MEMORANDUM

To: Prospective applicants and other interested parties
Date: January 14, 2021
From: J.M. Barker, General Counsel/VP for Multifamily Housing
Arkansas Development Finance Authority (“ADFA”)
Re: Various matters relating to low-income housing tax credits (“LIHTC”)

1. **MFHA.** ADFA staff has published today on the ADFA website the 2021 Multifamily Housing Application (“MFHA”), revised to reflect changes in the Qualified Allocation Plan. See https://adfa.arkansas.gov/media/file/2021_APPLICATION.xlsx. The staff welcomes suggestions for corrections or clarification.

2. **MFHA attachments.** ADFA staff is currently revising the MFHA attachments and will make an announcement when the revised attachments have been posted to the ADFA website.

3. **Amount available in 2021 competitive round.** While there can be no assurance in this regard, ADFA staff currently expects that approximately $8,350,000 in LIHTC will be available for allocation in the 2021 competitive 9% LIHTC round. By way of comparison, note that ADFA allocated $9,245,400 in LIHTC in the 2020 competitive round.

4. **HOME.** ADFA staff anticipates that $450,000 ($900,000 for a Community Housing Development Organization) in HOME funds may be awarded with respect to each development chosen to receive an allocation of LIHTC in the 2021 competitive round and for which an acceptable application for HOME funds is submitted. An applicant need not provide a commitment for HOME funds to be obtained through ADFA with its LIHTC application; rather, an applicant may apply for both HOME funds and LIHTC on a single application submitted by the LIHTC deadline. HOME funds awarded in connection with an allocation of LIHTC will be in the form of a loan, as described in ADFA’s HOME Program Operations Manual. The loan will be evidenced by a promissory note and secured by a mortgage on the development. The note will bear interest at one percent (1%), with level amortization and monthly payments over (at the borrower’s election) (a) 20 years, or (b) the development’s LIHTC affordability period (30 or 35 years), in either case with the first payment deferred for one (1) year after the placed-in-service date. The mortgage may be subordinated to a mortgage on the development securing other debt. A number of units in the development equal to the amount of HOME funds awarded with respect to the development divided by $90,000, and rounded up, will be subject to HOME affordability restrictions for a period determined in accordance with the information in the table appearing in the ADFA HOME Program Operations Manual under the heading “LONG-TERM AFFORDABILITY - Affordability Period.” Consistent with past practice, a successful LIHTC applicant’s acceptance of HOME funds will not require the applicant to place that program’s affordability restrictions on units that are not to be under LIHTC restrictions. Rather, that program’s affordability restrictions may be placed on units that will be subject to LIHTC affordability restrictions as well. An applicant who receives both HOME and NHTF moneys may not, however, use the same unit to satisfy both low HOME and NHTF affordability requirements. Further, as provided in the QAP, applicants who are awarded points for designating at least five percent of a development’s units to serve households whose incomes are 30% or less of the area median income may not use the same units to satisfy low HOME affordability requirements.

5. **National Housing Trust Fund.** ADFA staff anticipates that moneys in a total amount to be announced later from the National Housing Trust Fund (“NHTF”) program may be awarded with respect to one or more developments chosen to receive allocations of LIHTC in the 2021 competitive round and with respect to which acceptable application is made for NHTF moneys. As in the case of HOME funds, an applicant need not provide a commitment for NHTF moneys to be obtained through ADFA with its LIHTC application; rather, an
applicant may apply for both NHTF moneys and LIHTC (and, if applicable, HOME funds) on a single application submitted by the LIHTC deadline. Applicants should note, however, that there can be no assurance that an application chosen to receive an allocation of LIHTC will also receive an award of NHTF moneys. Accordingly, any application including a request for NHTF moneys should include commitments for alternative funding. NHTF moneys awarded in connection with an allocation of LIHTC will be made available on terms described in the ADFA NHTF Operations Manual under the heading “ELIGIBLE RECIPIENTS.” Units in the development will be subject to NHTF affordability restrictions for a period of 30 years. The number of units so subject will be determined in accordance with the per-unit limitations appearing in the ADFA NHTF Operations Manual under the heading “MAXIMUM PER-UNIT DEVELOPMENT SUBSIDY LIMITS.” Consistent with past practice, a successful LIHTC applicant’s acceptance of NHTF moneys will not require the applicant to place that program’s affordability restrictions on units that are not to be under LIHTC restrictions. Rather, that program’s affordability restrictions may be placed on units that will be subject to LIHTC affordability restrictions as well. An applicant who receives both HOME and NHTF moneys may not, however, use the same unit to satisfy both low HOME and NHTF affordability requirements. Further, as provided in the QAP, applicants who are awarded points for designating at least five percent of a development’s units to serve households whose incomes are 30% or less of the area median income may not use the same units to satisfy NHTF affordability requirements.

6. **Guidance regarding rental rate impact ("RRI") threshold requirement and scoring criteria.** All amounts that are treated as rent for purposes of the rent-restriction requirements of section 42 of the Internal Revenue Code are also treated as rent for purposes of RRI calculations. Thus, for example, parking or storage charges that, under settled interpretations of section 42, are included in rent for purposes of determining compliance with rent restrictions are also included in rent for RRI purposes.