

PROPOSED DRAFT DATED JULY 10, 2013

**ARKANSAS DEVELOPMENT FINANCE AUTHORITY
GUIDELINES FOR MULTI-FAMILY HOUSING APPLICATION**

I. APPLICATION PROCEDURES, REQUIREMENTS, AND REVIEW.

A. APPLICATION PROCESS.

The closing deadline for submitting the Arkansas Development Finance Authority (“ADFA”) Multi-Family Housing Application (“MFHA”) for the Low-Income Housing Tax Credit (“LIHTC”) 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. A tabbed, 3-ring bound hard copy of the application plus all attachments and exhibits must be delivered to ADFA no later than 4:30 p.m., of the Application Deadline. The tabbed, 3-ring bound hardcopy shall be delivered to ADFA at the following address:

**Arkansas Development Finance Authority
Attn: Multi-Family Housing Department
900 W. Capitol, Suite 310
Little Rock, AR 72201**

Or

**Arkansas Development Finance Authority
Post Office Box 8023
Little Rock, Arkansas 72203-8023
Telephone Number: 501-682-5900**

ADFA will not accept facsimile submissions.

Also, the applicant must electronically submit their MFHA as a saved (not scanned) file, in the same format as the ADFA MFHA is posted, via email to:

Jason.McVay@adfa.arkansas.gov



In addition to submission of the hard copy and the electronic copy, the applicant shall submit an Adobe copy of the application and all exhibits, bookmarked to ADFA on a disk within 10 days of the Application Deadline. Points will be deducted should the applicant not submit a disk with 10 days of the Application Deadline.

Applications are reviewed for completeness. Applications are scored based solely upon that information and documentation submitted in and with the application by the Application Deadline. If the application has met all Threshold Requirements (as hereinafter defined), ADFA staff will provide the applicant with a written Notification of Deficiencies, including necessary Additional Requirements (as hereinafter defined) for a Complete Application (as hereinafter defined).

Dates For Review of Applications and Reservation Process	
Application Deadline	First Monday of February 4:30 p.m.
Applicants who meet Threshold Requirements will be sent a Notification of Deficiencies. Applicants who do not meet Threshold Requirements will be sent a Notice of Threshold Failure	Third Friday of May
Applicants who meet Threshold Requirements response deadline	Fourth Friday of May
Applicants notified of Final Score	Second Tuesday of June
Successful applicants approved for reservation of Housing Credits by ADFA Board of Directors	Third Thursday of June
Housing Credit reservation letters mailed to successful applicants	Second Monday of July

The Response Period will be from the third Friday of May until the fourth Friday of May until 4:30 p.m. (“Response Period”). ADFA may modify the dates set forth above if necessary. All such changes shall be posted on the ADFA web-site, under Publications and Forms, Multi-Family, or other highly visible location on the ADFA web-site.

B. THRESHOLD REQUIREMENTS.

The following Threshold Requirements (the “Threshold Requirements”) must be met by the Application Deadline. Failure to meet these Threshold Requirements as set forth herein by the Application Deadline will terminate the application from consideration for federal low-income housing tax credits, and no score will be provided.

1. Completed and executed MFHA. A completed MFHA, all Exhibits attached thereto and the Application Fee, and any and all other documents and/or reports requested in the MFHA shall constitute a Complete Application. If applying for HOME funds, all relevant portions of the MFHA and necessary documentation must be completed and submitted at the same time as the request for tax credits.

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

3. **Financial Commitment Letters.** **All** sources of financial commitments, including but not limited to the following, as applicable:

a. Commitment letter from any mortgage lender with which the applicant has submitted an application for financing. The letter shall be dated within six (6) months of the Application Deadline and state that a formal application for construction 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.

A letter dated within six (6) months of the Application Deadline must also be submitted, which states that a formal application for permanent financing is under serious consideration. The letter must contain all information stated above.

b. A commitment letter, dated within six (6) months of the Application Deadline, from any syndicator or investor 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 credit 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 in 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.

