

# **Arkansas Development Finance Authority**

## **Housing Credit Program 2002 Qualified Allocation Plan**

**Adopted by the Board of Directors  
November 15, 2001**



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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 housing for low- and moderate-income individuals and families. Section 42 of the Internal Revenue Code of 1986, as amended (“IRC” or the “Code”), mandates that Housing Credit agencies adopt a Qualified Allocation Plan for allocation of the Housing Credit to low-income rental developments throughout their respective states. Low income housing tax credits shall be allocated in accordance with this plan or any amendments thereto.

## **II. LIMITS ON ALLOCATION OF CREDITS.**

The Code requires that ADFA, determine that “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 that 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.

ADFA reserves the right to disapprove any development for an allocation of Housing Credits, regardless of the evaluation.

ADFA reserves the right, in its sole and absolute discretion, to suspend or debar any applicant from the Housing Credit program which ADFA determines has acted improperly, illegally or inappropriately in the applicant’s dealings with the Authority or in any way relative to the Housing Credit Program.

ADFA’s Multifamily Housing staff will conduct a review of previous performance under the HOME Program, the Housing Credit program and any ADFA loan program, including disbursements, payment history, compliance history and any findings. Non-performance on previous developments and delinquencies in payments may result in disqualification of an application by the ADFA Board Housing Review Committee, regardless of scoring.

### III. APPLICATION PROCESS.

#### A. COMPETITIVE ALLOCATION OF NINE-PERCENT CREDITS.

All of the State's annual credit ceiling and any unused carry-forward from the previous year will be awarded during one eligibility cycle. Applicants must apply during the eligibility cycle to receive a credit allocation during the calendar year. The closing dates for applications on the one full cycle of available 2002 allocation are as follows:

**The deadline for submitting Housing Credit applications is as follows:  
FINAL APPLICATION DEADLINE IS FEBRUARY 19, 2002**

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

Arkansas Development Finance Authority  
Attn: Multi-Family Housing  
100 Main Street, Suite 200  
Little Rock, AR 72201  
Telephone Number: 501-682-5900

**The Pre-Application deadline has been eliminated and ADFA will only accept Final Applications by the deadline above. ADFA will not accept any applications submitted after the Final Deadline Date.**

Final Applications. An applicant may submit a complete application by the applicable deadline. The application must be complete upon receipt by ADFA. The Multifamily Housing staff will review and evaluate the applications, and notification of missing Threshold Requirements, Selection Criteria documentation, and scoring of the application will be mailed to the applicant.

Cure Period. All Applicants will have an opportunity to cure application deficiencies by submitting the required documentation to ADFA within five (5) business days from the date of notification. Applicants will also be allowed to discuss scoring with ADFA during the five (5) day Cure Period. The additional documentation will then be reviewed, and a final scoring will be mailed by the deadline. **Changes to the original application, other than missing Threshold Requirements and Selection Criteria documentation, will not be permitted. ADFA will not accept any missing**

**documentation, nor will the applicant be allowed to discuss final scoring with ADFA after the expiration of the five (5) day cure period.**

It is the policy of ADFA to discourage applicants from contacting ADFA staff or members of its Board of Directors for information on the status of their applications after the expiration of the deadline that has been established for submission of Threshold Requirements and Final Applications. Violations of this policy will be brought to the attention of the Board Housing Review Committee and could result in a downgrade to the final scoring.

<b>DATES FOR REVIEW OF APPLICATIONS AND RESERVATION PROCESS</b>	
Final Application Deadline	February 19, 2002 (4:30 p.m.)
Applicants notified by e-mail or fax of Application Results (Missing documentation/scoring)	March 18, 2002
Cure Period Deadline for receipt by ADFA of missing Threshold Requirements and Scoring Criteria documentation for Final Applications (Applicant should include cover page to denote any changes to application to assist with final scoring.) Deadline for Applicants to discuss scoring	March 25, 2002 (4:30 p.m.)
Final application scores e-mailed or faxed to Applicants	April 5, 2002
Successful applicants approved for reservation of Housing Credits by ADFA Board of Directors	April 18, 2002
Reservation letters mailed to 2002 Housing Credit recipients	May 6, 2002

**B. ALLOCATION OF CREDITS WITH BONDS.**

Developments financed with certain tax-exempt bonds may be eligible to receive all or some of their Housing Credit outside the State’s annual Housing Credit ceiling. Although these developments need not compete for an award through the competitive process, they must still be evaluated against the threshold criteria, approved by the Authority and be in compliance with the monitoring provisions of this plan.

