

SUMMARY OF AMENDMENTS TO THE ARKANSAS DEVELOPMENT FINANCE
AUTHORITY'S HOUSING CREDIT PROGRAM 2009 QUALIFIED
ALLOCATION PLAN

Pursuant to Section 42 of the Internal Revenue Code, 26 USC § 42, the Arkansas Development Finance Authority (the "Authority") must annually adopt a Qualified Allocation Plan ("QAP") that establishes selection and program criteria for the allocation of federal low-income housing tax credits from the State's annual ceiling. On July 17, 2008, the Board of Directors for the Authority adopted its QAP for 2009. Following adoption of the 2009 QAP, President Bush signed into law HR 3221 which, among other things, amends Section 42(b), 42(d)(5), Section 42(h), and 42(m)(1) of the Internal Revenue Code.

HR 3221 amends Section 42(b) by requiring the applicable percentage, in the case of any new building not federally subsidized placed in service between July 30, 2008 and December 31, 2013, to be no less than nine percent (9%). This revision appears to include those developments whose ownership previously elected to "lock-in" the credit percentage at a rate less than nine percent (9%) if the applicable state chooses to allow ownership the right to rescind the election. The Authority has determined to allow those development owners, including those receiving allocations prior to July 30, 2008, whose new buildings are not federally subsidized and will be placing in service between July 30, 2008 and December 31, 2013, that elected to lock-in the credit percentage at a rate less than nine percent (9%) to rescind such election upon request if allowed by HR 3221. However, those owners will receive no federal low-income housing tax credits in excess of the amount previously allocated to ownership for the construction or rehabilitation of the development.

HR 3221 amends Section 42(h) by increasing the dollar amount of state housing credit ceiling for 2009 by \$.20.

The following amends *Section III.A.* of the 2009 QAP to reflect the increase in the dollar amount of state housing credit ceiling to \$2.20 and to reflect the right of those development owners, including those receiving allocations prior to July 30, 2008, whose new buildings are not federally subsidized and will be placing in service between July 30, 2008 and December 31, 2013, that elected to lock-in the credit percentage at a rate less than nine percent (9%) to rescind such election upon request.

Original:

A. AMOUNT

The base amount of annual credit authority is currently calculated at \$2.00 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 reserved for allocation to one individual development shall be no more than **\$450,000** of the annual Housing Credits available in the calendar year. **HOWEVER**, the maximum amount of Housing Credits that may be reserved for allocation to one individual development: 1) that is located in a Designated Low-Income County as defined in the 2005-2009 State Consolidated Plan; 2) whose structure(s) are individually listed in the National Register of Historic Places or have been determined to contribute to a Registered Historic District; 3) that is a qualified Assisted Living development; or 4) a

development with a commitment letter from USDA Rural Development, shall be no more than **\$475,000** of the annual Housing Credits available in the calendar year.

Amended:

A. AMOUNT

The base amount of annual credit authority is currently calculated at ~~\$2.20~~ per capita. This per capita amount is based upon population estimates released each year by the Internal Revenue Service.

Deleted: \$2.00

The maximum amount of Housing Credits that may be reserved for allocation to one individual development shall be no more than **\$450,000** of the annual Housing Credits available in the calendar year. **HOWEVER**, the maximum amount of Housing Credits that may be reserved for allocation to one individual development: 1) that is located in a Designated Low-Income County as defined in the 2005-2009 State Consolidated Plan; 2) whose structure(s) are individually listed in the National Register of Historic Places or have been determined to contribute to a Registered Historic District; 3) that is a qualified Assisted Living development; or 4) a development with a commitment letter from USDA Rural Development, shall be no more than **\$475,000** of the annual Housing Credits available in the calendar year.

If allowed by federal law, development owners, including those receiving allocations prior to July 30, 2008, whose new buildings are not federally subsidized and will be placing in service between July 30, 2008 and December 31, 2013, that elected to lock-in the credit percentage at a rate less than nine percent (9%) may request the Authority in writing to rescind such election. If allowed by federal law, the Authority will automatically approve of the rescission; however, owners will receive no federal low-income housing tax credits in excess of the amount previously allocated for the construction or rehabilitation of the development.

HR 3221 amends Section 42(d)(5) of the Internal Revenue Code by giving states the authority to increase or “boost,” by up to thirty percent (30%), the eligible basis of any development that is not located in a designated qualified census tract or difficult to develop area. This increase will provide additional low-income housing tax credits to a development that would not otherwise qualify for the additional low-income housing tax credits. The Joint Committee on Taxation Report on HR 3221 stated that: “It is also expected that the State allocating agency shall publicly express its reasons for such area designations and the basis for allocating additional credits to a project.”

The following amends *Section VI.B.19* of the 2009 QAP to publicly set forth when the Authority will increase or “boost” the eligible basis of a development not located a qualified census tract or difficult to develop area.

Original:

- 19. Minimum Debt Coverage Ratio.** The development will be required to establish a minimum debt coverage ratio of 1.10. For this purpose, 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. The minimum debt coverage ratio of 1.10 must be reflected at Section XIX, Annual Expense Information, of the Multi-Family Housing Application.

Amended:

19. **Minimum Debt Coverage Ratio.** The development will be required to establish a minimum debt coverage ratio of 1.10. For this purpose, 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. The minimum debt coverage ratio of 1.10 must be reflected at Section XIX, Annual Expense Information, of the Multi-Family Housing Application.

The Authority may increase or "boost" the eligible basis of any development, not located in a designated qualified census tract or difficult to develop area, by up to thirty percent (30%) of such basis if it is determined that such increase is required in order for the development to meet the minimum debt coverage ratio of 1.10. The Multi-Family Housing Application must reflect that the terms of the development's financial sources are competitive with the market place. This subparagraph does not apply to developments financed with tax-exempt bonds.

HR 3221 amends Section 42(m)(1) by requiring states to take into account, as a selection criterion, the historic nature of the development. The following amends *Section VI.C.10. and Section VII.A.4.* of the 2009 QAP and awards selection points to those developments whose structure(s) are individually listed in the National Register of Historic Places or have been determined to contribute to a Registered Historic District.

Original:

10. **Historical Developments.** Historical development applicants must submit proof that the structure(s) to be rehabilitated are listed in the National Register of Historic Places prior to the issuance of IRS Form 8609. Failure to submit such proof will limit the development to the \$450,000 per development Housing Credit cap.

Amended:

10. **Historical Developments.** Historical development applicants must submit proof that the structure(s) to be rehabilitated are listed in the National Register of Historic Places prior to the issuance of IRS Form 8609. Failure to submit such proof will limit the development to the \$450,000 per development Housing Credit cap. However, in order to receive the selection points under Section VII.A.4. of this QAP below, the applicant must submit proof that the structures to be rehabilitated are listed in the National Register of Historic Places by the APPLICATION DEADLINE.

Deleted: ¶

Original:

4.	Involves rehabilitation of residential rental housing under an existing state or federal affordable housing program. Points are awarded based on the percentage of units under the affordable housing program that become LIHTC.	10
----	---	-----------

Amended:

4.	Involves rehabilitation of residential rental housing under an existing state or federal affordable housing program; <u>or rehabilitation of structures that are individually listed in the National Register of Historic Places or have been determined to contribute to a Registered Historic District.</u> If applicable, points are awarded based on the percentage of units under the affordable housing program that become LIHTC. <u><i>See Section VI.C.10. of this QAP above.</i></u>	10
----	---	-----------