(iii) Funding documentation (*e.g. HOME agreement, commitment letter*) from any Participating Jurisdiction, other than ADFA, providing HOME funds to the applicant.

(iv) A commitment letter, dated within six (6) months of the MFHA, from RD if the development will receive RD funding or loan guarantee including Form RD 3560-7.

(v) A commitment letter, dated within six (6) months of the Application Deadline, from any other gap-financing source providing financing for the development, **including but not limited to a letter from the developer deferring its fee or committing owner equity.**

ADFA reserves the right to correspond with Applicant regarding the financial commitments and to accept, only upon ADFA's request, supplemental or revised financial commitments.

4. Utility Allowance Calculation. Pursuant to 26 CFR § 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. Housing & Urban Development (HUD);
- c. USDA Rural Development Services (RD);
- d. Utility Company;
- e. Energy Consumption Model study, conducted by a licensed engineer or other professional (if other professional, must be approved by ADFA in advance of submission).

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. Failure to have the utility allowance signed, dated and clearly marked by each type of utility usage applicable for each type of unit to be constructed or rehabilitated will result in rejection of the application.

The utility allowance documentation must be dated within six (6) months prior to the Application Deadline.

5. Site Control Information. Evidence of site control in one of the following forms shall be included:

- a. Deed; or
- b. Purchase or 99-year leasehold Option/Contract/Agreement.

If evidence of site control is by Purchase or 99-year leasehold Option, Contract or Agreement, the applicant must submit a copy of the recorded deed evidencing the Seller's or Lessor's ownership.

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.

Verification of Arm's Length Transactions shall be included.

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. Applicant is responsible for obtaining the consent of the seller entity to disclose this information in the application for housing tax credits.

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

- a. Satisfies the "purchase requirement" of IRC Section 42(d)(2)(B)(i) (submission of Purchase Option, Contract, or Agreement);
- b. Provides the seller's certification that the 10-year hold rule in IRC Section 42(d)(2)(B)(ii) has been satisfied for each building (including both placed in service and most recent nonqualified substantial improvement), or alternatively, applicant may provide sufficient documentation and information to support a finding that the requirement is not applicable under IRC Section 42; and
- c. 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 IRC Section 42(d)(2)(B)(iii).

The applicant must produce evidence of site ownership or a 99-year leasehold on the site at the earlier of:

- a. Placement in Service Allocation; or

b. 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.

6. Zoning and Planning Commission Information. A signed letter, dated within six (6) months of 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 of the Application Deadline.

7. Independent Market Study. 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. The market study shall be dated within six (6) months of the Application Deadline. The market feasibility study shall be conducted at the applicant's expense by a disinterested third party approved by ADFA. The market analyst shall be on ADFA's Approved Market Study Firm List and shall follow ADFA's "Market Study Guidelines for Affordable Rental Housing Programs". Market studies that: (a) do not meet the requirements of the Market Study Guidelines; (b) do not provide an index or table of contents indicating the page within the market study each requirement can be found; or (c) are performed by firms not approved by ADFA, will not be accepted.

ADFA reserves the right, in its sole and absolute discretion, to independently evaluate the need for additional affordable rental housing in the proposed geographic market area and to not award credits to any development 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, or the proposed location is or nearly is 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 tax 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 tax credits or denial of tax credits.

8. Letter from highest elected local official supporting proposed development.

Applicant must submit evidence that it has provided notification of the application to the highest elected official in the jurisdiction where the development is or will be located.

Applicant must also submit a letter, or cause a letter to be submitted, from either the highest elected local official in the jurisdiction where the development is or will be located or from the majority of the jurisdiction's governing body. A development located within a city's limits shall have a letter from its Mayor or the City Council. A development located outside of a city's limits shall have a letter from the County Judge or the county's Quorum Court. The letter shall be dated within six (6) months of the Application Deadline.

