

Arkansas Development Finance Authority

Housing Credit Program 2012 Qualified Allocation Plan

**Adopted by the Board of Directors
October 20, 2011**



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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 rental 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 (“QAP”) 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 and 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.

A. AMOUNT

The base amount of annual credit authority is currently calculated at \$2.15 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 **\$600,000** 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 currently applicable 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 **\$625,000** of the annual Housing Credits available in the calendar year.

Pursuant to Section 42(d)(5)(B)(v) of the IRC, the Authority designates that the eligible basis of any qualified low-income new building will be increased by thirty (30%) if:

1. it is a building within a qualified Assisted Living development;

2. it is located in any low-income county designated in the currently applicable State Consolidated Plan (currently: Bradley, Chicot, Crittenden, Desha, Fulton, Jackson, Lafayette, Lee, Monroe, Newton, Phillips, Polk, St. Francis, Sharp, Stone, and Woodruff);
3. it is located in a county in which a tax credit award has not been made in the past three (3) years, which include the counties of Ashley, Boone, Calhoun, Clark, Clay, Cleveland, Columbia, Dallas, Franklin, Fulton, Grant, Greene, Hot Spring, Howard, Independence, Jackson, Lafayette, Lawrence, Lincoln, Little River, Madison, Marion, Mississippi, Monroe, Montgomery, Nevada, Pike, Poinsett, Polk, Pope, Scott, Prairie, Searcy, Sharp, Sevier, Van Buren, Woodruff, Yell; or
4. it is funded in part by Rural Development.

B. SET-ASIDES.

1. Non-Profit Set-Aside. Not less than ten percent (10%) of the Housing Credits will be set aside for developments involving any qualified non-profit organization that meets the standards set forth in IRC § 42(h)(5)(C). The organization shall be a qualified non-profit organization, as defined in IRC § 501(c)(3) or § 501(c)(4), which is not affiliated with or controlled by a for-profit organization and has included in its Articles of Incorporation, as one of its tax-exempt purposes, the fostering of low-income housing. **The appropriate section of the Multi-Family Housing Application (NON-PROFIT DETERMINATION)** shall be completed and copies of the non-profit organization's Articles of Incorporation and Internal Revenue Service ("IRS") documentation determining the organization exempt from federal income tax under IRC § 501(a) shall be included with the application.

2. ADFA HOME and Rural Development Set-Aside. Approximately twenty percent (20%) of the Housing Credits will be set-aside for successful HOME and Rural Development ("RD") Program applicants. To be considered for HOME Program funds, applicants shall request HOME funds by completing the appropriate sections in the 2012 Multi-Family Housing Application when submitted by the APPLICATION DEADLINE. Rural Development applicants shall submit a copy of the Rural Development commitment letter with their Application. ADFA has entered into a Memorandum of Understanding ("MOU") with Rural Development and has agreed to engage in cooperative efforts to enable ADFA and Rural Development to effectively evaluate Housing Credit requests of Rural Development applicants. The MOU will be considered by ADFA when reviewing Rural Development applications for Housing Credits.

3. Assisted Living Set-Aside. A maximum of \$1,250,000 of the Housing Credits will be set aside for qualified assisted living developments. In order for the application to be considered for this set-aside, the applicant must meet the criteria set forth in *Section VI.B.28 of the QAP below.*

4. Public Housing Agencies' Set-Aside. A maximum of \$600,000 of the Housing Credits will be set aside for those eligible developments developed by or in conjunction with any Public Housing Authority or Section 8 Contract Administrator in good standing with the United States

Department of Housing and Urban Development (HUD). The applicant will be required to submit a statement from HUD indicating that the Public Housing Authority or Section 8 Contract Administrator involved is in good standing as of the date the application is filed.

5. Housing Credits not Awarded through Set-Aside. With the exception of Housing Credits dedicated to the "Non-Profit Set-Aside" above, Housing Credits not awarded through the "ADFA HOME and Rural Development Set-Aside", the "Assisted Living Set-Aside", or the "Public Housing Agencies' Set-Aside", will be available for award to any application.

IV. ALLOCATION OF STATE HOUSING CREDITS.

ARK. CODE ANN. § 26-51-1702 provides that a taxpayer owning an interest in a low-income development qualifying for Housing Credits will be eligible for State Housing Credits equal to twenty percent (20%) of the allocated federal amount. The State statute limits the allocation of State Housing Credits to \$250,000 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 shall 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 in designated 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 Points 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 designated in the State Consolidated Plan will be awarded State Housing Credits equal to twenty percent (20%) of the applicable Federal Housing Credits.

2. In the event of a shortage of eligible developments in low-income counties designated in the Consolidated Plan, priority for State Housing Credits, equal to twenty percent (20%) of the applicable Federal Housing Credits, will be awarded to those qualified developments located within Qualified Census Tracts, beginning with the highest score under the scoring system set forth in this Qualified Allocation Plan.

3. In the event of a shortage of eligible developments in low-income counties designated in the Consolidated Plan and eligible developments located within Qualified Census Tracts, priority for State Housing Credits, equal to twenty percent (20%) of the applicable Federal Housing Credits, will be awarded to developments located within counties identified herein as not having received an award of tax credits in the previous three (3) years, beginning with the highest score under the scoring system set forth in this Qualified Allocation Plan.

4. To the extent that there are remaining State Housing Credits, the State Housing Credits will be allocated, equal to twenty percent (20%) of the applicable Federal 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 under the scoring system set forth in this Qualified Allocation Plan.

5. The Authority expects to allocate no less than ten percent (10%) of State Housing Credits to non-profit organizations.

The Authority will annually notify the Arkansas Department of Finance and Administration of those developments that have been allocated State Housing Credits. The Arkansas Department of Finance and Administration will be notified of any revocation of State Housing Credits.

V. ALLOCATION OF AFFORDABLE NEIGHBORHOOD HOUSING TAX CREDITS.

The AFFORDABLE NEIGHBORHOOD HOUSING TAX CREDIT ACT OF 1997, (the "ANHTC Act"), codified at ARK. CODE ANN. § 15-5-1301 *et seq.*, provides that any business firm engaging in the provision of affordable housing assistance activities in the State of Arkansas may be entitled to receive Affordable Neighborhood Housing Tax Credits ("ANHTCs"). "Affordable housing assistance activities" is defined to include any "money, real, or personal property expended or devoted to the construction or rehabilitation of affordable housing units developed by or in conjunction with any governmental unit or not-for-profit corporation." The ANHTC Act limits the total allocation of ANHTCs to \$750,000 in any taxable year.

The Authority and the Arkansas Department of Finance and Administration have determined that, in the best interest of affordable housing in Arkansas, "affordable housing assistance activities" must be devoted to those low-income housing developments which qualify for Housing Tax Credits pursuant to Section 42 of the Internal Revenue Code through the Authority's federal low-income housing tax credit or tax-exempt bond programs for residential rental housing. Thus, any business firm seeking allocation of ANHTCs must do so in conjunction with an application for federal low-income housing tax credits or tax-exempt bonds to develop affordable housing units by or in conjunction with any governmental unit or not-for-profit corporation.

