



ARKANSAS DEVELOPMENT FINANCE AUTHORITY

423 MAIN STREET, SUITE 500
P.O. BOX 8023
LITTLE ROCK, AR 72203-8023

ADFA

Writer's Direct Dial: (501) 682-5927
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E-mail: nrobinson@adfa.state.ar.us

November 20, 2009

Re: 2009 Allocation/Carryover Allocation – Credits Only

Owners:

On September 17, 2009, the Arkansas Development Finance Authority (the “Authority”) issued certain Owners a reservation from Arkansas’ 2009 state ceiling of federal low-income housing tax-credits pursuant to individual reservation letters delivered to those certain Owners awarded low-income housing tax credits. The purpose for the reservation is availability for allocation to any building in the Owner’s development. Pursuant to Section 42 of the Internal Revenue Code and the Authority’s 2009 Housing Credit Program Qualified Allocation Plan, as amended, in order to receive an allocation from the 2009 state ceiling, each building, a part of the development, must either place in service no later than December 31, 2009 or meet the carryover requirements of Section 42(h)(1)(E) of the Internal Revenue Code.

For those buildings that will be placed in service by December 31, 2009, the owner will be required to submit the following documentation **no later than 4:30 p.m. on December 7, 2009**, for final evaluation prior to credit allocation:

1. Proof of placement in service, as defined by IRS Notice 88-116, for each building in the Development by:
 - A. New Buildings: Certificate(s) of Completion (Occupancy) by proper state or local authority for each building in the Development.
 - B. Existing Buildings:
 - (i) Date of transfer to taxpayer, if, on the date of transfer, the building or any unit in the building is ready and available for its intended purpose;
 - OR
 - (ii) Date first unit in the building is certified as being suitable for occupancy by the proper state or local authority.
 - C. Rehabilitation Expenditures: Proof that rehabilitation is complete and the minimum expenditure requirement of 26 USC § 42(e)(3)(A) has been met.

2. Original recorded copy of the Land Use Restriction Agreement (LURA) (a copy should be submitted before recording for the Authority's review and approval);
3. A signed Certification from the licensed design architect or licensed engineer confirming:
 - a. Compliance with the Authority's "Multi-Family Housing Minimum Design Standards;"
 - b. Compliance with all applicable Federal and State building codes and all applicable Federal and State accessibility laws;
 - c. Installation of all amenities for which the development received points at the time of application for the Housing Credits; and
 - d. Installation of all advanced energy saving devices for which the development received points at the time of application for the Housing Credits;
4. Cost Certification by a Certified Public Accountant which, at a minimum:
 - a. Utilizes pages 17 and 18 ("Section XXIV Development Costs") from the Multi-Family Housing Application to certify development costs;
 - b. Certifies, pursuant to 26 USC § 42, the eligible basis, applicable fraction, and maximum qualified basis for each building in the Development; (Submit both calculations for the applicable fraction based upon the "unit fraction" method and the "floor space fraction" method);
 - c. For each building with rehabilitation expenditures, certifies that the expenditures' requirements of 26 USC § 42(e)(3)(A) have been met;
 - d. Certifies that the Per Unit Cost; Developer's Fee; General Requirements; Builder's Overhead; Builder's Profit; and Rehabilitation Costs Standard are within Program requirements and as represented in the Multi-Family Housing Application;
 - e. For each building financed with tax-exempt bond proceeds, certifies the percentage of aggregate basis of each building that is financed by tax-exempt bond proceeds; and
 - f. For each building with market rate units, certifies:
 - (i) The cost of each such unit;
 - (ii) The square footage of each such unit;
 - (iii) The average cost per square foot of the low-income units in the Development; and
 - (iv) Whether the market rate units are "above the average quality standard of the low-income units" as described in Section 42(d)(3)(B)(i) of the Internal Revenue Code and whether the Development owner elected to exclude the excess costs pursuant to Section 42(d)(3)(B)(ii) of the Internal Revenue Code
5. Statement that identifies the first taxable credit year for each building in the development and, if past for any building, that the development met the minimum set-aside requirements of 26 USC § 42(g)(3)(A) prior to the close of the first taxable credit year for such building(s) ;
6. List showing full address for each building in the Development;
7. Full name, address, telephone number, Federal Tax ID number, and 1st taxable year of the credit period for the Development owner; and

