy of QCT map for the development area must be submitted with the application and complete census tract information on page 3 of the application. (See attached listing of QCT's and DDA's.) (10 points)</p>	15

SELECTION CRITERIA		MAXIMUM POINTS
2.	<p>Development of housing for special needs or with special features including:</p> <ul style="list-style-type: none"> (a) single room occupancy housing; (b) transitional housing for the homeless (c) elderly housing (all units must be elderly units); (d) housing for disabled persons; (e) Assisted Living housing; (f) housing for large families (3 bedrooms or larger); (g) scattered site housing; (h) tenant population of single parent/single guardian with children; or (i) projects intended for eventual tenant ownership. <p>Points for Items (a) – (g)</p> <ul style="list-style-type: none"> ? all units for special needs (13 points) ? half the units (8 points) ? 10% (minimum of three units) (4 points) <p>Points for Item (h) (1 point)</p> <p>Points for Item (i) (1 point)</p> <p>Items (a) & (b) must be operated by governmental or non-profit entity);</p>	15
3.	<p>Involves rehabilitation of existing structures (40% of the adjusted basis of the building).</p>	10
4.	<p>Points will be available to applicants if their combined developer and consultant fees are 10% or less of total development cost as defined under developer fee standard.</p> <p>(Indicate percentage and amount under developer’s fees, page 17 of the application.)</p>	5
5.	<p>A minimum of 20% of the total housing units in the development are market rate units.</p>	5
6.	<p>Owner provides appropriate amenities for the type of housing proposed, e.g., elderly, family, etc., as evidenced by architectural plans and specifications that must be included in the application.</p>	10

7.	<p>The development promotes energy efficiency. The developer must provide a statement in the application that the design and/or components of the project promotes energy conservation. The statement should be from a licensed engineer or architect certifying which of the following energy-saving devices will be utilized in the construction of each Housing Credit building. The elements selected must be certified as included in each building upon placement in service.</p> <p>A. All of the following must be satisfied in order to count as one element of energy savings efforts:</p> <ul style="list-style-type: none"> (i) ceiling fans in each bedroom and living room; (ii) shower head(s) with a maximum of 2½ gallon per minute water flow rate; (iii) ½” insulation on hot water pipes; and (iv) florescent light fixtures in the kitchen, bathroom(s) and utility room. <p>(B) Wall insulation with a minimum of R-16, and must also include exterior house wrap (ex: TYVEK).</p> <p>(C) Ceiling insulation with a minimum of R-38.</p> <p>(D) Gas heating system with a minimum 90% AFUE rating with an air conditioning system with a minimum 12 Seer rating or a minimum 7.8 HSPF electric heat pump system.</p> <p>(E) Windows with frames and sashes of wood, vinyl or thermally broken-metal with two or more panes of insulated glass and argon gas, of which at least one pane has a low emission coating.</p> <ul style="list-style-type: none"> · all five (15 points) · 3 or 4 (6 points) · 1 or 2 (3 points) <p>A signed certification from the design architect or licensed engineer confirming the installation of energy saving devices will be required prior to issuing the IRS Form 8609. The certification must be included in the Allocation of Credits request made to the Authority.</p>	15
8.	<p>Material participation of local-based tax-exempt organizations, which may be participating in a way other than in the role of developer. Local-based means the non-profit service area (neighborhood, city or county in which the project is to be located). Applicant must document participation from local tax-exempt organizations indicating what their involvement in the development</p>	5

	will be and that their charter and by-laws allow the activity or service. Signed statement from tax-exempt organization outlining the activities to be provided to the tenants must be included in the application. The services to be provided must be appropriate for the type of development planned.	
9.	Use of Public Housing Waiting List. Application must include a copy of a letter from the Public Housing Authority serving the development area stating it is willing to refer tenants to the proposed development.	5
10.	Market Need. A Market Feasibility Study must be submitted with the application, which adequately demonstrates a market need including, among other things, certifying that comparable affordable housing developments in the subject market location are at least eighty-five percent (85%) rent occupied. (See page 16 of this Qualified Allocation Plan for additional information and market study requirements.)	15

Legislated Priorities		Bonus Points
1.	Serves the lowest income group possible. Special priority will be given to developments with units for households with 30% (or less) of area median income. (The units set aside for very low-income households must be occupied by households within the income limits set forth in a regulatory agreement.) The compliance period on the very low-income units is established by the compliance period on the low-income units. Rents are restricted accordingly. The number of units should be 5% of total number of units. If applicant elects to serve very low-income households, a signed statement, including the number of units to be set aside for very low-income tenants, must be included with the application.	3
2.	Extends the duration of low-income use. Special priority will be given to developers who agree to maintain units for low-income occupancy for a period at least five years beyond the 15-year minimal compliance period. If applicant agrees to extend the duration of low-income use, a signed statement, indicating the number of years the compliance period will be extended, must be included with the application.	4
3.	Projects Located in Qualified Census Tracts. Special priority will be given to developments located in Qualified Census Tracts,	3

Legislated Priorities		Bonus Points
	the development of which contributes to a concerted community revitalization plan. A copy of the Community Revitalization Plan, i.e., Consolidated Plan, must be included with the Application to be considered for this scoring.	