A proposal for ANHTCs must be submitted with a Multi-Family Housing Application for federal low-income housing tax credits. In its Multi-Family Housing Application for federal low-income housing tax credits, the applicant will include a commitment from each business firm providing "affordable housing assistance activities" to the proposed low-income housing development. Each such commitment must:

1. Be in writing and executed by an authorized representative of the business firm;
2. Identify the governmental unit or not-for-profit corporation to which the "affordable housing assistance activities" are committed;
3. Describe in detail the nature of the "affordable housing assistance activities" to be provided, *i.e.*, whether money, real or personal property, and how it to will be devoted to the construction or rehabilitation of affordable housing units.
 - * The ANHTC Act limits the amount of tax credits allowable to a business firm to thirty percent (30%) of the total amount invested. If the affordable housing assistance activity is other than money, the business firm must

provide an appraisal certifying the value of the property invested.

If the business firm commits its "affordable housing assistance activities" to a governmental unit, a not-for-profit organization, or a "neighborhood organization", as defined within the ANHTC Act, which is not the applicant on the Multi-Family Housing Application, the applicant must submit with its Multi-Family Housing Application the following from such governmental unit, not-for-profit organization or "neighborhood organization":

1. Organizational documents including: a) Arkansas Articles of Incorporation; and b) Tax Exempt Status Determination Letter from the Internal Revenue Service;
2. A written statement describing its relationship with the applicant, *i.e.*, any ownership interest in the applicant or other relationship with the applicant;
3. A written statement describing in detail its commitment of the "affordable housing assistance activities" received from each business firm to the construction or rehabilitation of affordable housing units within the development proposed.

For each proposal of "affordable housing assistance activities" submitted with a Multi-Family Housing Application, the applicant must certify in writing that it will expend or devote the "affordable housing assistance activities" committed to the construction or rehabilitation of affordable housing units within the development.

Based on demonstrated need in the Multi-Family Housing Application, the Authority will give a priority allocation of ANHTCs to those developments that are in designated 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 Points Criterion #1 of this Qualified Allocation Plan. The allocation of ANHTCs will be as follows:

1. Developments receiving an allocation of federal low-income housing tax credits that are to be located in any one of the low-income counties designated in the State Consolidated Plan, beginning with the highest score under the scoring system set forth in this Qualified Allocation Plan;
2. In the event of a shortage of eligible developments in low-income counties designated in the Consolidated Plan, priority for ANHTCs will be given to those developments within Qualified Census Tracts, beginning with the highest score under the scoring system set forth in this Qualified Allocation Plan;
3. To the extent that there are remaining ANHTCs, the remaining ANHTCs will be allocated to remaining qualified developments until such time as exhausted, beginning with the highest score under the scoring system set forth in this Qualified Allocation Plan.

The Authority will reserve and allocate ANHTCs in conjunction with its reservation and allocation or issuance of federal low-income housing tax credits. With its issuance of IRS Forms 8609 for federal low-income housing tax credits, the Authority will issue a Certificate of Allocation certifying the amount of ANHTCs allocated to the business firm entitled to such allocation. The Authority will annually provide the Arkansas Department of Finance and Administration with a copy of each Certificate of Allocation for ANHTCs allocated that year.

VI. APPLICATION PROCEDURES, REQUIREMENTS, and REVIEW.

A. APPLICATION PROCESS.

ADFA will reserve all Housing Credits available for allocation in one eligibility cycle. Credits that are not reserved will carry forward to the next year. Applicants shall apply during the eligibility cycle to receive a credit allocation for that calendar year.

The closing deadline for submitting the 2012 Multi-Family Housing Application for the 2012 Low-Income Housing Tax Credit (“LIHTC”) Cycle is as follows:

<p style="text-align: center;">APPLICATION DEADLINE IS 4:30 P.M., FRIDAY, FEBRUARY 3, 2012 (“APPLICATION DEADLINE”)</p>

The applicant must use ADFA's 2012 application, which is available on ADFA's website.. A tabbed, 3-ring bound HARDCOPY of the application plus all attachments and exhibits must be delivered to ADFA no later than 4:30 p.m., Friday, February 3, 2012. 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 300
Little Rock, AR 72201
Or
P.O. Box 8023
Little Rock, Arkansas 72203-8023
Telephone Number: 501-682-5900**

ADFA will not accept facsimile submissions.

In addition to the 3-ring bound hardcopy, the applicant must electronically submit the application as a SAVED (not scanned) file, in the same format as the ADFA 2012 application is posted, via e-mail to:

Lornea.Wells@adfa.arkansas.gov

Applications. Applications are reviewed for **COMPLETENESS** as required in this QAP. No contact with ADFA staff or members of the ADFA Board of Directors regarding pending 2012 applications is allowed after submission of application and during the ADFA review period; any such contact is grounds for immediate disqualification of an application(s). Applications are scored based solely upon that information and documentation submitted in and with the application by the **APPLICATION DEADLINE**. Based upon that review, ADFA staff will provide the applicant with a written Notification of Deficiencies, including necessary **ADDITIONAL REQUIREMENTS FOR A COMPLETE APPLICATION** pursuant to this QAP and an Initial Score **if the application has met all THRESHOLD REQUIREMENTS** as set forth in this QAP.

APPLICATIONS FAILING TO MEET ALL THRESHOLD REQUIREMENTS AS SET FORTH IN THIS QAP BY THE APPLICATION DEADLINE WILL NOT RECEIVE AN INITIAL SCORE AND WILL NOT BE CONSIDERED FOR AN AWARD OF FEDERAL OR STATE LOW-INCOME HOUSING TAX CREDITS.

Response Period. The Response Period will be from May 8, 2012, to 4:30 p.m. on May 22, 2012. During the Response Period, the applicant **may contact ADFA staff** regarding the written Notification of Deficiencies and Initial Score or the written Notice of Threshold Failure. **NO CONTACT WITH ADFA BOARD MEMBERS IS ALLOWED AND ANY SUCH CONTACT WILL BE GROUNDS FOR IMMEDIATE DISQUALIFICATION OF AN APPLICATION.**

During the Response Period, the applicant will have an opportunity to submit: 1) additional documentation to meet the **ADDITIONAL REQUIREMENTS FOR A COMPLETE APPLICATION** pursuant to this QAP; 2) written comment on what the applicant considers a discrepancy in the Initial Score awarded by ADFA from the **POINTS CRITERIA**, pursuant to this QAP, **based upon the application and the information and documentation submitted by the APPLICATION DEADLINE**; 3) written comment on what the applicant considers a discrepancy among the Notice of Threshold Failure, the threshold requirements set forth in this QAP, and the application and information and documentation submitted by the Application Deadline; and 4) any information or documentation **requested by ADFA staff**.

APPLICANTS WILL NOT BE ALLOWED TO SUBMIT ADDITIONAL INFORMATION OR DOCUMENTATION DURING THE RESPONSE PERIOD IN AN EFFORT TO INCREASE THE INITIAL SCORE AWARDED BY ADFA STAFF.

ADFA staff will review and evaluate the application, as submitted by the APPLICATION DEADLINE, and notify the applicant of deficiencies and scoring, or of threshold failure, in accordance with the schedule below.