**C. ADDITIONAL REQUIREMENTS FOR APPLICATIONS.**

1. Market Study for New Construction Development and Acquisition/Rehabilitation Developments. A comprehensive Market Feasibility Study, which is required with all applications, must demonstrate that sufficient demand for rental housing exists in the proposed geographic market area to support the proposed project. The Market Feasibility Study must be conducted at the applicant's expense by a disinterested party approved by ADFA. The Market Feasibility Study should include, **at a minimum**, the following items:

- (i) development's market area;
- (ii) supply analysis;
- (iii) demand analysis;
- (iv) market feasibility of the proposed rent structure;
- (v) analysis of the relationship between supply and demand, including a review of the inventory of affordable housing in the market area and the occupancy rates of the concerned properties; and
- (vi) summary of salient facts and conclusions.

Applicants preparing an Acquisition/Rehabilitation development must deliver a Market Feasibility Study to ADFA by the Final Application Deadline of February 19, 2002.

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

2. Reservation of Credits. Developments selected will be given preliminary approval for reservation of Housing Credits. The required reservation fee of One Hundred and No/100 Dollars (\$100.00) per low-income unit must be submitted to ADFA within twenty-one (21) days of notification of reservation of Housing Credits. No later than sixty (60) days prior to completion of development, the sponsor must submit all required documentation for the next stages of processing. Developments that will not be placed in service in the tax year ADFA approves the Housing Credit reservation may be awarded a carryover allocation upon the satisfaction of requirements of IRC § 42 and the Authority. All developments with a valid reservation of Housing Credits will be required to obtain a placed-in-service or carryover allocation by **December 15** of the same calendar year or for reservations made in the second half of the calendar year, the ten percent (10%) test must be satisfied within six (6) months of receipt of the reservation.

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

**D. FORWARD COMMITMENT OF CREDITS.**

Upon approval of the Staff and Board Housing Review Committees, a forward commitment of Housing Credits to an eligible development may be made for the next available allocation cycle (including any turn-back of credits), but only if:

1. an application for Housing Credits for the concerned development was submitted in the previous allocation cycle;
2. the application submitted for the concerned development received an allocation of Housing Credits in the previous cycle; and
3. extraordinary circumstances that were, at the time of application, not reasonably foreseeable to the developer, and a forward commitment of credits is deemed appropriate by the Authority in keeping with the mission of the Housing Credit Program.

**IV. HOUSING CREDIT ALLOCATION STANDARDS.**

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

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

The maximum amount of Housing Credits that may be allocated to one individual development **NOT** located in a Designated Low-Income County as defined in the 2000-2005 State Consolidated Plan, or Places/Counties identified by Rural Development, shall be no more than **\$300,000** of the annual Housing Credits available in the calendar year.

**A. SPECIAL HOUSING NEEDS-SET ASIDE PRIORITIES.**

1. *Non-Profit Set-Aside.* Not less than ten percent (10%) and up to twenty percent (20%) of the Housing Credit funds will be reserved for allocation to non-profit developments meeting the standards set forth in IRC § 42 (h)(5). The organization must be a qualified non-profit, defined as a 501(c)(3) or 501(c)(4) organization, which is not affiliated with or controlled by a for-profit organization and has included, as one of its tax-exempt purposes, the fostering of low-income housing. Section XXVII Non-Profit determination of the Housing Credit application must be completed, and copies of the Non-Profit's Articles of Incorporation and IRS documentation of status must be included with the application.
2. *ADFA HOME and Rural Housing Services Set-Aside.* Twenty percent (20%) of the total Housing Credits available for allocation in Arkansas will be set-aside for successful HOME and Rural Housing applicants. Only developers who have a written commitment from ADFA for HOME Program funds in the most recent allocation cycle will be considered for allocation from this set-aside. A copy of the HOME commitment letter from ADFA must be included with the application. A copy of the Rural Development commitment letter must be included with the application. ADFA has entered into a Memorandum of Understanding with Rural Housing Service of the Rural Development ("MOU") dated July 27, 2000, and have agreed to engage in cooperative efforts to enable ADFA and Rural Housing Service to effectively evaluate Housing Credit requests of Rural Housing Service applicants. The MOU will be applied to the processing of these loans. A copy of the MOU will be provided to all Rural Housing Service/ADFA recipients of tax credits.
3. *Assisted Living Set-Aside.* In addition, an amount up to \$300,000 of the total Housing Credits available for allocation in the State will be set-aside for qualified assisted living developments that qualify for financing assistance under the "Coming Home" Program of the Robert Wood Johnson Foundation. A copy of the award letter must be included with the application. Any Housing Credits reserved under this set-aside that are not allocated for that purpose, will be allocated to other eligible Housing Credit applications approved under this Qualified Allocation Plan.