8. Payment to cover "allocation" of credits fee - \$100.00 per low-income unit in the Development; and payment to cover monitoring fee - 8% of annual credit allocation for the Development.
9. Final Permanent Financing Agreement(s)/Commitment(s)
10. Final Site Purchase Agreement
11. Final Syndication Agreement(s)/Capital Contribution Agreement(s)
12. Final Partnership Agreement(s)

If the owner does not submit the above required information on or before December 7, 2008, the owner will be required to obtain a carryover allocation as described below or lose it previous reservation.

For those buildings that will not be placed in service by December 31, 2009, the Owner will be required to complete, execute and submit to the Authority the following, enclosed Carryover-Allocation documentation **no later than 4:30 p.m. on Monday, December 7, 2009:**

1. 2009 Federal Low-Income Housing Tax Credit Carryover-Allocation Application;
2. Exhibit A – Development Information;
3. Exhibit B – Certificate of Expenditures; and
3. Election Statement for Existing Buildings under Section 42(b)(1)(A)(ii)(I) of the Internal Revenue Code – If elected, the December 2009 housing credit percentage will apply.

Instructions for completion of the above Carryover-Allocation documentation have also been included. **YOU MUST READ ALL INSTRUCTIONS.**

In addition, if not already submitted to the Authority, the following documentation must be submitted by the placed in service date or on or before December 7, 2009, in order for an allocation to be made:

- Section 106 Clearance Letter from the Arkansas Department of Heritage;
- Fish and Wildlife Clearance Letter from the U.S. Fish and Wildlife Services;
- Phase I Environmental Site Assessment dated within six (6) months of December 7, 2009

In addition to returning hard-copy originals of the enclosed forms, you are required to electronically return the filled-in ADOBE forms to the undersigned at: nrobinson@adfa.state.ar.us. You must have ADOBE Reader® in order to fill-in the ADOBE® forms. ADOBE Reader® may be downloaded at no charge at: www.adobe.com.

PLEASE BE ADVISED THAT FAILURE TO MEET THE ABOVE REQUIREMENTS FOR ALLOCATION OF 2009 LOW-INCOME HOUSING TAX CREDITS FOR THE BENEFIT OF THE BUILDINGS IN THE DEVELOPMENT WILL RESULT IN NO ALLOCATION OF THOSE CREDITS FOR THE DEVELOPMENT.

Please do not hesitate to contact me at (501) 682-5927, nrobinson@adfa.state.ar.us, Gary Arrington, (501) 682-5468, garrington@adfa.state.ar.us, or Lornea A. Wells, (501) 682-5998, lwells@adfa.state.ar.us, if you have any questions regarding the above.

Sincerely,

Nona M. Robinson
Multi-Family Housing Programs Manager

Enclosures

**INSTRUCTIONS FOR COMPLETING
2009 Federal Low-Income Housing Tax Credit Carryover-Allocation Application**

The following instructions are to assist you in completing the attached 2009 Federal Low-Income Housing Tax Credit Carryover-Allocation Application and Election Statement. The Owner must return the forms by hard-copy and electronically filing by saving as a separate file using ADOBE Reader® to nrobinson@adfa.state.ar.us **no later than December 7, 2009:**

Federal Low-Income Housing Tax Credit Carryover-Allocation Application-Certification of Owner

- Owner must complete pages 1 and 2
- Owner must execute the completed Certification of Owner before a notary public.
- Owner must send the original with original signatures to the Authority no later than December 7, 2009.

Election Statement for Existing Buildings

*****FOR EXISTING BUILDINGS ONLY*****

- If the owner elects to lock in the applicable credit percentage rate at Carryover (the December, 2009 rate) for acquisition credits for existing buildings, the **2009 Federal Low-Income Housing Tax Credit Carryover-Allocation Application cannot be signed prior to December 1, 2009.** If the owner elects to lock-in the applicable credit percentage rate at Carryover, it must execute and notarize the Election Statement enclosed and return it to the Authority no later than January 5, 2010. If the applicable credit percentage rate is not locked-in at Carryover, and was not locked in at Reservation, the applicable rate at the time the building(s) are placed-in-service will apply. **THE AUTHORITY WILL FILL IN THE AMOUNT OF TAX CREDITS ALLOCATED BASED UPON THE CARRYOVER-ALLOCATION APPLICATION DOCUMENTATION.**
- Owner must send the original with original signatures to the Authority. The Authority will enter the credit amount allocated and return a copy of the Election Statement to the Owner.