Dates For Review of Applications and Reservation Process	
Application Deadline	February 3, 2012 4:30 p.m.
Applicants sent Notification of Deficiencies and Initial Score or, if applicable, Notice of Threshold Failure	May 8, 2012
Response Period deadline for applicants to: 1) submit Additional Requirements for a Complete Application pursuant to Section VI.C. of this QAP; 2) discuss Initial Score awarded by ADFA; and 3) provide written comment	May 22, 2012 4:30 p.m.
Applicants notified of Final Score	June 12, 2012
Successful applicants approved for reservation of Housing Credits by ADFA Board of Directors	June 21, 2012
2012 Housing Credit reservation letters mailed to successful applicants	July 2, 2012

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.

Application fees are:

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. THRESHOLD REQUIREMENTS.

The following 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.

- 1. Completed and executed 2012 Multi-Family Housing Application ("MFHA").** A completed "Application Checklist"; "2012 LIHTC Applicant Self-Scoring" sheet; and a

completed "MFHA". 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:
 - 1) the amount of the loan;
 - 2) amortization period;
 - 3) annual loan payment; and
 - 4) 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 may be notified in the Final Score notification that a substituted source of financing is required; applicant must provide ADFA with a financing commitment letter in place of the state tax credit equity commitment letter within seven (7) days of the Final Score notification.
 - (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 APPLICATION DEADLINE, from RD if the development will receive RD funding or loan guarantee.
- (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 commitment 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
- 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. 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 may 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 July 31, 2012.

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

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 Purchase Option, Contract, or Agreement must state the amount of the purchase price allocated to the land and the amount of the purchase price allocated to the buildings, if applicable.

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, 2014.
- 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: (i) do not meet the requirements of the Market Study Guidelines; (ii) do not provide an index or table of contents indicating the page within the market study each requirement can be found; or (iii) 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. 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.

Any material changes must be submitted to Board Housing Review Committee for approval, and the fee for change requests must be submitted prior to review. Material changes, including but not limited to change in number of units, unit configuration, development team members, or site location must be approved by the Board Housing Review Committee prior to implementation of such change(s). If a material change is implemented prior to Board Housing Review Committee review, Applicant and developer are subject to appropriate remedial action by ADFA, including but not limited to penalties on future applications or suspension from the tax credit program in Arkansas for a set period of time.

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.

When the development consists of both new construction and the rehabilitation of units and buildings, two sets of plans and specifications must be submitted: one set evidencing the plans and specifications for the new construction and one set evidencing the plans and specifications for the rehabilitation of units.

New Construction – HERS Rating. All new construction units and buildings must be certified by a HERS rater as meeting a HERS Index Score of no more than 70, if located in any county other than Baxter, Benton, Boone, Carroll, Fulton, Izard, Madison, Marion, Newton, Searcy, Stone, and Washington, or, meeting a HERS Index Score of no more than 78 if located in any of the foregoing identified counties. It is applicant's responsibility to engage a HERS rater and, if funded, to work closely with the HERS rater to ensure that the development is built as represented in the application and achieves the rating represented in its application. Applicant must engage the HERS rater to regularly monitor construction to ensure that the projected HERS rating will be achieved. This section shall not impose any liability upon the HERS rater arising from a failure of the development to achieve the projected HERS rating, i.e., ADFA holds the development ultimately responsible for meeting the HERS rating for which it received points.

Applicant must submit with its application a signed certification from the HERS rater stating that the newly constructed units and buildings will meet the required HERS Index Score of no more than 70 or 78, as applicable. If applicant is seeking points based upon advanced energy features, the HERS rater must state the specific score, which must be lower than the required minimum. Points will be awarded on a scale of one to one, 1:1, i.e., a HERS rating of 60 in a county with a required rating of 70 would receive 10 points. If multiple HERS ratings are provided due to multiple buildings or varying scores for units within one building, points will be based upon the weighted average.

A signed, written certification from the HERS rater certifying that the newly constructed units and buildings meet the HERS Index Score represented in the application must be submitted to ADFA before ADFA will issue any IRS Form 8609 for the development. If the HERS rating on which points were based is not achieved, the development must propose a reasonable alternative under the circumstances. ADFA has the discretion to decrease the amount of credits for which IRS Forms 8609 are issued based upon the amount of funds saved by the development in its construction or rehabilitation by not meeting the target HERS score, or take other actions as deemed reasonable by ADFA under the circumstances.

Sampling: Sampling is allowed but subject to the sampling protocol, except as modified herein, established by the RESNET National Standard for Sampled Ratings, available on the ADFA website. Sampling may not be conducted unless the requirements in the National Standard are met, i.e., including but not limited to the requirement that sampling may not begin until three (3) units have been completed without any incidence of failure.

Sampling – New Construction: The HERS rater shall evaluate at least 30% of the proposed unit types, collecting applicable data from each unit design and orientation. The HERS rater shall use the

collected data to estimate the annual purchased energy consumption for heating, cooling, water heating, lighting and appliances, and shall establish a projected HERS rating for each unit type and configuration. After construction is complete, diagnostics shall be performed on 30% of the units, including one of each unit type and configuration, to determine the final, actual HERS ratings.

Sampling – Rehabilitation: The HERS rater shall evaluate at least 30% of the existing units, including at least one of each unit type and orientation, to establish a baseline HERS rating. The HERS rater shall use the evaluation to estimate the annual purchased energy consumption for heating, cooling, water heating, lighting and appliances, and shall establish the baseline HERS rating. The HERS rater shall then evaluate the buildings and units reconfigured to include the proposed improvements set forth in the Capital Needs Assessment or Energy Audit submitted by the applicant. After improvements are completed, the HERS rater shall perform diagnostics again on 30% of the units, including at least one of each unit type and orientation, to determine the final, actual HERS ratings.

A certification from the design architect or licensed engineer must be submitted with the application confirming that the proposed development will be constructed in: (1) compliance with ADFA's "Multi-Family Housing Minimum Design Standards"; (2) compliance with all federal and state accessibility laws; (3) compliance with all applicable local, state and national building codes; and (4) that the development will achieve the target HERS rating (and the target HERS rating must be stated).

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. 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:

- (i) Rehabilitate all components examined and analyzed in the development to a new or "like-new" condition;
- (ii) 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
- (iii) 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 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.

12. 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.**

13. 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 Replacement Reserve shall be maintained, and yearly deposits shall be made equal to the above requirement, for the entirety of the affordability period.

These amounts shall be incorporated into the 2012 Multi-Family Housing Application. 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.

14. 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.

15. 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 subsidy attached to the buildings, the appraisal must separately identify the value of the federal subsidy.
 - (i) In order to receive credit for the subsidy, the applicant will be required to submit a commitment letter from the federal agency

stating the subsidy will be awarded to the applicant.

Acquisition credits will be based upon the lesser of the purchase price for the buildings only or the appraised value of the buildings in the development. Applicant may include in the development budget and eligible basis no more than the lesser of the purchase price for the buildings only or the appraised value of the buildings in the development.

16. 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:

- a. **New Construction.** The developer fee cannot exceed fifteen percent (15%) of the "Net Development Costs".
- b. **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".

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 buildings from that amount attributed to the rehabilitation costs. The amount attributed to the acquisition of existing buildings must be equal to or greater than the percentage that the acquisition costs of existing buildings 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.

All policies regarding economic interest shall be applicable to the proposed replacement member. If the proposed replacement would cause more than three (3) applications with a development team among which there is an economic interest to have been 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.