The letter of support, at a minimum, shall address the need for affordable housing in the area and support for the specific development. The letter of support is required as of the time the application is submitted. Rescission of the letter after the tax credit application is submitted will not automatically disqualify a development from eligibility for tax credit award if otherwise eligible and recommended; however, the ADFA Board of Directors may consider the rescission as a factor in its decision regarding award of tax credits.

ADFA will provide written notification to the State Representative and Senator who represent the area where the development is or will be located.

9. Articles of Incorporation, IRS documentation, and Non-Profit Determination Statement. To be considered for the "Non-Profit Set-Aside", the development shall involve a qualified non-profit 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 "Non-Profit Set-Aside":

- a. the non-profit organization's Articles of Incorporation and IRS documentation of its exemption from federal income tax must be included (pending requests with the IRS for exemption will not be accepted);
- b. the five (5) statements required in the MFHA must be stated; and
- c. the development must comply with Internal Revenue Service 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.

10. 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, railings to ensure compliance with applicable federal, state and local laws regarding accessibility for persons with disabilities.

A report, dated within six (6) months of 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 Multi-Family Minimum Design Standards.

Failure by the report to meet the requirements set forth herein will result in a rejection of the Capital Needs Assessment submitted, thereby terminating the application from further consideration for federal low-income housing tax 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.

11. Tenant Income Audit. All rehabilitation projects shall include 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.

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

a. The funding of an Operating Deficit Reserve Fund equal to the greater of:
For all new construction, and all rehabilitation developments that do not receive project based rental assistance:

(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 applicant's lender(s) or equity investor(s)

For all rehabilitation developments that receive or will receive 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 applicant's lender(s) or equity investor(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 applicant's lender(s) or equity investor(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 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 each reserve account must total the amounts required under (a) and (b), 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 reserve 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 projects.

Rural Development-funded developments:

In the event that Rural Development requires a capital outlay reserve 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 a capital outlay reserve 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 capital outlay reserve, 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 a \$70,000 capital outlay reserve, 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 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 capital outlay reserve must total the amounts required under (a) and (b); 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 capital outlay reserve 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 express, written, prior approval from ADFA. Owner must submit with the withdrawal request supporting documentation evidencing the need for the funds, written evidence from RD that the use is not eligible from or that insufficient funds exist in the RD capital outlay reserve account and operating account, and a written guaranty by the owner or general partner of owner, as deemed appropriate by ADFA, will deposit sufficient funds 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) as modified herein for Rural Development projects.

13. 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.

14. Appraisal. For all applications for new construction, a certified land appraisal must be submitted with the application.

For all acquisition and rehabilitation applications, and all rehabilitation applications, applicant must submit an appraisal, dated within one (1) year of 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 of 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 will be awarded to the applicant.

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

15. 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, must meet the following standards:

- (i) **New Construction.** The developer fee cannot exceed fifteen percent (15%) of the "Net Development Costs".
- (ii) **Acquisition/Rehabilitation.** The developer fee for acquisition/rehabilitation will be limited to ten percent (10%) of the cost of the land and

building plus no more than fifteen percent (15%) of the remaining "Net Development Costs".

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 end of the 15-year compliance period. Eligible basis will be reduced by that amount of deferred developer fee that is not payable within the 15-year compliance period. If any portion of the developer's fee is deferred in the form of a loan, then ADFA will consider any interest payable on such loan to the developer as part of the developer's fee for computing compliance with the developer fee standard(s) set forth above.

"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.

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.

16. General Requirements 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 are not limited to, the following: Field supervision; field engineering such as field office, sheds, toilets, phone; performance and payment or latent defects bonds; cost certification; building permits; site security; temporary utilities; property insurance; and cleaning or rubbish removal. Such items should not be accounted for as separate line items in the development budget.

ADFA will limit the contractor's profit to ten percent (10%) of the development's hard costs plus its general requirements' costs. ADFA will limit the contractor's overhead to four percent (4%) of the development's 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.

Applicant must disclose in its application or an attachment thereto all persons and entities 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.