E. SCORING AND PROJECT DETERMINATION. Each application will be ranked according to the score awarded. In the event that some applicants score the same and are ranked the same, the Authority may use discretionary judgment in establishing a final award. The Authority reserves the right to disapprove or reduce the Housing Credits for an allocation during any stage, regardless of ranking under the priorities and point ranking outlined above. For any allocation not made in accordance with the established priorities and selection criteria of the Authority, a written explanation must be made by the Authority to the general public.

ADFA reserves the right to disapprove any development for an allocation of Housing Credits, regardless of the evaluation. ADFA reserves the right, in its sole and absolute discretion, to suspend or debar any applicant from the Housing Credit program, which ADFA determines has acted improperly, illegally or inappropriately in the applicant's dealings with the Authority or in any way relative to the Housing Credit Program.

It is the policy of ADFA to discourage applicants from contacting ADFA staff for information on the status of their applications after the expiration of the deadline that has been established for submission of Final Applications. Violations of this policy will be brought to the attention of the Board Housing Review Committee and could result in a downgrade to the final scoring or disqualification from the program. No contact with ADFA board members is allowed and any such contact will be grounds for immediate rejection of an application.

F. PROJECT SITE REVIEW. ADFA Staff will conduct a site review of the proposed location for the development. The site visit will take place during the application review period.

G. RESERVATION OF CREDITS. Developments selected will be given preliminary approval for a reservation of Housing Credits. The required reservation fee of One Hundred and No/100 Dollars (\$100.00) per low-income unit must be submitted to ADFA within twenty-one (21) days of notification of reservation of Housing Credits. No later than sixty (60) days prior to completion of the development, the Applicant must submit all required documentation for the

next stages of processing. Developments that will not be placed in service in the tax year ADFA approves the Housing Credit reservation may be awarded a carryover allocation upon the satisfaction of requirements of IRC § 42 and the Authority. All developments with a valid reservation of Housing Credits will be required to obtain a placed-in-service or carryover allocation by **December 15** of the same calendar year or for reservations made in the second half of the calendar year, the ten percent (10%) test must be satisfied within six (6) months of receipt of the reservation.

The Owner of the development identified in the application must utilize the allocation of Housing Credits. The transfer of credits to a property not identified in the application is prohibited.

VI. ADDITIONAL PROGRAM REQUIREMENTS.

A. MARKET STUDY FOR NEW CONSTRUCTION DEVELOPMENT AND ACQUISITION/REHABILITATION DEVELOPMENTS.

A comprehensive Market Feasibility Study, which is required with all applications, must demonstrate sufficient demand for rental housing exists in the proposed geographic market area to support the proposed project. The market study must be dated within twelve (12) months of the application date. The Market Feasibility Study must be conducted at the applicant's expense by a disinterested third party approved by ADFA. The market analyst must be on ADFA's Approved Market Study Firm List and must follow the Guidelines for Market Studies. Market studies that do not meet the requirements of the Guidelines for Market Studies will not be accepted and will result in your application being denied for not meeting threshold requirements. The market study is a non-curable application threshold item and must be complete and attached to the application when submitted for funding consideration.

ADFA reserves the right, in its sole and absolute discretion, to independently evaluate the demand for additional affordable rental housing in the geographic market area.

B. DEVELOPER FEE STANDARD.

1. **Developer Fee (New Construction).** The developer fee, which includes the developer's overhead and profit plus consultant fees and the owner's profit, should not exceed fifteen percent (15%) of the total development costs (excluding the developer fee). Total Development Cost is defined as the total uses of funds, less syndication-related costs and development reserves.

2. **Developer Fee (Acquisition/Rehabilitation).** The developer fee for acquisition/rehabilitation will be limited to ten percent (10%) of the cost of land and building and no more than fifteen percent (15%) of the remaining total development cost items, less syndication-related costs and development reserves.

C. BUILDER'S PROFIT.

The Authority will limit the builder's profit to a ten percent (10%) maximum, builder's overhead to a four percent (4%) maximum, and general requirements to a six percent (6%) maximum. The builder's profit, overhead, and general requirements percentages will be applied to construction hard costs. ADFA reserves the right to determine whether costs included in the developer's fee and builder's profit calculations are appropriate and reasonable.