17. General Requirements and Builder's Profit. The amount allocated to General Requirements of the development cannot exceed seven percent (7%) of its construction hard costs. General requirements include items that are required for the contractor to provide for the specific project including but not limited, 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.

The Authority will limit the Builder's Profit to ten percent (10%) of the development's hard costs plus its general requirements' costs. The Authority will limit the Builder'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 developer's fee and builder'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 builder 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 builder 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 builder profit, all revised parties and amounts must be disclosed in writing to ADFA.

All policies regarding economic interest shall be applicable to the proposed replacement member. If the proposed replacement would cause more than three (3) applications with a development team among which there is an economic interest to have been 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.

18. Per Unit Cost Cap. The Authority limits the per unit cost for all developments, other than qualified Assisted Living developments and 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, to **\$132,000** per unit.

The per unit cost cap for qualified Assisted Living developments and 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 is limited to **\$158,400**.

"Per unit cost" is calculated by dividing the total development cost, excluding land cost and infrastructure costs, 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. If ADFA rejects an application for threshold failure due to unreasonableness of costs, ADFA shall set forth the reasons for such determination in writing. Applicants may provide justification and supporting documentation for the costs during the Response Period. ADFA will review such submitted written justifications and supporting documentation and make a final determination in writing of whether the application will be further considered, if otherwise eligible to be further considered for an award of housing credits.

19. 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. The applicable minimum debt coverage ratio must be evidenced by the Multi-Family Housing Application 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 may 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. Applicant/Owner shall submit annual financial statements, which have been reviewed by a Certified Public Accountant, to ADFA's Compliance Department no later than February 1 of each year. Should a development have a justified basis for requesting a different annual due date, ADFA may grant a waiver of the February 1 annual date and impose a different annual due date for such development.

Developments that evidence a DCR below the DCR required herein will be monitored on a more frequent basis, i.e., placed on a watchlist. Significant or continued financial infeasibility of a development or multiple developments may result in the rejection of pending and future applications for ADFA resources submitted by, and other the Owner, Developer and/or the management company.

20. 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:

(1) elect to meet the Rehabilitation Standard set forth above;

OR

(2) elect to have a Capital Needs Assessment conducted by a third party contracted by the Authority. 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 the Authority, 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.

21. Fair Housing Training. Applicant must include with its application a copy of the certification evidencing completion of 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: (1) Owner; (2) Developer; (3) Management company; (4) Consultant; and (5) 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. "Consultant" shall not include accountants, attorneys or energy consultants. 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.

22. 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.

23. 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.

24. 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.

25. 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.

26. 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.

27. Multiple Phase Developments. ADFA will not consider for an award of federal or state housing tax credits an application for a proposed new construction 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.

28. 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*).

29. 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 application.**

C. ADDITIONAL REQUIREMENTS FOR A COMPLETE APPLICATION.

The following documentation, in addition to the THRESHOLD REQUIREMENTS as required in *Section VI.B. of this QAP above*, 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 for use by Persons on Waiting List.** The applicant shall provide written documentation to the local Public Housing Authority 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 the Authority.

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 and telephone number. 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. Applicant must submit with its application documentation evidencing the HERS rater's certification to perform HERS ratings. If any of the above required documentation is not submitted with the originally submitted application, but is submitted during the Response Period, 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.

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

Capacity Standard. 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 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 the Authority 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.

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 Board Housing Review Committee, on previous developments or delinquencies in payments will result in disqualification of an application by the ADFA Board Housing Review Committee, regardless of scoring.

5. Criminal Background and Disclosure. Each applicant, consultant, and development team member on any application, and each principal of each consultant or other development team member, as well as any public official affiliated with a HOME application, shall complete a Criminal Background Disclosure Form – Housing, Attachment A to the application.

An application may be disqualified based upon the Criminal Background and Disclosure, within the discretion of the ADFA Board of Directors.

6. Environmental Checklist. The Environmental Checklist included in the Application as Attachment B must be completed and signed. Any applicant receiving a reservation of Housing Credits will be required to submit within six (6) weeks of the date of the reservation letter. The ESA must be dated/updated within six (6) months of the reservation letter.

7. Conflict of Interest Acknowledgment and Contract and Grant Disclosure and Certification Form. Each applicant must complete the "Conflict of Interest Acknowledgment" and "Contract and Grant Disclosure and Certification Form", which will be available on the Authority's website as an attachment to the MFHA.

8. **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 \$600,000 per development Housing Credit cap. However, in order to receive points under *Section VIII.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.**

9. **Building and Unit Designation.** Applicant must designate the unit configuration for each building in the development by completing the applicable portions of the MFHA.

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

11. **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.

12. **Response Period.** All documents and information stated in this Section shall be submitted with the application by the application deadline. Failure to submit any document or information required in this Section shall not be a basis for threshold failure if submitted during the Response Period, but one (1) point shall be deducted from applicant's final score for each document or item of information required in this Section that is submitted during the Response Period. However, if all such required documents and information are not submitted during the Response Period, the application shall be terminated from further consideration for an award of federal or state housing tax credits.

13. ADFA, in its exclusive discretion, shall determine whether the additional documentation and information submitted during the Response Period, whether a requirement under this Section or specifically requested by ADFA in its Notice of Initial Score and Deficiencies, is sufficient to cure all deficiencies.

VII. **OTHER HOUSING TAX CREDIT PROGRAM REQUIREMENTS.**

1. **ADFA Housing Registry.** By submitting an application for housing tax credits, all applicants agree to 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. **HFA Inquiries.** By submitting an application for housing tax credits, all applicants consent to ADFA obtaining information regarding applicant's, or any member of applicant's development team or any 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.

3. **Predevelopment Interest.** No development seeking any form of ADFA assistance may be reimbursed in any manner for predevelopment interest. Predevelopment interest is all interest paid and accrued, prior to the closing of ADFA assistance, on any financing obtained by Applicant, related, or interested party.
4. **RD Developments.** Each applicant that is also receiving RD funding, has made application for RD funding, or anticipates making application for RD funding, agrees by its submission of an application that it shall provide to ADFA copies of all documentation and correspondence provided to and from RD, and provide to RD copies of all documentation and correspondence provided to and from ADFA.
5. **Signage.** Each development that is awarded tax credits shall display signage at the development site. ADFA shall set forth the requirements of the signage and provide a color example of the required logos and information. The signage shall be displayed at the development site from date that construction begins through the date that all buildings have been placed-in-service.
6. **Closing Requirements.** The ADFA Board of Directors has delegated to the President of ADFA the authority to implement closing requirements as are financially prudent for each development awarded ADFA resources. Recipients will be notified of closing requirements as promptly as possible after notice of award(s). The standard list of information and documents required prior to closing is available on the ADFA website. The President has the authority and discretion to add, modify or waive requirements.
7. **LPA Agreement.** Tax credit recipients must provide ADFA with a copy of the executed Limited Partnership Agreement or Operating Agreement promptly upon its execution.

