

SUMMARY OF AMENDMENTS TO THE ARKANSAS DEVELOPMENT FINANCE AUTHORITY'S
HOUSING CREDIT PROGRAM 2008 QUALIFIED ALLOCATION PLAN

Pursuant to Section 42 of the Internal Revenue Code, 26 USC § 42, the Arkansas Development Finance Authority (the "Authority") annually adopts a Qualified Allocation Plan ("QAP") that establishes selection and program criteria for the allocation of federal low-income housing tax credits from the State's annual ceiling. On July 19, 2007, the Authority's Board of Directors adopted its 2008 QAP. In the 2008 QAP, the Board adopted rules regarding the allocation of Affordable Neighborhood Housing Tax Credits ("ANHTCs") pursuant to the "Affordable Neighborhood Housing Tax Credit Act of 1997," *Ark. Code Ann. § 15-5-1307 et seq.* In addition, the Board adopted rules regarding the carryover allocation requirements for those developments receiving federal low-income housing tax credits awarded during the Authority's 2008 funding cycle. On July 17, 2008, the Board adopted the following two (2) amendments to its 2008 QAP.

The first amendment pertains to the allocation of ANHTCs. The Affordable Neighborhood Housing Tax Credit Act limits the amount of ANHTCs available for allocation to \$750,000 a year. Because of the limited quantity of ANHTCs annually available for allocation, the Authority's 2008 QAP limited the amount available for allocation to any one applicant to \$250,000. During the 2008 funding cycle, no applicant requested an award of any of the \$750,000 in ANHTCs available for allocation. Because no applicant requested ANHTCs in 2008, the Board approved an elimination of the \$250,000 ANHTCs per applicant limit. The goal of the amendment is to advance the use of ANHTCs in affordable housing in Arkansas. The first amendment evidences the elimination and further clarifies the availability of ANHTCs to tax-exempt bond applications.

The second amendment amends the time period in which awardees of 2008 federal low-income housing tax credits can submit proof satisfying the ten percent (10%) carryover allocation basis requirement of Internal Revenue Code Section 42(h)(1)(E). The 2008 QAP required awardees to submit proof that ownership had met the carryover allocation basis requirement no later than December 8, 2008. Recent market conditions have caused a significant decrease in the equity pricing available to the 2008 awardees. In an effort to extend the time in which awardees can secure equity pricing more favorable to the development of affordable housing in Arkansas, the Board approved extending submission of proof of the carryover allocation basis until April 1, 2009. This extension is pursuant to Section 42(h)(1)(E)(ii) of the Internal revenue code.

**FIRST AMENDMENT TO 2008 QAP REGARDING ANHTCS - BLACKLINED
SECTION V, PAGES 4-5 OF 2008 QAP**

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 or tax exempt bonds. In its Multi-Family Housing Application, 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 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, nor-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 Selection 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.

**FIRST AMENDMENT TO 2008 QAP REGARDING ANHTCs - FINAL
SECTION V, PAGES 4-5 OF 2008 QAP**

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