D. PER UNIT COST CAP.

The Authority limits the per unit cost for all developments to \$85,000 per unit. The per unit cost shall be calculated by dividing the total development cost by the total number of units.

E. DEFINITION OF SCATTERED SITE.

Scattered Site Projects shall be defined as a qualified low-income housing project located on multiple sites but shall be limited in location to one jurisdiction as defined by the highest elected official.

F. DEFINITION OF ASSISTED LIVING.

Assisted Living Housing is a 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. The Applicant must comply with all state and federal regulations for assisted living projects. Beginning with the 2004 LIHTC funding cycle and continuing thereafter, all Applicants will be required to submit an approved Certificate of Need or Permit of Approval with their application for tax credit funding.

G. JUSTIFICATION EXPENDITURES STANDARD.

Applicants must submit a final development cost certification supported by an audit report performed by a Certified Public Accountant prior to issuance of IRS Form 8609.

For Rural Housing developments, the final cost certification accepted by Rural Housing must be submitted along with a final development cost certification supported by an audit report, performed by a Certified Public Accountant prior to issuance of IRS Form 8609.

H. UNIT ACCESSIBILITY FOR PERSONS WITH DISABILITIES.

Developments approved for Housing Credits must comply with local and federal regulations pertaining to unit accessibility and construction standards to accommodate persons with physical disabilities.

I. LEAD-BASED PAINT.

In a development with Housing Credits, the lead-based paint requirements apply to all units and common areas in the development.

J. EQUAL OPPORTUNITY.

The Authority 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 and contractors and subcontractors engaged in the construction or rehabilitation of such housing provide equal opportunity for employment without discrimination as to race, color, religion, sex, handicap, familial status or national origin.

VII. CARRYOVER ALLOCATION.

ADFA will follow the Code rule for carryover allocation. In order to qualify for a carryover allocation, the developer's basis in the property at the end of the year in which the allocation is received must be at least 10% of the amount that the development's basis is reasonably expected to be at the end of the second year following the allocation year as mandated by the Code. If the development is not placed in service after the second year, the credits will not be reissued. The required documentation for a carryover allocation must be submitted to the Authority by December 15 of the year the Housing Credits are reserved.

In the event a reservation of credits is received in the second half of the calendar year, the applicant must expend an amount equal to at least ten percent (10%) of the development's reasonably expected basis within six (6) months of receiving the reservation to qualify under the ten percent (10%) test, regardless of whether the ten percent (10%) is met by the end of the calendar year.

VIII. COMPLIANCE.

Applicants must comply with all applicable federal, state and local laws, including Section 42 of the Code. ADFA's Compliance Monitoring Policies and Procedures Manual for the Low-income Housing Tax Credit Program may be obtained from ADFA's office, and may also be accessed at ADFA's website (www.state.ar.us/adfa). Fair Housing manuals may be obtained from HUD's Little Rock office, and the Fair Housing Accessibility Guidelines may be accessed at HUD's website (www.hud.gov). Use the following link to the information needed:

Under the title "Pick your Group"
Click on Fair Housing/Civil Rights
Under the title "General Information"
Click on Fair Housing Accessibility Guidelines.

As part of the compliance procedures, all Housing Credit recipients will be required to execute a Land Use Restriction Agreement for the Housing Credit (this agreement will be furnished by the Authority with the Housing Credit reservation letter). The Land Use Restriction Agreement, at a minimum, will require conditions wherein the developer and the development must continuously comply with IRS § 42 and other applicable sections of the Code and the Treasury Regulations.

The Land Use Restriction Agreement will also restrict the rent that may be charged for the low-income units. The owner will also be required to prepare and submit to the Authority, no later than January 15 of each year following the first year in which ten percent (10%) of the units in the development are occupied, an Annual Owner Certification of Compliance and the Compliance Monitoring Status Report, under penalty of perjury to the Authority that complies with Internal Revenue Service procedures for monitoring compliance with the Housing Credit requirements. The compliance monitoring procedures apply to all buildings placed in service in Arkansas that have received allocations of Housing Credits as determined by Section 42 of the Code. Regular site inspections to monitor compliance with habitability standards applicable to the project will be carried out by the Authority at least once every three (3) years.

In the event the Authority becomes aware of non-compliance or upon the failure to provide the Authority a Certificate of Compliance, the Authority will notify the Owner of the areas of non-compliance and the required timeframe to correct the deficiencies. There is a maximum of sixty (60) days to correct such non-compliance. Additionally, the Authority will notify the IRS as required of any non-compliance or failure to certify no later than forty-five (45) days after the end of the allowed time for correction.