VIII. 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	LOCATION/RD/HUD	MAXIMUM
		15 Points
	<p>a. Development is located in the following low-income counties designated in the 2010-2014 State Consolidated Plan: Bradley, Chicot, Crittenden, Desha, Fulton, Jackson, Lafayette, Lee, Monroe, Newton, Phillips, Polk, St. Francis, Sharp, Stone and Woodruff</p>	15
	<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>	5
	<p>c. Development has a commitment letter for funding or assistance from USDA Rural Development or HUD. Points are awarded as follows:</p>	
	<p>USDA-RD</p>	
	<p>1. USDA transfer funds commitment</p>	5
	<p>2. USDA construction or rehabilitation funds commitment</p>	5
	<p>3. USDA rental assistance contract*</p>	5*
	<p>4. USDA loan guarantee with interest credit buy down</p>	5
	<p>*Points are awarded based upon the percentage of units receiving rental assistance. Rental Assistance Contract must be submitted with application.</p>	
	<p>HUD</p>	
	<p>1. Project based rental assistance contract 11-20 years</p>	10
	<p>2. Project based rental assistance contract 6-10 years</p>	7
	<p>3. Project based rental assistance contract 1-5 years</p>	3
	<p>4. Loan guarantee with interest reduction payments</p>	5
	<p>d. 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: Ashley, Boone, Calhoun, Clark, Clay, Cleveland, Columbia, Dallas, Franklin, Fulton, Grant, Greene, Hot Spring, Howard, Independence, Jackson, Lafayette, Lawrence, Lincoln, Little River, Madison, Marion, Mississippi, Monroe,</p>	10

	<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</p> <p>i. Housing intended for eventual tenant ownership – must be single family detached units</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 	<p>1</p> <p>1</p>
3	Proposed development involves rehabilitation of existing structures.	10
4	<p>Proposed development involves rehabilitation of residential rental housing that is currently operating under a state or federal affordable housing program (*points are awarded based on the percentage of units under the affordable housing program that become tax credit units); or</p> <p>Proposed development involves 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.</p>	<p>10*</p> <p>10</p>
5	<p>Developer Fee, including consultant fees, are 10% or less of net development costs as defined in this QAP.</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
6	<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 evenly distributed throughout the building 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>	5

7	<p>AMENITIES</p> <p>Owner provides amenities such as but not limited to, universal design concept exceeding that required, covered parking beyond that required if 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
8	<p>ADVANCED ENERGY EFFICIENCY FEATURES</p> <p>New construction applicants shall be eligible for advanced energy efficiency points based upon certification from a HERS rater that, based upon a review of applicant's plans and specifications, the development's building(s) and units will exceed the minimum HERS rating set forth herein and in ADFA's Multi-Family Housing Minimum Design Standards. The HERS rater must specify the HERS Index Score to which applicant will be held accountable and on which points will be based.</p> <p>Points for new construction applicants will be awarded on a 1:1 ratio for HERS Index Scores below the required minimum, i.e., a HERS Index Score of 60 in a county for which the minimum is 70 is eligible for ten (10) advanced energy efficiency feature points.</p> <p>Rehabilitation development applicants are not required to have a HERS rating or to meet the requirement of a HERS rating of 70 or 78, as applicable to new construction developments. However, rehabilitation developments seeking points for energy efficiency must submit a HERS study and such study shall provide a HERS rating for the development as it currently is as well as a projected HERS rating based upon the plans and</p>	MAXIMUM 15 Points

	specifications for the rehabilitation. Points will be awarded on a 1:1 basis for each point of HERS rating decrease that is projected to be achieved by the rehabilitation.	
9	<p>SUPPORT SERVICES PROVIDED BY TAX-EXEMPT ORGANIZATION</p> <p>An authorized official of each tax-exempt organization involved must provide a signed acknowledgement of 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>	5
10	<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,</p>	MAXIMUM 10 Points

	<p>flood plain, or wetlands); proximity to nuisances (e.g., railroad tracks, highly travelled roads, streets, highways, or interstates, manufacturing/production plans) 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>	
11	<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>
12	<p>CHDO</p> <p>A CHDO is part of the ownership structure of Applicant, and the Applicant is requesting HOME CHDO funds. The CHDO must be an existing CHDO certified by ADFA, i.e., application cannot be made for CHDO certification simultaneously with the application for tax credits. The application for CHDO certification must not be pending with ADFA.</p>	<p>5</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.</p> <p>Applicant must submit a signed statement with the application stating the number of units to be set-aside for the very low-</p>	<p>3</p>

	income tenants and such set-aside must be evidenced in the rent schedules of the application.																			
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 or is for the rehabilitation of existing housing 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 Score 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>A Non-Compliance Score will be calculated based upon the percentage of units monitored that are out of compliance, as evidenced by IRS Forms 8823.</p> <p>Points equal to three times the Non-Compliance Score will be deducted from the application's score.</p> <table border="1"> <thead> <tr> <th><u>Percentage</u></th> <th><u>Non-Compliance Score</u></th> <th><u>Negative Points</u></th> </tr> </thead> <tbody> <tr> <td>Greater than 10%</td> <td>1</td> <td>3</td> </tr> <tr> <td>Greater than 20%</td> <td>2</td> <td>6</td> </tr> <tr> <td>Greater than 30%</td> <td>3</td> <td>9</td> </tr> <tr> <td>Greater than 40%</td> <td>4</td> <td>12</td> </tr> <tr> <td>Greater than 50%</td> <td>5</td> <td>15</td> </tr> </tbody> </table>	<u>Percentage</u>	<u>Non-Compliance Score</u>	<u>Negative Points</u>	Greater than 10%	1	3	Greater than 20%	2	6	Greater than 30%	3	9	Greater than 40%	4	12	Greater than 50%	5	15	
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Greater than 50%	5	15																		

	Points may be deducted, up to 15 points, for each non-compliance issue for which an IRS Form 8823 has been issued to the developer, applicant or other member of the development during the previous calendar year, i.e., for the 2012 funding cycle, all IRS Forms 8823 issued from January 1, 2011 through December 31, 2011 will be considered and utilized to calculate the non-compliance score.	
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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, 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 shall 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 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 the Authority 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.

Excluding contact permitted during the Response Period, it is the policy of ADFA to prohibit applicants from contacting ADFA staff in any manner regarding any application after the APPLICATION DEADLINE. 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, rejection of the application from consideration for an award of federal or state housing credits, or suspension or disqualification from the ADFA housing tax credit program. **NO CONTACT WITH ADFA BOARD MEMBERS IS ALLOWED AND ANY SUCH CONTACT WILL BE GROUNDS FOR IMMEDIATE REJECTION OF AN APPLICATION.**

IX. ADDITIONAL PROGRAM INFORMATION.

A. RESERVATION OF CREDITS.

Developments selected will be given preliminary approval for a reservation of Housing Credits. The required reservation fee of One Hundred Fifty and No/100 Dollars (\$150.00) per low-income unit shall be submitted to ADFA within twenty-one (21) days of notification of reservation of Housing Credits. 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 Allocation or Carryover Allocation from ADFA dated before or on **December 31, 2012**. Requests for carryover allocations for the year 2012 are due to ADFA by or on **December 7, 2012**.

The Owner of the development identified in the application shall utilize the allocation of Housing Credits. The transfer of credits is prohibited.

B. CHANGES TO THE ORIGINAL APPLICATION AND SUBSEQUENT CHANGES.

Any material change to the original application, and all subsequent material changes, shall be submitted to ADFA in writing at least thirty (30) days prior to the desired effective date of the change. All changes shall be reviewed and approved by ADFA's Multi-Family Housing Staff, ADFA's Board Housing Review Committee and/or ADFA's Board of Directors, as appropriate. Any change to the original application made without approval from ADFA will be null and void and may result in remedial action by ADFA, including not limited to penalties on future applications or suspension from the tax credit program in Arkansas for a set period of time.