**B. APPLICATION THRESHOLD REQUIREMENTS.**

An application meets the threshold requirements when the application is complete, including all required documents as determined by ADFA.

The following are Threshold Requirements:

**1. Narrative Description of the Development**

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

**2. Financial Commitment Letters**

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

For applications with HOME funds, commitment letter from ADFA for HOME funds in the most recent allocation cycle will be considered for allocation from the HOME set-aside.

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

For assisted living set-aside funds (“Coming Home” Program of the Robert Wood Johnson Foundation) copy of the award letter.

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

**3. Utility Allowance Calculation**

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

- Local Public Housing Authority
- State Public Housing Authority
- Utility Company
- Other

**4. Site Control Information**

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

- Deed
- Option
- Purchase Contract
- Other

5. **Zoning Information**  
Documentation of proper zoning for both new construction and acquisition/rehabilitation must be included.
  
6. **Independent Market Study**  
A market study in the appropriate format outlined in the 2002 Qualified Allocation Plan (QAP) must be included with application. The study should be dated within eighteen (18) months of the date of the application submission.
  
7. **Letter from highest elected local official supporting proposed development**  
A letter from the highest elected local official in which the development shall be located must be included with the application. If the development is or shall be located in city, a letter from the Mayor is acceptable. If development is or shall be located in county, a letter from the County Judge is acceptable. The letter, at a minimum should address the need for affordable housing in the area and support for the specific development.
  
8. **Resume on Development Team**  
Each member of the development team must submit a resume which lists qualifications, experience, previous experience with the low-income housing tax credit program, address and telephone number. The development team member with low-income housing tax credit experience must submit a summary page to their resume specifically describing their role in the development.
  
9. **Articles of Incorporation and IRS documentation for Non-Profit Set-Aside Applicant**  
If the development is to be considered for the non-profit set-aside, the following information must be included with application:  
  - Articles of Incorporation and
  - IRS documentation of non-profit status
  
10. **Preliminary Plans and Specifications**  
One set of preliminary plans and outline of specifications must be included
  
11. **Application Fee**  
The application fee check should be made payable to Arkansas Development Finance Authority.

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

**C. PROCEDURES FOR SELECTING DEVELOPMENTS.**

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

SELECTION CRITERIA	MAXIMUM POINTS
<p><b>1. Location.</b></p> <p>A. Development is located in the following low-income counties designated in the 2000-2005 State Consolidated Plan: Bradley, Chicot, Crittenden, Desha, Fulton, Jackson, Lafayette, Lawrence, Lee, Miller, Monroe, Newton, Phillips, St. Francis, Searcy and Woodruff. (15 points)</p> <p>B. Development is located in designated places for Section 515 Rural Rental Housing 2001 applications. (See "Attachment 2" for listing.) (15 points)</p> <p>C. Development is not located in one of the above low-income counties or designated places for Section 515 Rural Rental Housing 2002 applications, but is located in a Qualified Census Tract ("QCT") or a Difficult Development Area ("DDA"); copy of QCT map for development area must be submitted with application and complete census tract information on page 3 of the application. (See "Attachment 1" for a listing of QCT's and DDA's.) (10 points)</p>	<p><b>15</b></p>