IX. ADFA FEES.

A. APPLICATION FEES.

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

Developments, four (4) units or less	\$300.00
Non-Profit Owner (more than four (4) units)	\$300.00
For Profit Owner (more than four (4) units)	\$500.00

Regardless of the funding decision, the application fees are non-refundable.

B. RESERVATION FEE.

A non-refundable fee of \$100.00 per low-income unit will be required at the time of reservation.

C. ALLOCATION FEE.

A fee of \$100.00 per low-income unit will be required at the time of allocation of Housing Credits.

D. MONITORING FEES.

A one-time fee of six percent (6%) of the total annual allocation will be required at the time of the allocation of the Housing Credits only.

X. ALLOCATION OF CREDITS WITH BONDS.

Developments financed with certain tax-exempt bonds are eligible to receive all or some of their Housing Credit outside the State's annual Housing Credit ceiling. Although these developments need not compete for an award through the competitive process, they must still be evaluated against the threshold criteria, approved by the Authority and be in compliance with the monitoring provisions of this plan. Applicants must comply with the Guidelines for Allocating Multi-Family Tax Exempt Private Activity Volume Cap and the Second Amended Arkansas Development Finance Authority Rules and Regulations for Allocation of State Tax Exempt Volume Cap.

XI. CLARIFICATIONS.

The Authority is charged with allocating no more tax credits to any given development than is required to make that development economically feasible. This decision shall be made solely at the discretion of the Authority, but in no way represents or warrants to any sponsor, investor, lender or any one else that the project is, in fact, feasible or viable.

ADFA's review of documents submitted in connection with the allocation is for its own purposes. ADFA makes no representations to the owner or anyone else as to compliance with the Code, Treasury regulations, or any other laws or regulations governing Housing Credits. The applicant is responsible for understanding and following all applicable tax law requirements for the development.

No director, officer, agent or employee of ADFA shall be personally liable concerning any matters arising out of, or in relation to, the allocation of the Housing Credit.

Adopted by the Board of Directors of the Arkansas Development Finance Authority this 19th day of December 2002.

By: _____
Freddie Mobley, Chair

ATTEST:

Mac Dodson, President/Secretary

ATTACHMENT 2

**DESIGNATED PLACES FOR SECTION 515 RRH APPLICATIONS - NEW
CONSTRUCTION**

STATE OF ARKANSAS - FISCAL YEAR 2002

Applications for Section 515 new construction loans will be accepted for the following places only:

PLACE	COUNTY		PLACE	COUNTY
Arkadelphia	Clark		Kensett	White
Alma	Crawford		Lake Hamilton	Garland
Altheimer	Jefferson		Lamar	Johnson
Atkins	Pope		Leachville	Mississippi
Agusta	Woodruff		Lepanto	Poinsett
Bald Knob	White		Lincoln	Washington
Bearden	Ouachita		McNeil	Columbia
Benntonville	Benton		McRae	White
Berryville	Carroll		Magazine	Logan
Bono	Craighead		Magnolia	Columbia
Bradford	White		Marmaduke	Greene
Camden	Ouachita		Mayflower	Faulkner
Cave City	Sharp		Mena	Polk
Clinton	Van Buren		Mineral Springs	Howard
Coal Hill	Johnson		Monette	Craighead
Corning	Clay		Mountain View	Stone
Des Arc	Prairie		Nashville	Howard
De Valls Bluff	Prairie		Ozark	Franklin
Diaz	Jackson		Piney	Garland
Dover	Pope		Prairie Grove	Washington
England	Lonoke		Rison	Cleveland
Fordyce	Dallas		Searcy	White
Gillett	Arkansas		Sheridan	Grant
Glenwood	Pike		Smackover	Union
Gosnell	Mississippi		Stamps	Lafayette
Gould	Lincoln		Stephens	Oauchita
Hamburg	Ashley		Strong	Union
Hampton	Calhoun		Swifton	Jackson
Hartford	Sebastian		Tuckerman	Jackson
Harrison	Boone		Turrell	Crittenden
Hazen	Prairie		Tyronza	Poinsett
Hoxie	Lawrence		Waldo	Columbia
Hughes	St. Francis		Waldron	Scott
Humphrey	Jefferson		Ward	Lonoke
Huntington	Sebastian		Warren	Bradley
Huntsville	Madison		West Crossett	Ashley
Huttig	Union		West Fork	Washington
Lake City	Craighead		Wrightsville	Pulaski

Places on this list are considered equal, with no regard to their order on the list. Inclusion on this list does not indicate that a need or demand for Section 515 housing has been established.