A \$500.00 fee per change item submitted shall be submitted to ADFA with all change requests.

\$500.00 shall be submitted for all such change requests, including but not limited to change in unit size, configuration, location, requests for approval of change of management company, change in development team, and transfer of ownership interest.

C. DEFINITION OF SCATTERED SITE.

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*.

D. 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. 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.

E. DEFINITION OF SUPPORTIVE (DISABLED) HOUSING.

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).

F. CERTIFICATION OF EXPENDITURES STANDARD.

Applicants shall submit a final development cost certification supported by an audit report performed by a Certified Public Accountant prior to issuance of IRS Form 8609. *See Section XI of this QAP below* for additional requirements.

G. UNIT ACCESSIBILITY FOR PERSONS WITH DISABILITIES.

Developments approved for Housing Credits shall comply with local and federal regulations pertaining to unit accessibility and construction standards to accommodate persons with physical disabilities. **The applicant’s architect must submit a statement that the development will comply with all federal and state accessibility laws.**

H. LEAD-BASED PAINT.

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

I. 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.

J. CRIMINAL BACKGROUND CHECK and DISCLOSURE REQUIREMENTS.

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, consultant, and development team member on the application or affiliated public official on a HOME program application shall 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.

K. PRE-CONSTRUCTION CONFERENCE REQUIREMENT.

Applicants receiving reservations of federal low-income housing tax credits will be required to conduct a pre-construction conference with ADFA staff prior to construction. It will be the responsibility of the applicant to schedule the pre-construction conference.

L. INSPECTION REQUIREMENT.

Random inspections will be conducted on under construction and completed developments at ADFA's discretion to ensure compliance with ADFA requirements and representations made in the application. The inspection will be conducted by an ADFA-employed inspector or by an ADFA selected third-party inspector whose report will be submitted to ADFA. The developer/applicant will be responsible for the cost of the inspection which will be in accordance with ADFA's approved inspection fee schedule. The cost of re-inspections performed due to construction errors or mistakes by development shall be at the cost of the developer and/or applicant as well. ADFA's President or his designee shall have the authority to require that construction cease in the event that ADFA determine that work being performed does not comply with ADFA's minimum design standards or other applicable codes, and the representations of the owner's tax credit application. ADFA shall have no liability for any costs incurred and profits lost as a result of the cessation of work. Applicant, by submitting its tax credit application, agrees to hold ADFA, its agents, employees, officers and directors harmless for all costs incurred and profits lost as a result of the cessation of work. Applicant further agrees that it shall defend, indemnify and hold harmless ADFA, its officers, agents, directors and employees from and against any and all claims, liabilities, damages, losses, injuries, costs, expenses, suits and actions arising from ADFA's cessation of work being performed.

All developments awarded tax credits shall inform ADFA monthly of the progress of construction or acquisition and rehabilitation. Provision to ADFA of a copy of the construction lender's or investor's inspection report shall be sufficient to comply with this requirement unless further information is requested by ADFA.

All development owners shall notify ADFA's Multi-Family Manager (1) that the development has placed in service and the date each building placed in service; and (2) the first credit year that Owner intends to elect. This notification must be provided in writing to ADFA within thirty (30) days of placement in service.

Failure by Owner to notify ADFA of placement in service within the time specified will result in a fee of \$25 per day, payable by Owner to ADFA, for each day that Owner fails to notify ADFA in writing after the deadline set forth herein. If Owner was also awarded HOME Program funds, this requirement may be met by submitting to the Multi-Family Department a copy of the placed-in-service form required by the HOME Program Department to be submitted with requests for final payment or release of retainage.

It is owner's responsibility to ensure that, once the development is placed in service, it is suitable for occupancy by meeting Uniform Physical Conditions Standards ("UPCS") and ADFA approved design standards. ADFA's Compliance and Monitoring Department will inspect all developments throughout each development's affordability period.

M. FRAUD AND WASTE.

Any and all fraud, abuse or waste by the development and development team members in regard to the development will be reported to federal and state government agencies and entities as required under any now applicable legislation and any and all legislation that becomes applicable in the future requiring such reporting.

X. CARRYOVER ALLOCATION.

ADFA will follow the IRC for Carryover Allocation requirements. ADFA will issue a Carryover Allocation following receipt of a carryover application and all required supporting documentation required by ADFA from the development owner, which must be submitted to ADFA before or on **December 7, 2012.**

In order to continue to qualify for the Carryover Allocation, the owner's basis in the development as of November 4, 2013 must exceed ten percent (10%) of the owner's reasonably expected basis in the development as of December 31, 2014 ("Carryover Allocation Basis"). The owner will be required to evidence its Carryover Allocation Basis in the development on documentation required by ADFA. Failure to provide the required documentation evidencing the owner's Carryover Allocation Basis in the development by November 4, 2013 will cause the Housing Credits to be returned.

The terms and conditions of the Multi-Family Housing Application will be incorporated into the Carryover Allocation documentation.

XI. FINAL COST CERTIFICATION.

The requirements in this Section are required to be met by all development owners' request for issuance by ADFA of IRS Form(s) 8609. ADFA reserves the right to clarify these requirements as

necessary. This section, and any such clarifications, will be reflected in the Final Cost Certification Requirements document available on the ADFA web-site under Publications and Forms, Multi-Family.

DEADLINE FOR SUBMITTING ALL REQUIRED DOCUMENTS AND INFORMATION FOR REQUESTS FOR ISSUANCE OF IRS FORM(S) 8609:

All developments placing in service after the effective date of this 2012 Qualified Allocation Plan must submit a complete cost certification package, including all documents and information required herein, within one-hundred twenty (120) days of placement in service.

If a complete cost certification package is not been submitted **within (120) days of placement in service, ADFA may deny any or all other applications for ADFA resources that are pending or that become pending prior to submission of a complete cost certification package and all fees paid that have accrued as set forth below.**

A \$15.00 per calendar day late fee shall be assessed for all cost certification packages submitted after the deadline set forth herein.

The \$15.00 per calendar day late fee shall also be assessed for all cost certification packages submitted within the time set forth herein but which fail to include all information and documentation required herein to be included with the cost certification package request for IRS Form(s) 8609.

Further documentation or information that becomes necessary to obtain based upon review of the complete cost certification package may be requested in writing by ADFA and shall be provided to ADFA within 10 calendar days, excluding the day such request is sent by ADFA (which shall be established by date of letter or date that electronic mail is sent from ADFA, of such written request from ADFA). A separate \$15.00 per calendar day late fee will be charged for each day after the provided 10 calendar days that the documentation or information is not submitted to ADFA. This fee accrues until ADFA is in actual receipt of such requested documentation and information.

All fees set forth in this Section must be paid before ADFA will proceed with the cost certification review and issuance of IRS Form(s) 8609.

A. REQUIRED DOCUMENTS.

The development owner is required to submit the following items to ADFA staff for review:

1. Proof of placement in service, as defined by IRS Notice 88-116, for each building in the development by:

A. New Buildings:

Certificate(s) of Completion (Occupancy) by proper state or local authority for each building in the development. Temporary Certificates of Occupancy will not be accepted as evidence of placement in service except if accompanied by a tax counsel opinion

which unequivocally opines that such temporary certificates of occupancy, under the circumstances particular to the development for which such Temporary Certificates are submitted, validly evidences placement in service under IRS Section 42. Such tax counsel opinion must specifically state that the opinion may be relied upon by ADFA.