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

Assisted Living	\$164,000
Historic Rehabilitation	\$164,000
Single family – New construction	\$146,000
All other new multi-family	\$137,000
Acquisition/Rehabilitation	\$120,000

“Per unit cost” is calculated by dividing the total development cost by the total number of units. 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 federal or state housing tax 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 federal or state housing tax 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, within its discretion, deny applications based upon failure to meet threshold due to unreasonableness of costs, regardless of whether the costs per unit comply 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 for threshold failure.

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

"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 ("DCR"). 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 award of housing tax credits.

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

19. 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 tax-exempt bonds. Applicants for tax-exempt bond financing subject to private activity volume cap may:

- a. elect to meet the Rehabilitation Standard set forth above;
OR
- b. elect to have a Capital Needs Assessment conducted by a third party contracted by ADFA. The applicant will be required to complete the scope of rehabilitation set forth in the Capital Needs Assessment which will encompass ADFA's "Multi-Family Housing Minimum Design Standards". The scope of rehabilitation must meet the minimum expenditure requirement of 26 U.S.C. § 42(e)(3). The applicant will be required to pay ADFA, in advance, the cost for the Capital Needs Assessment. The Capital Needs Assessment must be filed with the Multi-Family Housing Application for tax-exempt bonds subject to private activity volume cap.

20. 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 Company; (d) Consultant, if applicable; and (e) Architect. This requirement shall be a threshold requirement. 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 award of housing tax 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.

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

22. 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 if available; 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, of 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 award of housing tax credits.

HUD Section 8 supported developments: In the event that Department of Housing and Urban Development (“HUD”) or Rural Development anticipates granting a waiver, or other process, whereby HUD or RD has agreed to underwrite an existing HUD or RD-assisted development based upon rents that it has agreed will be charged after rehabilitation and rental assistance amounts that it has agreed to provide after rehabilitation, ADFA may also underwrite such proposed developments based upon such rents and rental assistance (which must be supported by a market study). 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 tax 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 tax credit award and no carryover allocation will be issued by ADFA for the development.

23. 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.

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 for 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. § 1.42-11 and IRS Revenue Ruling 98-47*).

24. Section 106 and Fish and Wildlife Service’s Clearance Letter. 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.

C. ADDITIONAL REQUIREMENTS FOR A COMPLETE APPLICATION.

The following documentation (“Additional Requirements”), in addition to the Threshold Requirements, must be submitted in order for the application to be considered **COMPLETE**.

If the following documentation is not submitted by the Application Deadline, ADFA staff will notify the applicant of each deficiency. The applicant must submit the deficient documentation during the Response Period. **Failure to submit all necessary documentation during the Response Period will terminate the application from consideration for federal low-income housing tax credits.**

In addition, one (1) point will be deducted from the application score for each missing or incomplete document that is submitted during the Response Period in order for the application to be considered **COMPLETE**. Applicants will be notified of the point(s) deduction in the Notification of the Final Score.

1. Narrative Description of the Development. A detailed narrative description of the development which 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.

2. 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 multi-family rental development. The notice shall provide the PHA with:

- a. A copy of the Narrative description set forth at Item 1. 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.

3. Letter of Participation and Resume of Development Team Members. Each development team member shall submit 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 tax credit program, address, telephone number and email address. 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. If any of the above required documentation is not submitted with the originally submitted application, but is submitted at the request of the ADFA staff, one (1) point shall be deducted from the Initial Score for each item of documentation not originally submitted. If the applicant does not have the minimum required experience, a consultant or developer with the minimum required experience shall be a member of the development team. The consultant or developer's participation letter, resume and summary page specifically describing its role in the development shall be included.

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.

"Minimum required experience" is met when either the applicant, consultant, or developer held a development team position as applicant, consultant or developer on a previous development that received a reservation of Housing Credits from ADFA and whose owner was issued IRS Form 8609(s).

