MEMORANDUM

To: Low-Income Housing Tax Credit Participants
Date: January 23, 2020
From: J.M. Barker, General Counsel/VP for Multifamily Housing
Arkansas Development Finance Authority (“ADFA”)
Re: Miscellaneous clarification/guidance for 2020 applications

The information in this memo applies to applications for allocation of federal low-income housing tax credits (“LIHTC”) from the 2020 state ceiling.

Several prospective 2020 LIHTC applicants and their advisers have commented and posed questions about ADFA’s 2020 Qualified Allocation Plan (“QAP”) and Multifamily Housing Application (“MHA”), the latter of which was published on ADFA’s web site on or about January 14, 2020. ADFA staff is grateful for such persons’ attention and assistance. The following information is intended to provide clarification and guidance in several areas.

1. **Area of Opportunity Index Scoring.** ADFA staff published on ADFA’s web site a memo dated January 10, clarifying how points would be awarded for the Area of Opportunity Index assigned to a proposed development’s location.

2. **Replacement Reserves.** On or about January 15, ADFA staff revised the “Application” tab of the MHA (at lines 750 and 1084) to provide for more accurate and automatic calculation of required replacement reserves, and republished the MHA on ADFA’s web site.

3. **Self-Scoring Sheet.** On or about January 17, ADFA staff revised the “Self Score” tab of the MHA to repair a broken cell and provide for “check the box” input throughout the self-scoring sheet, and republished the MHA on ADFA’s web site.

4. **HOME Funds Availability and Underwriting.** 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 allocations of LIHTC from the 2020 state ceiling and for which an acceptable application for HOME funds is submitted. Notwithstanding indications to the contrary contained in the QAP and the MHA, 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.

5. **National Housing Trust Fund Availability and Underwriting.** ADFA staff anticipates that a total of up to $3,000,000 of National Housing Trust Fund (“NHTF”) moneys may be awarded with respect to one or more developments chosen to receive allocations of LIHTC from the 2020 state ceiling 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.

6. **HOME Certification Requirement.** Contemporaneously with the publication of this memo, ADFA staff is revising the “Application checklist” tab of the MHA (at item 48) to delete the requirement to provide a copy of a current HOME certification, and republishing the MHA on ADFA’s web site.

7. **HOME Funds Matching.** Contemporaneously with the publication of this memo, ADFA staff is revising the “Application” tab of the MHA (at lines 817 and 818) to correctly state the HOME Funds matching requirement of 25% and to correct a cross reference, and republishing the MHA on ADFA’s web site.

8. **Eligible Basis Boost.** The 2020 QAP states certain criteria under which ADFA will increase a building’s eligible basis pursuant to Section 42(d)(5)(B)(v) of the Internal Revenue Code. This language is unchanged in relevant part from that in the 2019 and earlier QAP’s. In guidance previously issued, ADFA staff wrote, “All developments will receive the 30% boost pursuant to Section AP-50 [of the] State Consolidated Plan.” Current ADFA staff does not anticipate any change in this approach with respect to allocations of LIHTC from the 2020 state ceiling.

Commenters have noted that applying the boost could, in some cases, cause the LIHTC amount calculated from eligible basis to exceed a development’s total credit cap calculated in accordance with the QAP. Applying the boost is not intended to, and will not, permit an allocation of LIHTC to a development in an amount in excess of the development’s total credit cap calculated in accordance with the QAP. The MHA (at line 1108) is designed to return, as the total annual LIHTC requested, the lesser of the LIHTC amount based on the development’s eligible basis (multiplied by 1.3 if applicable) or the development’s total credit cap under the QAP.

In connection with examining the MHA in connection with this issue, ADFA staff noted that the MHA, in the “Application” tab at line 1100, referred to “Assisted Living development” as one of several sorts of developments that qualify for the boost. This reference is in error and arose under earlier years’ QAP’s, which applied the boost to such developments. Neither the 2019 nor the 2020 QAP provides for a boost to assisted living developments. Accordingly, contemporaneously with the publication of this memo, ADFA staff is revising the “Application” tab of the MHA (at line 1100) to delete the reference to “Assisted Living development,” and republishing the MHA on ADFA’s web site.