B. Existing Buildings:

(i) Date of transfer to taxpayer, if, on the date of transfer, the building or any unit in the building is ready and available for its intended purpose;

OR

(ii) Date first unit in the building is certified as being suitable for occupancy by the proper state or local authority. Section A.(1)(A) is applicable to this subsection.

C. Rehabilitation Expenditures:

(i) Proof that rehabilitation is complete;

(ii) schedule of rehabilitation expenditures by month;

(iii) certification that the minimum expenditure requirement of 26 U.S.C. §42(e)(3)(A), and ADFA's minimum rehabilitation expenditure requirement, has been met;

(iv) certification of the month in which the federal rehabilitation expenditure requirement was met for each building; and

(v) certification of the placed-in-service date for the rehabilitation expenditures of each building.

2. Original recorded copy of the development's recorded Land Use Restriction Agreement (LURA) (a copy should be submitted before recording for the Authority's review and approval);
3. A signed Certification from the licensed design architect or licensed engineer confirming:
 - A. Compliance with the Authority's "Multi-Family Housing Minimum Design Standards" applicable to the development;
 - B. Compliance with all applicable federal and state building codes and all applicable federal and state accessibility laws;
 - C. That the certifying architect or engineer has reviewed the development owner's application for housing tax credits and all ADFA-approved changes thereto and that the development as-built includes all amenities that were represented in the application and all ADFA-approved changes of amenities if any;
 - D. That the certifying architect or engineer has reviewed the development owner's application for housing tax credits and all ADFA-approved changes thereto and that the development as built contains all advanced energy features that were represented in the application and all ADFA-approved changes of advanced energy features, if any;
 - E. That the certifying architect or engineer has reviewed the HERS rating report submitted with owner's application for housing tax credits, and the HERS rating

report submitted with the cost certification package submitted hereunder, and that all energy features, methods, and all other criteria on which the HERS rating, submitted with owner's application, were adhered to and/or installed in the as-built development. This requirement shall not apply to developments for which credits were awarded in 2009 or before.

4. A signed certification from a certified HERS rater stating the HERS rating of all building(s) within the development as-built and placed in service. This requirement shall not apply to developments for which credits were awarded in 2009 or before.
5. Cost Certification by a Certified Public Accountant which, at a minimum:
 - a. Utilizes the Development Costs budget pages) from the Multi-Family Housing Application to certify total development costs, or similar format containing all such information; and
 - b. Certifies, pursuant to 26 USC § 42, the eligible basis, applicable fraction, and maximum qualified basis for each building in the Development; (Submit both calculations for the applicable fraction based upon the "unit fraction" method and the "floor space fraction" method). The cost certification shall also include in this same schedule the maximum amount of qualified basis for each building within the development, as determined by the applicable fraction and applicable percentage, i.e., the maximum amount of qualified basis for each building, when multiplied by the applicable percentage, shall equal an amount of credits which in total equal no more than the amount of credits allocated by carryover allocation;
 - c. For each building with rehabilitation expenditures, certifies that the expenditures' requirements of 26 USC § 42(e)(3)(A) have been met and identifies the 24-month period allowed under 26 USC § 42(3)(A) for aggregating rehabilitation expenditures;
 - d. Schedule of rehabilitation expenditures included in the 24-month rehabilitation period, by month, and certification of the date that the rehabilitation placed-in-service, by building, pursuant to IRC Section 42 and related regulations and IRS guidance, that is requested to be reflected as the placed-in-service date on each building's IRS Form 8609 for rehabilitation.
 - e. Certifies that the Per Unit Cost; Developer's Fee; General Requirements; Builder's Overhead; Builder's Profit; and Rehabilitation Costs Standard are within Program requirements and as represented in the development owner's Multi-Family Housing Application and all ADFA-approved changes thereto;

- e. For each building financed with tax-exempt bond proceeds, certifies the percentage of aggregate basis of each building that is financed by tax-exempt bond proceeds; and
 - f. For each building with market rate units, certifies:
 - (i) The cost of each such unit;
 - (ii) The square footage of each such unit;
 - (iii) The average cost per square foot of the low-income units in the development; and
 - (iv) Whether the market rate units are "above the average quality standard of the low-income units" as described in Section 42(d)(3)(B)(i) of the Internal Revenue Code and whether the development owner elected to exclude the excess costs pursuant to Section 42(d)(3)(B)(ii) of the Internal Revenue Code.
6. Statement that identifies the first taxable credit year for each building in the development and, if past for any building, that the development met the minimum set-aside requirements of 26 USC § 42(g)(3)(A) prior to the close of the first taxable credit year for such building(s);
 7. List stating the full address and Building Identification Number, assigned at carryover allocation, for each building in the Development;
 8. Full name, address, telephone number, Federal Tax ID number, and 1st taxable year of the credit period for the development owner;
 9. Payment to cover "allocation" of credits fee - \$150.00 per low-income unit in the development; and payment to cover monitoring fee equal to 8% of the annual credits allocated;
 10. a. Sources shall equal uses. Applicant shall provide copies of all documents evidencing the financing utilized for the development, which shall be at least equal to the total development costs as certified by the Certified Public Account pursuant to Section A.(5) herein.
 - b. If financing sources utilized exceeds the amount of certified total development costs, ADFa may reduce the amount of credits issued via IRS Form(s) 8609 so as to comply with the federal requirement that no more housing credits be issued than necessary in order for the development to be financially feasible.
 - c. All deferrals of developer fee shall be evidenced in writing and an updated pro forma shall be submitted evidencing that the amount of deferred developer fee is projected to be paid within fifteen (15) years from the date the development placed in service. If the total amount of deferred developer fee is not evidenced by the pro forma, based upon reasonable projections and in compliance with all QAP requirements, to be paid back from the development's cash flows within fifteen (15) years from placement in service, Applicant may submit a financing commitment

letter evidencing how the total amount of deferred developer fee will be paid to developer within fifteen (15) years from placement in service. If the applicable condition above is not met, the amount of credits issued via IRS Forms 8609 may be decreased and the General Partner must evidence the ability to contribute an amount of equity equal to the equity lost due to the decreased credits prior to ADFA's issuance of IRS Form(s) 8609.

11. Final Site Purchase Agreement;
12. Final Syndication Agreement(s) and all other Capital Contribution Agreement(s);
13. Final Partnership Agreement and all amendments thereto;
14. Evidence of the funding of operating reserves and replacement reserves in the requisite amounts, at minimum;
15. In addition, staff will underwrite the Final Cost Certification to ensure continued compliance with all THRESHOLD REQUIREMENTS, ADDITIONAL REQUIREMENTS FOR A COMPLETE APPLICATION, and SELECTION CRITERIA set forth in this QAP as reflected in the owner's Housing Application for Federal Low-Income Housing Tax Credits.

a. Tax Credit Assistance Program ("TCAP") and Section 1602 Exchange Fund Recipients Additional Final Cost Certification Requirements.