Minimum required experience does not encompass persons employed or previously employed by an entity that meets the minimum required experience unless a request for a determination of whether such person shall be considered by ADFA to meet the intent of this requirement. This request must be submitted in writing to ADFA at least sixty (60) days prior to submission of an application for which the minimum required experience is dependent upon such waiver. However, ADFA will also accept such requests before such sixty (60) day period. The request must detail the position held by the person, the duties performed by the person in association with housing tax credit developments, the names and locations of all developments on which the person performed such duties, the year of allocation and placement in service of all such developments, and all other information requested to be considered by ADFA in making its determination.

Applicant must receive a determination in writing from ADFA finding that the minimum required experience is met on behalf of the development by such person prior to submitting any application for housing tax credits.

4. 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 judgments, 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.

5. 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 tax credit, tax 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 LIHTCs, Tax-Exempt Bonds subject to Private Activity Volume Cap (“Bonds”) or HOME funds.

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

ADFA, in its sole discretion, 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 tax credits,

which may necessarily result in rejection from further consideration for other ADFA resources. ADFA may allow, in its discretion, applicant to provide, after notice of such determination to applicant, a replacement development team member subject to approval of such replacement member by ADFA.

An application may be disqualified based upon the Criminal Background and Disclosure, within the discretion of the ADFA's Staff Housing Review Committee.

6. Environmental Checklist. The Environmental Checklist included in the Application as Attachment B must be completed and signed.

7. Conflict of Interest Acknowledgment 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.

8. Attachments C1-C18, as appropriate for the entity forms.

9. 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.

10. Plans and Specifications. One set of plans and outline specifications that conform to ADFA's "Multi-Family Housing Minimum Design Standards" must be submitted with the application.

Multi-Family Housing Minimum Design Standards. Construction of the development must be in accordance with ADFA's "Multi-Family Housing Minimum Design Standards", as well as all applicable local, state and national building codes. The applicant's architect must complete and execute the "Multi-Family Housing Minimum Design Standards Checklist", Attachment G of the MFHA. 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 acknowledgment of Attachment G before a Notice to Proceed will be issued.

When plans and specifications conflict with the "Multi-Family Housing Minimum Design Standards Checklist", Attachment G of the MFHA, the certification by the architect or licensed engineer reflected on Attachment G shall control and applicant shall be held to the representations set forth in Attachment G.

For rehabilitation developments. If structural constraints prohibit adherence to ADFA's

"Multi-Family Housing Minimum Design Standards", 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 "Multi-Family Housing Minimum Design Standards", as amended for the development by any approved waivers, prior to the issuance of IRS Form 8609.

11. Additional Underwriting Criteria. 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.

12. Application Limit. No more than three (3) applications for housing tax credits will be approved by the ADFA Board of Directors for any one applicant or developer. The ADFA Board of Directors shall have the discretion to limit the number of developments under development at any one time by any developer.

13. Effect of Economic Interest on Application Limit. Parties may have an economic interest in a maximum of three (3) developments for which tax credits may be awarded and allocated in any one year.

This section is not intended to prohibit an independent third-party professional from rendering services on behalf of more than three (3) 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 retains the discretion to determine when this rule regarding economic interest should apply in circumstances other than those specifically referenced above. In addition to the limitation of three (3) funded applications for any applicant or applicants among which ADFA

determines an economic interest to exist, ADFA may impose special conditions 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 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 have an economic interest in more than three (3) applications funded in one year's cycle, such proposed replacement will be denied, or if the economic interest becomes known to ADFA at a later time, ADFA may terminate the award, terminate the carryover allocation, deny issuance of credits via IRS Form(s) 8609, suspend all responsible persons and entities from the tax credit program for a period of time determined by the ADFA Board of Directors, or take other action reasonable under the circumstances as determined by ADFA.

An economic interest exists in the context of tax credit applications and developments when:

- a. There is any financial interest, other than independent contractor, 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.
- 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 and specifications for the rehabilitation of a development in exchange for a contractual sum shall not constitute an economic interest.

For the purposes states herein, "development team member" shall include but not be limited to all persons and entities stated in the tax credit application as members of the development team.

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.

Applicant shall include with its tax credit 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.