2009 Federal Low-Income Housing Tax Credit Carryover-Allocation Certificate

- The Authority will complete the 2009 Federal Low-Income Housing Tax Credit Carryover-Allocation Certificate based upon the Owner's 2009 Carryover-Allocation Application, and supporting documentation. The Authority will sign and send the Certificate to the Owner prior to December 31, 2009.

Exhibit A - Development Information Form

- The Owner must complete the Development Information Form. The Authority will assign the Building Identification Numbers (BIN) and send it to the Owner with the 2009 Federal Low-Income Housing Tax Credit Carryover-Allocation Certificate.

Exhibit B – Certification of Expenditures

- The Owner continues to be required to submit a completed and executed Certification of Expenditures with all required attachments to the Authority no later than 4:30 p.m. on, November 1, 2010.
- Failure to submit the Certification of Expenditure with attachments as required will result in a return of all federal low-income housing credits allocated to the Owner.

SUBMIT DOCUMENTATION TO:

**Arkansas Development Finance Authority
Multi-Family Housing Programs Manager
423 Main Street, Suite 500
P.O. Box 8023
Little Rock, AR 72203-8023**

QUESTIONS: Contact any of the following:

Nona M. Robinson, Multi-Family Housing Programs Manager, 501-682-5927,
nrobinson@adfa.state.ar.us

Gary Arrington, Multi-Family Programs Specialist, 501-682-5468, garrington@adfa.state.ar.us
Lornea A. Wells, 501-682-5998, lwells@adfa.state.ar.us

ARKANSAS DEVELOPMENT FINANCE AUTHORITY

2009 Federal Low-Income Housing Tax Credit Carryover-Allocation Application
of

Owner

CERTIFICATION OF OWNER

In application to receive a 2009 Federal Low-Income Housing Tax Credit Carryover-Allocation Certificate for 2009 federal low-income housing tax credits ("LIHTC") previously committed to _____ (the "Owner") by the Arkansas Development Finance Authority (the "Authority") in its October 1, 2009 LIHTC letter of reservation for tax credits for the development of _____ (the "Development"), _____ certifies to the following:

A. Owner/Development Information:

Owner Name: _____

Taxpayer ID No.: _____

Owner Address: _____

Development Name: _____

Development Address: _____

B. Each building within the Development:

1) is: newly constructed building

or

an acquired building that will be substantially rehabilitated and comply, at a minimum, with Section 42(e) of the Internal Revenue Code;

2) is a "qualified building," as defined in Section 42(h)(1)(E)(ii) of the Code;

3) is a part of the Development in which the Owner will have adjusted basis in land and depreciable property in the Development, as of November 1, 2010, in an amount equal to at least \$_____ representing _____% of said Owner's reasonably expected basis of \$_____ in the Development as of December 31, 2011;

4) will be placed in service no later than December 31, 2011.

B. The Owner has attached those marked items listed below:

- a Section 106 Clearance Letter from the Department of Arkansas Heritage;
- a Wildlife Clearance Letter from the U.S. Fish and Wildlife Services; and
- a Phase I Environmental Site Assessment.

C. The Owner is required:

- 1) in connection with the LIHTC tax credits, as of November 1, 2010, to have an accumulated adjusted basis in the Development that is more than ten percent (10%) of the reasonably expected basis in the Development as of December 31, 2011;
- 2) to submit a "Certification of Expenditures" form, provided by the Authority, no later than 4:30 p.m., November 1, 2010, in the offices of the Authority;
- 3) with the "Certification of Expenditures" form, to submit verification of ownership/leasehold of the land or depreciable real property by furnishing one of the

- following documents: (1) Written Legal Opinion; (2) Copy of Warranty Deed(s); (3) Copy of Title Commitment; (4) 99-year Leasehold; and
- 4) with the "Certification of Carryover-Allocation Basis" form, to submit written certification from an attorney or a certified public accountant that he/she has examined all eligible costs and it is his/her belief that the Owner will incur by November 1, 2010 more than ten percent (10%) of its reasonably expected basis in the Development as of December 31, 2011.