1. All development owners that received Section 1602 Exchange funds under The American Recovery and Reinvestment Act must comply with all final cost certification requirements set forth in this QAP, except as modified in this subsection.

2. The cost certification prepared by the Certified Public Account must include, in addition to all other requirements set forth in this QAP, a certification of expenditures of all TCAP and Section 1602 Exchange funds and a certification that all development costs for which TCAP funds and Section 1602 Exchange funds were expended were eligible costs under the respective program (TCAP or Section 1602 Exchange).

3. ADFA shall issue documentation of the placement in service of Section 1602 Exchange funded developments as appropriate; such documentation shall not be filed by development owner with the Internal Revenue Service unless otherwise requested or required by the Internal Revenue Service.

4. All development owners that received Section 1602 Exchange funds shall be subject to a total monitoring fee, due within one-hundred twenty (120) days after placement in service, equal to 8% of the original credit amount awarded in 2007, 2008, or 2009, as applicable, prior to development owner returning such original credit allocation or reservation. The allocation fee shall be \$150.00 per tax credit unit in the development. This requirement shall remain applicable to future awards of Exchange funds, if any, unless otherwise amended.

b. Tax-Exempt Bond Developments.

The limitation to the amount of credits awarded or approved as set forth by ADFa in its award letter to tax-exempt bond applicant shall not apply to final cost certifications of developments financed by tax-exempt bonds. The limitation on total credits per development shall not apply to developments financed by tax-exempt bonds. All credits requested by developments financed by tax-exempt bonds must be supported by qualified basis certified by a Certified Public Accountant.

B. LAND USE RESTRICTION AGREEMENT (“LURA”).

- a. The owner of the development will be required to execute and record a Land Use Restriction Agreement (“LURA”) that sets forth those covenants that will restrict the development property for a minimum of thirty (30) years (“the extended use period”). The owner is required to submit a draft copy of the LURA for review and approval by ADFa prior to recording the LURA in accordance with Arkansas law. ADFa will not issue IRS Form(s) 8609 until the LURA has been reviewed and approved by ADFa, properly recorded, and a copy of the recorded LURA, with file-mark, returned to ADFa.
- b. The LURA will state that the owner will comply with all applicable requirements under the Code, this Qualified Allocation Plan, other relevant statutes and regulations and all representations made in the Multi-Family Housing Application. Among other things, the LURA will:
 1. State that the owner will not apply for relief under Sections 42(h)(6)(E)(i)(II) and 42(h)(6)(I) of the Code;
 2. Identify:
 - a. each building in the development;
 - b. the income limit for each low-income unit in the development; and
 - c. the applicable fraction for each building; and will state that the applicable fraction for any building will not be reduced during the extended use period;
 3. State that during the term of the LURA, the owner will covenant, agree, and warrant:
 - a. each low-income unit will remain suitable for occupancy;
 - b. any existing tenant in any low-income unit will not be evicted or have her/his occupancy terminated for other than good cause; and
 - c. the gross rent of any low-income unit will not be increased except as permitted under Section 42 of the Code;
 4. State that, notwithstanding the termination of the “extended use period,” per Section 42(h)(6)(E)(ii) of the Code, for a period of three years following such termination existing tenants in low-income units in the development cannot be evicted (other than for good cause) and the gross rent of such units will not increase other than permitted by Section 42;
 5. Authorize individuals who meet the income and rent limitations applicable to the building the right to enforce those limitations in Arkansas courts;
 6. Prohibit the disposition of a portion of any building identified in the LURA to any person unless the entire building is so disposed;
 7. State that the owner will not refuse to lease any residential unit in the development to a holder of a voucher or certificate of eligibility under Section 8 of the Housing Act

of 1937 (42 USC § 1437(f) because of the status of the prospective tenant as such a holder; and

8. State that the LURA is binding on all successors of the owner.

c. Development owners must submit a draft LURA to the ADFA Multi-Family department for review prior to submission of a final LURA (and all attachments and exhibits).

XII. COMPLIANCE.

Applicants shall comply with all applicable federal, state and local laws, including but not limited to 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.arkansas.gov/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).

The owner will be required to prepare and submit to the Authority, no later than February 1 of each year following the first taxable year of the owner's credit period, an Owner's Certificate of Continuing Program Compliance which, among other certifications, certifies that for the preceding 12-month period no tenants in low-income units were evicted or had their tenancies terminated other than for good cause and that no tenants had an increase in the gross rent with respect to a low-income unit other than as permitted under Section 42 of the Internal Revenue Code. The owner will also be required to prepare and submit to the Authority, no later than February 1 of each year following the first taxable year of the owner's credit period, the LIHTC Compliance Monitoring Status Report. Both the Certificate of Continuing Program Compliance and the LIHTC Status Report shall be submitted under penalty of perjury to the Authority in accordance with Internal Revenue Service procedures for monitoring compliance. The compliance monitoring procedures apply to all buildings placed in service in Arkansas that have received an allocation of Housing Credits as determined by Section 42 of the Code. Regular site inspections to monitor compliance with habitability standards, according to the Uniform Physical Conditions Standards established by the United States Department of Housing and Urban Development, and ADFA design standards 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 submit a Certificate of Continuing Program 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.

Frequent or consistent non-compliance of Applicant or any member of the development team in regard to the operation of any development may result in points reduction in the scoring of applications and/or suspension of the Applicant or development team member from applying for tax credits for a set term of time and/or compliance with conditions set forth by ADFA. Frequent or consistent non-compliance shall be in the sole discretion of ADFA and will include but not be limited to reports from ADFA's Compliance Department and IRS Form(s) 8823.

XIII. 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.

XIV. 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 set forth in *this QAP* and the ADDITIONAL REQUIREMENTS FOR A COMPLETE APPLICATION *set forth in this QAP*.

In addition, each development financed with tax-exempt bonds shall be in compliance with the monitoring provisions of this QAP. Applicants shall comply with ADFA’s Guidelines for Reserving Volume Cap for Tax-Exempt Private Activity Bonds for Residential Rental Housing and the Arkansas Development Finance Authority 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.

XV. CLARIFICATIONS.

The Authority is charged with allocating no more Housing 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 anyone 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 and owner of the development are 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 award or allocation of Housing Credits, the rejection of any application for housing credits, the award or lack of award of any other ADFA-administered resource whether federal or state in origin, the closing of any awarded funds or lack of closing, or the failure of a development to comply with federal, state or local laws, regulations, or other governing instruments, or the recapture of any credits or funds from any development, or the failure of any development to remain financially feasible, or the failure of any development to meet federal, state, or local deadlines.

ADFA reserves the right to amend this Qualified Allocation Plan as necessary to prudently administer ADFA-administered funds or to comply with state or federal law. ADFA reserves the right to adopt rules ancillary to this Qualified Allocation Plan as necessary to prudently administer ADFA-administered funds. ADFA reserves the right to make any and all necessary technical changes to this Qualified Allocation Plan as circumstances may warrant. ADFA reserves the right to do or require all things necessary or convenient to carry out its purposes, pursuant to Ark. Code Ann. Section 15-5-207(b)(20)(A) and Ark. Code Ann. Section 15-5-207(b)(26).

Adopted by the Board of Directors of the Arkansas Development Finance Authority on this 20th day of October, 2011.

By: _____
Tom Spillyards, Chairman

ATTEST:

Mac Dodson, President/Secretary