ARKANSAS DEVELOPMENT FINANCE AUTHORITY

MEMORANDUM

To:	Low-Income Housing Tax Credit Participants
Date:	November 5, 2019
From:	J. Benjamin Van Kleef
Re:	Policy Guidance on Implementing the Rental Rate Impact Scoring Criteria

Applicability

The following guidance applies retroactively to all 9% LIHTC applications approved since 2017 and 9% LIHTC applications approved in future funding rounds.

Background

In 2017, ADFA introduced the Rental Rate Impact Scoring Criteria ("RRI") in its Qualified Allocation Plan ("QAP"). The RRI permits to have increases of 2.75% annually. The RRI has been revised in some manner since its inception.

In 2018, the QAP clarified that the RRI was calculated by gross LIHTC rents. In 2019, ADFA began calculated RRI with net LIHTC rents and 60% AMI rent limits rather than gross LIHTC rents and Fair Market Rents ("FMR").

While ADFA has made its best attempts to clarify how the RRI will be calculated each year, guidance on how the RRI effects compliance monitoring have yet to be issued. The following guidance is applicable to all tax credit awardees, including awardees from 2017 to 2019.

Implementation

Rents increases shall begin on the first calendar day of the year following the year in which an application is approved. For example, the first rent increase for 2019 awardees will occur on January 1, 2020. Regardless of the year awarded, rent increases will be based upon the *net* LIHTC rents as evidenced in the application, rather than gross LIHTC rents. Annual increases will be applied automatically to all developments and does not require a written request be submitted to ADFA.

The annual increase limit of 2.75% will remain in effect until the end of the 15-year compliance. Since a development will receive an increase prior to its placed-in-service date, a development may experience more than 15 individual rent increases over the 15-year credit period.