D Failure to meet any of the above four (4) requirements by November 1, 2010, will cause the federal low-income housing tax credits allocated, pursuant to the 2009 Federal Low-Income Housing Tax Credit Carryover-Allocation Certificate, to be returned to the Authority in accordance with 26C.F.R. §1.42-6(a)(2)(ii).

The Owner acknowledges that, in issuing a Carryover-Allocation Certificate, the Authority will rely upon the information submitted by the Owner. The Owner further acknowledges that the Authority, by its issuance of a Certificate of Carryover Allocation, makes no representation or guarantee that the Owner will be eligible to receive the federal low-income housing credits allocated therein; eligibility is determined by the Internal Revenue Service.

The Owner acknowledges that it must submit the completed, executed and notarized 2009 Federal Low-Income Housing Tax Credit Carryover-Allocation Application with required attachments to the Authority **no later than 4:30 p.m., Monday, December 7, 2009.**

OWNER: _____

Acknowledged, agreed and accepted:

By: _____
Owner Signature

Printed Name

Title

ACKNOWLEDGMENT

STATE OF _____)
)
COUNTY OF _____)

On this _____ day of _____, 20____, before me a Notary Public within and for said County and State, personally appeared _____, to me known to be the person described herein and who, being by me first duly sworn, executed the foregoing "Certification of Owner", and acknowledged, deposed and said that he/she was authorized to execute the same for the consideration and purposes therein contained and stated that the information and certifications contained therein are true and correct to the best of his/her knowledge and belief.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this _____ day of _____, 20____.

Notary Public

My commission expires:

**ELECTION STATEMENT for EXISTING BUILDINGS
UNDER SECTION 42(b) (1) (A) (ii) (I) OF THE
INTERNAL REVENUE CODE**

The undersigned, this ___ day of _____, 20___, hereby enters into this Election Statement in furtherance of the Certificate of 2009 Federal Low-Income Housing Tax Credit Carryover-Allocation by the Arkansas Development Finance Authority (the "Authority") for _____, (the "Owner") wherein the maximum low-income housing tax credit dollar amount of \$_____ has been allocated for _____ (the "Development") from the 2009 calendar year state ceiling. The undersigned hereby agrees that the aforesaid amount shall be the maximum dollar amount of federal low-income housing credits allocated to _____, which consists of existing building(s) that will be substantially rehabilitated and comply, at a minimum, with Section 42(e) of the Internal Revenue Code.

_____, hereby irrevocably elects, pursuant to Section 42(b)(1)(A)(ii)(I) of the Internal Revenue Code of 1986, as amended, to fix the applicable credit percentage for the existing building(s) in _____, as the percentage prescribed by the Secretary of Treasury for the month of December, 2009, which is the month the Authority executed the 2009 Federal Low-Income Housing Tax Credit Carryover Allocation for _____.

_____ acknowledges that, to be effective, this Election Statement must be executed and notarized no later than January 5, 2010

Owner: _____

By: _____
Original Signature

Printed Name

Title: _____

Owners Mailing Address:

2009 FEDERAL LOW-INCOME HOUSING TAX CREDIT CARRYOVER-ALLOCATION CERTIFICATE
by
ARKANSAS DEVELOPMENT FINANCE AUTHORITY
for

Based upon the Authority's review of the Owner's 2009 Multi-Family Housing Application (the "Application") and the Underwriting Documentation contain therein and incorporating herein the foregoing representations and certifications of _____ in its 2009 Federal Low-Income Housing Tax Credit Carryover-Allocation Application dated _____, 2009, and subject to all terms, conditions and representations set forth in the Application for the development of _____, the Arkansas Development Finance Authority, as the Housing Credit Agency for the State of Arkansas, has determined that:

Owner Name: _____
Taxpayer ID No.: _____
Owner Address: _____
Development Name: _____
Development Address: _____

qualifies, pursuant to Section 42(h)(1)(E) of the Internal Revenue Code of 1986, as amended, for a Carryover- Allocation in the amount of \$_____ in federal low-income housing tax credits from the State of Arkansas 2009 state ceiling. _____ will have a reasonably expected basis of \$_____ in _____ as of December 31, 2011. The Development Information Form(s) attached hereto setting forth the date that each building in _____ is expected to be placed in service and assigning the Building Identification Number to each building in the _____ is/are incorporated herein as if set forth word for word.