2. **Development of housing for special needs or with special features including:** **15**
- (a) single room occupancy housing;
  - (b) transitional housing for the homeless (items (a) & (b) must be operated by governmental or non-profit entity);
  - (c) elderly housing (all units must be elderly units);
  - (d) housing for disabled persons;
  - (e) housing for large families (3 bedrooms or larger);
  - (f) scattered site housing;
  - (g) tenant population of single parent/single guardian with children; or
  - (h) projects intended for eventual tenant ownership.
- Points for Items (a) – (f)
- ? all units for special needs (13 points)
  - ? half the units (8 points)
  - ? 10% (minimum of three units) (4 points)
- Points for Item (g) (1 point)
- Points for Item (h) (1 point)
3. **Involves rehabilitation of existing structures** (30% of the adjusted basis of the building). **10**
4. **Points will be available to applicants if their combined developer and consultant fees are 10% or less of total development cost as defined under developer fee standard.** **5**  
(Indicate percentage and amount under developer’s fees, page 13 of the application.)
5. **A minimum of 20% of the total housing units in the development are market rate units.** **5**
6. **Owner provides appropriate amenities for the type of housing proposed, e.g., elderly, family, etc., as evidenced by architectural plans and specifications that must be included in the application.** **10**

7. **The development promotes energy efficiency.** The developer must 15

Provide a statement in the application that the design and/or components of the project promotes energy conservation. The statement should be from a licensed engineer or architect certifying which of the following energy-saving devices will be utilized in the construction of each Housing Credit building. The elements selected must be certified as included in each building upon placement in service.

A. All of the following must be satisfied in order to count as one element of energy savings efforts:

- (i) ceiling fans in each bedroom and living room;
- (ii) shower head(s) with a maximum of 2½ gallon per minute water flow rate;
- (iii) ½” insulation on hot water pipes; and
- (iv) fluorescent light fixtures in the kitchen, bathroom(s) and utility room.

(B) Wall insulation with a minimum of R-16, and must also include exterior house wrap (ex: TYVEK).

(C) Ceiling insulation with a minimum of R-38.

(D) Gas heating system with a minimum 90% AFUE rating with an air conditioning system with a minimum 12 Seer rating or a minimum 7.8 HSPF electric heat pump system.

(E) Windows with frames and sashes of wood, vinyl or thermally broken-metal with two or more panes of insulated glass and argon gas, of which at least one pane has a low emission coating.

- all five (15 points)
- 3 or 4 (6 points)
- 1 or 2 (3 points)

A signed certification from the design architect or licensed engineer confirming the installation of energy saving devices will be required prior to issuing the IRS Form 8609. The certification must be included in the Allocation of Credits request made to the Authority.

8. **Material participation of local-based tax-exempt organizations, which may be participating in a way other than in the role of developers.** Local-based means the non-profit service area (neighborhood, city or county in which the project is to be located). Applicant must document participation from local tax-exempt organizations indicating what their involvement in the development 5

will be and that their charter and by-laws allow the activity or service. Signed statement from tax-exempt organization outlining the activities to be provided to the tenants must be included in the application.

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| 9.  | <b>Use of Public Housing Waiting List.</b> Application must include a copy of a letter from the Public Housing Authority serving the development area stating it is willing to refer tenants to the proposed development.  | <b>5</b>  |
| 10. | <b>Market Need.</b> A Market Feasibility Study as described in section III(C) must be submitted with the application which adequately demonstrates a market need including, among other things, certifying that comparable affordable housing developments in the subject market location are at least eighty-five percent (85%) rent occupied. (See page 3 of this Qualified Allocation Plan for additional information.) | <b>10</b> |
| 11. | <b>Involves development by an experienced sponsor.</b> The application must reflect at least a minimum level of experience in Housing Credit projects by the developer, consultant, or sponsor. The applicant must fully identify the capacity of the member with Housing Credit experience as it relates to the development. Résumés on all development team members must be submitted with the application.              | <b>5</b>  |

<b>Legislated Priorities</b>	<b>Bonus Points</b>
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|----|---|----------|
| 1. | <b>Serves the lowest income group possible.</b> Special priority will be given to developments with units for households with 30% (or less) of area median income. (The units set aside for very low-income households must be occupied by households within the income limits set forth in a regulatory agreement.) The compliance period on the very low-income units is established by the compliance period on the low-income units. Rents are restricted accordingly. The number of units should be 5% of total number of units. <b>If applicant elects to serve very low-income households, a signed statement, including the number of units to be set aside for very low-income tenants, must be included with the application.</b> | <b>3</b> |
|----|---|----------|