14. Multiple Phase Developments. ADFA will not consider for an award of federal or state housing tax 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. It is within ADFA’s discretion to determine whether a proposed development, regardless of the development’s proposed name, is excluded from consideration under this section.

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 points based upon the Points Criteria outlined below. **To be awarded points, the applicant must submit the information and documentation EXACTLY as stated below by the Application Deadline.** Failure to submit the information exactly as required will result in no points for the point category and the applicant will be given no opportunity beyond the Application Deadline to submit the required information and documentation.

POINTS CRITERIA

1	<p>LOCATION</p> <p>a. Development is located in the following low-income counties designated in the most recent State Consolidated Plan: Bradley, Chicot, Crittenden, Desha, Fulton, Jackson, Lafayette, Lee, Monroe,</p>	<p>MAXIMUM</p> <p>15 Points</p> <p>15</p>
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	<p>Newton, Phillips, Polk, St. Francis, Sharp, Stone and Woodruff</p> <p>b. Development is located in a Qualified Census Tract (QCT) or a Difficult to Develop Area (DDA); a copy of the QCT map for the development must be submitted with the application and complete census tract information must be submitted with the MFHA</p> <p>c. Development is located in one of the following counties in which a tax credit award has not been made in the past three (3) years: Arkansas, Baxter, Calhoun, Carroll, Clay, Cleburne, Cleveland, Conway, Cross, Dallas, Drew, Grant, Hempstead, Hot Spring, Howard, Independence, Izard, Johnson, Lincoln, Little River, Logan, Lonoke, Madison, Montgomery, Nevada, Perry, Pike, Poinsett, Prairie, Randolph, Scott, Searcy, Sevier, Van Buren, and Yell</p>	<p>5</p> <p>10</p>
2	<p>DEVELOPMENT OF SPECIAL NEEDS HOUSING</p> <p>a. Single room occupancy housing – must be operated by a governmental or non-profit entity</p> <p>b. Transitional housing for the homeless – must be operated by a governmental or non-profit entity</p> <p>c. Elderly housing (housing for older persons as defined at 42 USC 3607(b)(2) and Ark. Code Ann. §16-123-307(d)(1)</p> <p>d. Scattered site housing</p> <p>e. Assisted Living housing</p> <p>f. Supportive housing for disabled persons:</p> <p>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; 3. Stating the supportive services will be optional to the disabled population served (see 26 	<p>MAXIMUM 15 Points</p>

	<p>C.F.R. §1.42-11(b))</p> <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>g. Housing for large families (3 bedrooms or larger)</p> <p>Points for the above are allocated based upon percentage of tax credit units providing such special needs housing above ADFA's requirements:</p> <p>100% of tax credit units 13</p> <p>25% of tax credit units 8</p> <p>10% of tax credit units (minimum of three (3) units) 4</p> <p>h. Housing that markets to a tenant population of single parent/single guardian with children – majority of units must be a minimum of two (2) bedroom units 1</p> <p>i. Housing intended for eventual tenant ownership 1</p> <ol style="list-style-type: none"> 1. Pursuant to 26 U.S.C. §42(i)(7), eventual tenant ownership is when the tenant exercises a right of first refusal after completion of the Compliance Period. 2. Applicant must submit the proposed right of first refusal contract to be offered for eventual tenant ownership. 	
3	Proposed development involves acquisition rehabilitation of existing structures. Points awarded based on percentage of units rehabilitated in the development.	7
4	Development has a commitment letter for funding or	

	<p>assistance from USDA Rural Development or HUD. Points are awarded as follows:</p> <p>USDA-HUD-PUBLIC HOUSING</p> <ol style="list-style-type: none"> 1. USDA transfer funds commitment 1 2. USDA rental assistance contract 2 3. USDA loan guarantee with interest credit buy down 1 <p>HUD</p> <ol style="list-style-type: none"> 1. Project based rental assistance contract 2 2. Loan guarantee with interest reduction payments 1 <p>PUBLIC HOUSING</p> <ol style="list-style-type: none"> 1. Public Housing Waiting Lists indicating need for additional affordable housing. 1 	
5	<p>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. Applicant must submit a letter from the Arkansas Historic Preservation Program dated within six (6) months from the date of the MFHA verifying the structures are individually listed in the NRHP or have been determined to contribute to a Registered Historic District.</p>	3
6	<p>Developer Fee, including consultant fees, are 10% or less of net development costs.</p> <p>Applicant must submit a statement of its election to limit its combined developer and consultant fees to 10% or less of net development costs and such limitation must be evidenced in the MFHA’s Development Budget.</p>	5
7	<p>MARKET RATE UNITS</p> <p>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</p>	5