ARKANSAS DEVELOPMENT FINANCE AUTHORITY
423 Main Street, Suite 500
P.O. Box 8023
Little Rock, AR 72203-8023

By: _____
Nona M. Robinson
Title: Multi-Family Housing Programs Manager
Date: _____

EXHIBIT A - DEVELOPMENT INFORMATION FORM¹

A Separate Development Information Form will be issued for Existing Buildings and New Buildings

DEVELOPMENT NAME: _____

Address: _____

County: _____

Building	1	2	3	4	5	6	Total
Building Identification Number							
Building Address							
Type of Building (new construction, existing, rehabilitation)							
Expected Placed in Service Date							
Estimated Eligible Basis for All Buildings <input type="checkbox"/> ^{2, 3}							
Estimated Applicable Fraction ³							
Estimated Qualified Basis for All Buildings of the Same Type							
Maximum Credit Percentage for All Buildings of the Same Type ⁴							
Maximum Credit Calculation for All Buildings of the Same Type							

1. The Authority will assign the Building Identification Number(s)
2. Box will be checked if the basis is adjusted to include up to 130% increase in basis, pursuant to 26 USC § 42(d)(5)(B), because the Development is in a qualified census tract or in a difficult development area. (Existing buildings **are not** eligible to receive the 130% increase in basis.)
3. If there are more than 6 buildings in the development requiring additional Forms, Development estimates and calculations are only on the last page.
4. If the Owner has elected to fix the credit percentage, either at Reservation or Carryover, pursuant to Section 42(b)(1)(A)(ii)(I), the credit percentage is fixed and binding upon all existing buildings in the development. If no such election has been made, existing buildings will be assigned the credit percentage used in the 2009 Carryover-Allocation Underwriting Documentation to the 2009 Federal Low-Income Housing Tax Credit Carryover-Allocation Application and new buildings (newly constructed or substantial rehabilitation) will be set at 9% in accordance with Section 42(b)(2).

INDEPENDENT ACCOUNTANTS REPORT
to accompany
2009 Federal Low-Income Housing Tax Credit Carryover-Allocation
Certification of Carryover-Allocation Basis
for

To:
Arkansas Development Finance Authority
c/o Multi-Family Programs Manager
P.O. Box 8023
Little Rock, Arkansas 72003-8023
And

_____ (“the Owner”)

Re: _____ (“the Development”)

We have examined the column entitled Eligible 10% Test Expenditures Incurred, as shown on the accompanying 10% Test: Taxpayer’s Basis Schedule related to the development of _____ as of November 1, 2010. _____ is responsible for the 10% Test: Taxpayer’s Basis Schedule. Our responsibility is to express an opinion based on our examination.

We have not examined or reviewed the columns Total Development Cost or Reasonably Expected Basis, as shown on the accompanying 10% Test: Taxpayer’s Basis Schedule and therefore express no opinion or any other form of assurance on them.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining on a test basis, evidence supporting the information presented in the column entitled Eligible 10% Test Expenditures Incurred as shown on the 10% Test: Taxpayer’s Basis Schedule and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the column entitled Eligible 10% Test Expenditures Incurred referred to above presents, in all material respects, the Development’s Eligible 10% Test Expenditures Incurred as of April 1, 2009, using the accrual method of accounting, in accordance with Internal Revenue Code (IRC) Section 461 and also the 10% carryover rules in accordance with IRC Section 42(h)(1)(E) and Treasury Regulation Section 1.42-6.

At the request of the General Partner of the Owner, we have performed certain procedures as stated below agreed to by the General Partner of the Owner with respect to the documents supplied to us. These procedures were performed solely to assist you in determining that appropriate items and amounts were included in the computation of the 10 percent carryover rule in accordance with Internal Revenue Code (IRC) Section 42(h)(1)(E) and Treasury Regulation Section 1.42-6 (the "Computation"). Management of the Owner is responsible for the Computation. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Owner and the Arkansas Development Finance Authority. Consequently, we make no representations regarding the sufficiency of the procedures described below either for the purposes for which this report has been requested or for any other purpose.