2. **Extends the duration of low income use.** Special priority will be given to developers who agree to maintain units for low-income occupancy for a period at least five years beyond the 15-year minimal compliance period. **If applicant agrees to extend the duration of low-income use, a signed statement, indicating the number of years the compliance period will be extended, must be included with the application.** **4**
  
3. **Projects Located in Qualified Census Tracts.** Special priority will be given to developments located in Qualified Census Tracts, the development of which contributes to a concerted community revitalization plan. A copy of the Community Revitalization Plan, i.e., Consolidated Plan, must be included with the Application to be considered for this scoring. **3**

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 in any allocation during any stage, regardless of ranking under the priorities and point ranking outlined above. For any allocation not made in accordance with the established priorities and selection criteria of the Authority, a written explanation must be made by the Authority to the general public.

**D. DIFFICULT DEVELOPMENT AREA/QUALIFIED CENSUS TRACT CAP.**

Under certain circumstances, developments located in either Difficult Development Areas or Qualified Census Tracts and HUD-designated areas with a poverty rate of twenty-five percent (25%) or higher (as those terms are defined by HUD) may be eligible to have their new construction/rehabilitation qualified basis increased up to one hundred thirty percent (130%). However, because of the additional provisions that require the Authority to only award the amount of tax credits a project needs, projects located in these designated areas will not automatically or necessarily receive these higher tax credit amounts.

**E. DEVELOPER FEE STANDARD.**

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

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

**F. BUILDER'S PROFIT.**

The Authority will limit the builder's profit to a ten percent (10%) maximum, builder's overhead to a four percent (4%) maximum, and general requirements to a six percent (6%) maximum. The builder's profit, overhead, and general requirements percentage will be applied to construction hard costs.

ADFA reserves the right to determine whether costs included in the developer's fee and builder's profit calculations are appropriate and reasonable.

**G. JUSTIFICATION EXPENDITURES STANDARD.**

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

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

**H. UNIT ACCESSIBILITY FOR PERSONS WITH DISABILITIES.**

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

**I. LEAD-BASED PAINT.**

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

**J. EQUAL OPPORTUNITY.**

The Authority requires that occupancy of all housing financed or otherwise assisted by ADFA be open to all persons regardless of race, sex, national origin, religion or creed and that contractors and subcontractors engaged in the construction or rehabilitation of such housing shall provide equal opportunity for employment without discrimination as to race, color, religion, sex, handicap, familial status or national origin.

**V. ALLOCATION OF STATE HOUSING CREDITS.**

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

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

## **VI. COMPLIANCE.**

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

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

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

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

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

**VII. CARRYOVER ALLOCATION.**

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

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

**VIII. ADFA FEES.**

**A. APPLICATION FEES.**

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

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

Regardless of the funding decision, the application fees are non-refundable. However, if a development is not selected in an allocation cycle and chooses to compete in a subsequent cycle, an additional application fee will not be required.

**B. RESERVATION FEE.**

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

**C. ALLOCATION FEE.**

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

**D. MONITORING FEES.**

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

**IX. CLARIFICATIONS.**

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

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

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

Adopted by the Board of Directors of the Arkansas Development Finance Authority this \_\_\_\_\_ day of November, 2001.

By: \_\_\_\_\_  
Karen E. Flake, Chair

ATTEST:

\_\_\_\_\_  
Rush B. Deacon, President/Secretary

ATTACHMENT 1

***IRS Section 42(D)(5)(C) Qualified Census Tracts (1990 Data, MSA/PMSA Definitions as of June 30, 1999)***

STATE: Arkansas												
County or County Equivalent	Tract	Tract	Tract	Tract	Tract	Tract	Tract	Tract	Tract	Tract	Tract	Tract
Arkansas County	9804.00	9807.00										
Ashley County	9601.98	9604.00										
Bradley County	9503.00	9505.00										
Chicot County	9802.00	9803.00	9804.00									
Columbia County	9505.00											
Craighead County	6.00											
Crittenden County	304.00	305.00	306.10	306.98	307.00	309.00	310.00	311.00				
Cross County	9501.00	9505.00										
Desha County	9501.98	9503.00	9504.00									
Drew County	9902.00	9904.00										
Faulkner County	307.00	309.00										
Franklin County	9501.00											
Garland County	106.00	107.00	108.00	115.00								
Greene County	9805.00	9807.00										
Hempstead County	9802.00											