	<p>evenly distributed throughout the buildings in 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 the plans and Attachment E, the Building and Unit Designation submitted with the MFHA.</p>	
8	<p>AMENITIES Owner provides amenities such as but not limited to, universal design concept exceeding that required, covered parking beyond that required, individual storage units, microwave, dishwasher, supplied in-unit washer and dryer, furnished exercise room, furnished in-unit, high-speed internet access at no cost to the tenant, furnished computer lab with high speed internet access at no cost to the tenants.</p> <p>Applicant must submit a statement of amenities that will be included in the development with the MFHA and all amenities must be indicated on the plans and specifications.</p> <p>No points will be given for swimming pools.</p> <p>A signed certification from the design architect or licensed engineer confirming the installation of the amenities will be required prior to the issuance of IRS Form(s) 8609. The certification shall be included in the cost certification request submitted to ADFA.</p>	MAXIMUM 10 Points
9	<p>ADVANCED ENERGY EFFICIENCY FEATURES</p> <p>Points will be awarded for energy features which ADFA determines directly benefit the tenants of the development and exceed ADFA's Minimum Design Standards.</p>	MAXIMUM 5 Points
10	<p>SUPPORT SERVICES PROVIDED BY TAX-EXEMPT ORGANIZATION</p> <p>An authorized official of each tax-exempt organization</p>	5

	<p>involved must provide a signed acknowledgement of participation or participating, describing the supportive services offered. In addition, the acknowledgement must state:</p> <ol style="list-style-type: none"> 1. That the organization’s charter or by-laws authorize the service(s) to be provided; 2. Describes how the services provided are appropriate for the development’s tenants; 3. That the services will be provided at no cost to the tenants; 4. That the services will be provided at least quarterly at the development site. <p>The applicant must submit a statement that:</p> <ol style="list-style-type: none"> 1. Quarterly notice of the proposed services will be provided to the tenants; 2. A verification of the provision of the services, signed by representatives of the development and the service provider, will be maintained by the development owner. <p>The applicant must submit a copy of the Articles of Incorporation/Charter and By-Laws of the tax-exempt organization that will be providing the support services.</p>	
11	<p>SITE VISIT</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, and public transportation).</p> <p>The application should identify the name, driving directions, and distance to the nearest grocery store, medical facility and pharmacy.</p> <p>Scoring considerations will also include, among other things, site suitability regarding topography (grade, low-lying area, flood plain, or wetlands); proximity to nuisances (e.g., railroad tracks, highly travelled roads, streets, highways, or interstates, manufacturing</p>	<p>MAXIMUM 10 Points</p>

	<p>production plants) and environmental issues.</p> <p>A road, street or highway that is not an interstate will be considered “highly travelled” if its average daily traffic is 10,000 or above, as determined by the most recent State, County and City Annual Average Daily Traffic Maps published by the Arkansas State Highway and Transportation Department. An interstate is per se “highly travelled.”</p>	
12	<p>MARKET NEED</p> <p>A Market Study shall be submitted which adequately demonstrates need for the rental housing units proposed. Fifteen (15) points will be awarded for capture rates of 20% and below and 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. Zero (0) points will be awarded when the capture rate is 91% to 100%. 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 may substitute its own market analysis, in its discretion, and may reject applications as a result.</p>	<p>MAXIMUM 15 Points</p>
13	<p>SERVES LOWEST INCOME GROUP POSSIBLE</p> <p>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. Applicants for developments that will receive, or do receive and it is anticipated will continue to receive, rental assistance are not eligible for these points. These units cannot be used to satisfy low HOME requirements.</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>3</p>