The following procedures were performed:

- We calculated, based on estimates of total development costs provided by the Owner, the Project's total reasonably expected basis, as defined in Treasury Regulation Section 1.42-6, to be \$_____ as of December 31, 2011.
(Dollar Amount)
- We calculated the reasonably expected basis incurred by the Owner as of November 1, 2010, to be \$_____.
(Dollar Amount)
- We compared the reasonably expected basis incurred as of November 1, 2010 to the total reasonably expected basis of the Development as of December 31, 2011, and calculated that _____ had been incurred as of November 1, 2010.
(Percentage)

City, State
[Date]

Contact Person xxx-xxx-xxxx

State Agency
10% Test: Taxpayer's Basis Schedule

Development Name and Information

Date

Cost Category	Total Development Cost	Reasonably Expected Basis	Eligible 10% Test Expenditures Incurred
Purchase of Land and Buildings			
Land	125,000	125,000	125,000
Existing Structures	1,518,241	1,518,241	1,518,241
<i>Total Purchase</i>	<u>1,643,241</u>	<u>1,643,241</u>	<u>1,643,241</u>
Site Work	218,091	218,091	-
Rehab/New Construction			
Rehabilitation	912,595	912,595	-
General Requirements	75,351	75,351	-
Contractor Overhead	25,428	25,428	-
Contractor Profit	75,073	75,073	-
Contractor Bond Fee	30,181	30,181	-
Construction Contingency	146,230	146,230	-
Relocation Expense/FFE	182,576	182,576	-
<i>Total Construction</i>	<u>1,447,434</u>	<u>1,447,434</u>	<u>-</u>
Other Fees			
Architect Fee - Design	17,000	17,000	17,000
Architect Fee - Supervision	8,000	8,000	-
Real Estate Attorney	15,000	15,000	-
Survey	5,000	5,000	-
<i>Total Other Fees</i>	<u>45,000</u>	<u>45,000</u>	<u>17,000</u>
Interim Costs			
Construction Insurance	16,309	16,309	-
Construction Interest	64,120	64,120	-
Construction Loan Origination Fee	14,962	14,962	-
<i>Total Financing Costs</i>	<u>95,391</u>	<u>95,391</u>	<u>-</u>
Financing Fees and Expenses			
Title and Recording	3,600	-	-
Counsel's Fee	10,000	10,000	-
<i>Total Financing Fees and Expenses</i>	<u>13,600</u>	<u>10,000</u>	<u>-</u>
Soft Costs			
Appraisal	8,000	8,000	-
Market Study	4,500	4,500	-
Environmental Review	5,000	5,000	-
Tax Credit Application Fee	37,285	-	-
Tax Attorney Fees	15,000	15,000	-
Accounting	10,000	10,000	-
<i>Total Soft Costs</i>	<u>79,785</u>	<u>42,500</u>	<u>-</u>
Syndication Costs			
Partnership Organization	6,000	-	-
Tax Opinion	17,000	17,000	-
Accounting Fees	10,000	10,000	-
<i>Total Syndication Costs</i>	<u>33,000</u>	<u>27,000</u>	<u>-</u>
Developer Fee			
Acquisition	70,000	70,000	14,000
Rehabilitation	312,500	312,500	62,500
<i>Total Developer Overhead & Fee</i>	<u>382,500</u>	<u>382,500</u>	<u>76,500</u>
Development Reserves			
Rent-up Reserve	3,357	-	-
Operating Reserve	110,643	-	-
Replacement Reserve/Rent-up Expenses	40,000	-	-
<i>Total Development Reserves</i>	<u>154,000</u>	<u>-</u>	<u>-</u>
Total Development Costs	<u>4,112,042</u>	<u>3,911,157</u>	<u>1,736,741</u>

10% Test Calculation

Total Reasonably Expected Basis	3,911,157
Costs Incurred as of 3/20/06	1,736,741
Costs Required to pass 10% Test	391,116
Percentage of costs incurred/REB	44.40%