Jackson County	9802.00											
Jefferson County	5.02	6.00	9.02	10.00	11.00	12.00	13.00					
Lafayette County	9701.00	9702.00	9703.00									
Lee County	9701.00	9702.00	9703.00	9704.00								
Lincoln County	9602.00											
Lonoke County	206.00											
Madison County	9604.00											
Miller County	203.00	204.00	205.00	206.98								
Mississippi County	101.00	103.00	109.00	110.00								
Monroe County	9501.00	9502.00	9503.00									
Newton County	9802.00											
Phillips County	9801.00	9802.00	9803.00	9804.00	9805.00	9806.00						
Poinsett County	9901.00	9903.00	9907.00									
Pulaski County	1.00	2.00	3.00	4.00	5.00	6.00	7.00	9.00	10.00	11.00	12.00	13.00
	17.00	25.00	26.00	28.00	29.00	30.00	31.00	36.06	40.01	40.05		
Searcy County	9701.00	9702.00	9703.00									
Sebastian County	3.00	4.00	9.01	9.02								
Sharp County	9701.00											
St. Francis County	9601.00	9604.00	9606.00									

Union County	9501.00	9509.00	9510.00									
Van Buren County	9601.00											
Washington County	106.00	107.01	108.00	109.00								
White County	9706.00											
Woodruff County	9901.00	9902.00										

This QCT list will be updated in September 2002 with an effective date of January 2003 to include HUD-designated areas with a poverty rate of 25% or higher.

**Difficult Development Areas**

Baxter County  
Drew County

**ATTACHMENT 2**

**DESIGNATED PLACES FOR SECTION 515 RRH APPLICATIONS - NEW CONSTRUCTION  
STATE OF ARKANSAS - FISCAL YEAR 2001**

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

<u>PLACE</u>	<u>COUNTY</u>	<u>PLACE</u>	<u>COUNTY</u>
Alma	Crawford	Kensett	White
Alzheimer	Jefferson	Lake City	Craighead
Atkins	Pope	Lake Hamilton	Garland
Augusta	Woodruff	Lamar	Johnson
Bald Knob	White	Leachville	Mississippi
Bearden	Ouachita	Lepanto	Poinsett
Berryville	Carroll	Lewisville	Lafayette
Bono	Craighead	Lincoln	Washington
Booneville	Logan	Lonoke	Lonoke
Bradford	White	Lowell	Benton
Camden	Ouachita	McRae	White
Carlisle	Lonoke	Madison	St. Francis
Cave City	Sharp	Magazine	Logan
Clarksville	Johnson	Marianna	Lee
Clinton	Van Buren	Marmaduke	Greene
Coal Hill	Johnson	Mayflower	Faulkner
Corning	Clay	Mena	Polk
Dardanelle	Yell	Mineral Springs	Howard
Decatur	Benton	Monette	Craighead
Dermott	Chicot	Mountain Pine	Garland
De Valls Bluff	Prairie	Mountain View	Stone
De Witt	Arkansas	Ola	Yell
Diaz	Jackson	Parkin	Cross
Dover	Pope	Paris	Logan
Dumas	Desha	Piggott	Clay
Earle	Crittenden	Piney	Garland
Elaine	Phillips	Plainview	Yell
England	Lonoke	Prairie Grove	Washington
Eudora	Chicot	Rison	Cleveland
Fordyce	Dallas	Searcy	White
Gillett	Arkansas	Sheridan	Grant
Glenwood	Pike	Smackover	Union
Gosnell	Mississippi	Stamps	Lafayette
Gould	Lincoln	Star City	Lincoln
Gravette	Benton	Stephens	Ouachita
Greenbrier	Faulkner	Strong	Union
Hampton	Calhoun	Swifton	Jackson
Hartford	Sebastian	Tuckerman	Jackson
Hazen	Prairie	Turrell	Crittenden
Helena	Phillips	Tyrnza	Poinsett
Hoxie	Lawrence	Waldo	Columbia
Hughes	St. Francis	Waldron	Scott
Humphrey	Jefferson	West Crossett	Ashley
Huntington	Sebastian	West Fork	Washington
Huntsville	Madison	West Helena	Phillips
Huttig	Union	Wrightsville	Pulaski

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