14	<p>EXTEND DURATION OF LOW-INCOME USE</p> <p>Applicant must submit a signed statement which indicates the number of years, which must be a minimum of five (5) years, the period of affordability will be extended.</p>	4
15	<p>COMMUNITY REVITALIZATION PLAN</p> <p>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>Applicant must submit with its application a copy of the Community Revitalization Plan and such Plan must specifically address a need for affordable housing.</p>	3
16	<p>NEGATIVE POINTS FOR NON-COMPLIANCE</p> <p>ADFA's Compliance Department will calculate a Non-Compliance Percentage for each applicant based upon non-compliance by existing developments of which members, partners or shareholders of the applicant, General Partner of applicant or members, partners, or shareholders of General Partner of applicant, or members of applicant or members, partners, or shareholders of members of applicant were or are part of the development team or otherwise involved in the operation of the development as determined by ADFA.</p> <p>The Non Compliance Percentage is determined at the time of review as evidenced by the issuance of the IRS Form 8823, Report of Non Compliance and UPCS inspection standards. All percentages will be calculated as follows: total number of units non compliant/total units reviewed = Non Compliance Percentage. 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, determined by ADFA allocation, based on the average Non Compliance</p>	

	Percentage as follows:		
	Average Non Compliance Percentage	Negative Points	
	51% or more	20	
	41-50%	15	
	31-40%	10	
	16-30%	5	
	0-15	0	

B. RANKING AND AWARD 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, ADFA may use discretionary judgment in establishing a final award. ADFA 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 ADFA, a written explanation shall be made by ADFA to the general public.

ADFA reserves the right to disapprove any development for an allocation of Housing Credits, regardless of the ranking under the priorities and point ranking outlined above. ADFA reserves the right, in its sole and absolute discretion, to suspend or bar any applicant from the Housing Credit program, which ADFA determines has acted improperly, illegally or inappropriately in the applicant’s dealings with ADFA or in any way relative to the Housing Credit Program. ADFA reserves the right to reject any application from consideration for an award of federal or state housing tax credits if any member of its development team is determined by ADFA to be out of compliance in regard to any existing development financed with ADFA-awarded resources.

III. MISCELLANEOUS.

A. DEFINITIONS.

“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. 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.

“Infrastructure” is all site utilities (water, sewer, storm, gas, electrical, phone and cable services, curbs, gutters), roads, cut, fill, compaction and stabilization that is not specific to a particular unit or building.

A “scattered site” development 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*.

“Supportive (Disabled) Housing” is housing intended for the use of persons with a disability (as defined by HUD), 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 person 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. 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.

For-profit applicants – developments with 50 units or less	\$1,000
For-profit applicants – developments with 51-100 units	\$2,000
For-profit applicants – developments with 101+ units	\$3,000
Non-profit applicants	\$300

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 eight percent (8%) of the total annual Housing Credits allocation, or total original housing credit allocation prior to return of such credits and award of Section 1602 Exchange funds, as applicable, 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. Section 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 Threshold Requirements and the Additional Requirements for a Complete Application.

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.

CERTIFICATION

By submitting this MFHA, I agree to:

1. Participate in, provide information for, and cooperate with ADFA in the creation and maintenance of a web-based housing registry of ADFA-assisted housing developments.

2. Consent to ADFA obtaining information regarding applicant's, or any member of applicant's development team or any other member, partner or shareholder of an entity development team member or having any interest, indirectly or directly, in a development team member, from the housing finance agencies in all states in which applicant and development team members as defined herein have applied for credits, or otherwise participated in the development of a housing development.

I hereby certify that I have read and am aware of all terms, conditions, and requirements of the above-referenced instructions, and I am aware of all consequences should I fail to complete the MFHA application as set forth in these instructions.

Date

Applicant

Date

Developer

Date

Applicant Preparer