

MEMORANDUM

To: Low-Income Housing Tax Credit Participants
Date: February 13, 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.

ADFA staff first published the 2020 Multifamily Housing Application (“MHA”) on ADFA’s web site on or about January 14, 2020. On January 23, in response to comments and questions about the MHA and the 2020 Qualified Allocation Plan (“QAP”), ADFA staff published a memo providing clarification and guidance in several areas, describing certain actions taken between January 14 and January 23, and giving notice that a revised MHA was then being posted on ADFA’s web site. On January 31, ADFA staff published a memo providing additional clarification and guidance and giving notice that a revised MHA was then being posted on ADFA’s web site.

Prospective 2020 LIHTC applicants and their advisers continue to comment on and pose questions about the MHA and related matters. ADFA staff is grateful for such persons’ attention and assistance. The following information is intended to provide further clarification and guidance.

1. **Home Funds and National Housing Trust Fund Moneys – Terms.** In the January 23 memo, ADFA staff noted the possible availability of HOME funds and National Housing Trust Fund moneys in connection with allocations of LIHTC. In the January 31 memo, the staff described the terms on which such moneys may be made available. Prospective applicants and their advisers have questioned whether the description was complete. The second paragraph of the section numbered “1” in the January 31 memo is modified to read as follows:

“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 securing other debt financing the development. 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.””

The fourth paragraph of the same section is modified to read as follows:

“Consistent with past practice, a successful LIHTC applicant’s acceptance of HOME and/or NHTF moneys will not require the applicant to place those programs’ affordability restrictions on units that are not to be under LIHTC requirements. Rather, those programs’ 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. Nor may such units be used to satisfy NHTF affordability requirements.”

2. **MHA Correction.** Previously published versions of the MHA contained an error in the formula used to arrive at the amount shown as “Total Annual Operating Income/Unit” (cell I678) in section XVIII of the “Application” tab. The formula took into account only the number of market rate units shown in the table in section VII of the “Application” tab (cell D247), and did not take into account the number of LIHTC units shown in such table (cell E247). The MHA also contained a similar error at cell I747. Contemporaneously with the publication of this memo, ADFA staff is revising the “Application” tab of the MHA (at cells I678 and I747) to correct the formulas, and republishing the MHA on ADFA’s web site.