

## MEMORANDUM

To: Low-Income Housing Tax Credit Participants  
Date: January 31, 2020  
From: J.M. Barker, General Counsel/VP for Multifamily Housing  
Arkansas Development Finance Authority (“ADFA”)  
Re: Miscellaneous clarification/guidance for 2020 applications

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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, 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.

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 described the possible availability of HOME funds and National Housing Trust Fund (“NHTF”) moneys in connection with allocations of LIHTC. Prospective applicants and their advisers have asked about the terms on which such funds may be made available.

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 a period of 20 years, 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.”

NHTF moneys awarded in connection with an allocation of LIHTC may be in the form of (1) a loan on the same terms as a HOME funds loan, as described above, or (2) a grant. The applicant should specify in the application whether it is seeking a loan or a grant. 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 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.

2. **Discrepancy Between Minimum Design Standards and MDS Checklist.** Both ADFA's Multifamily Housing Minimum Design Standards and the Multifamily Housing Minimum Design Standards Checklist, to filed with the MHA as Attachment G (the "Checklist"), specify minimum unit and bedroom sizes. Commenters have noted that the two documents specify different minimum sizes. The version of the Checklist originally posted on ADFA's web site was outdated in this respect. Contemporaneously with the publication of this memo, ADFA staff is posting a corrected version of the Checklist on ADFA's web site.
3. **Testing Remnants in MHA.** The version of the MHA posted on ADFA's web site on January 23 contained (in cells F176 and G750 of the "Application" tab) remnants of ADFA staff's testing of the MHA's functionality. Contemporaneously with the publication of this memo, ADFA staff is deleting those remnants and republishing the MHA on ADFA's web site. (The remnants were easily removable by a user of the MHA. A user who has done so, in the version of the MHA posted on January 23, need not substitute the revised "Application" tab of the MHA posted today.)