

Summary of Proposed Rule

The purpose of the proposed rule is to allow the issuance of short-term bonds for the development of affordable, multi-family residential rental developments. It is necessary because short-term bonds are the only financially feasible vehicle that can generate the equity needed to rehabilitate affordable rental complexes which have more than seventy-five (75) units. ADFAs Housing Department is allocated roughly \$30 million in volume cap each year for the issuance of tax-exempt multi-family bonds. ADFAs has not issued multi-family bonds in nearly a decade. The cause for the lack of issuances is existing language in the Guidelines that restricts the use of multi-family bonds only for permanent financing. This language was incorporated into the Guidelines when market conditions caused high demand for tax-exempt private activity bond volume cap. The current market conditions are starkly different. There is little demand for tax-exempt bonds; therefore, little demand for tax-exempt multi-family bonds for the purposes of permanent financing. This means the tax-exempt private activity bond volume cap for Arkansas has gone untapped.

The proposed rule addresses two items. First, it removes language that restricts the use of multi-family bonds only for permanent financing. Second, it provides for a new issuance fee structure if a bond's maturity date is five years or less. Adopting this proposed rule will allow ADFAs to issue short-term bonds. These bonds will be outstanding for the duration of the construction/reconstruction period and subsequently paid off by the applicant.

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Ark. Admin. Code 109.04.2-II
Alternatively cited as AR ADC 109 04 002

109.04.2-II. Use of Volume CAP Reserved

~~Any volume cap reserved for the issuance of tax exempt private activity bonds pursuant to this program must be used to provide permanent financing for the development. The authority is not intended for short term escrow financing, construction financing or any other financing, which is not permanent financing for the development. All units must be rental units and be "complete" units.~~

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Ark. Admin. Code 109.04.2-VI
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109.04.2-VI. Fees.



A. APPLICATION FEE. A Five Hundred Dollar (\$500) non-refundable application fee is payable at the time an application is submitted to ADFA. Applications submitted without the application fee will be considered incomplete.

B. ISSUANCE FEE (ADFA ISSUES ONLY). A one-time fee of 0.45%, based on the principal amount of bonds issued, is payable at the bond closing for bonds with a maturity date of five (5) years or less.

An annual fee of 0.125% based on the principal amount of bonds issued, is payable on October 1 of each year the bonds remain outstanding for bonds with a maturity date in excess of five (5) years.

C. LOW-INCOME HOUSING TAX CREDITS ("LIHTC") FEES.

1. RESERVATION OF CREDIT FEE. A non-refundable reservation fee of One Hundred Dollars (\$100) per low-income unit will be required at the bond closing.

2. AWARD OF CREDIT FEE. An award of credit fee of One Hundred Fifty Dollars (\$150) per low-income unit will be required at the time the credits are awarded (at issuance of IRS Form 8609).

3. COMPLIANCE/MONITORING FEE. A compliance and monitoring fee of six percent (6%) of the amount of annual credits is required to be paid at the time the credits are awarded (at issuance of IRS Form 8609). In addition, a monitoring fee of \$50 per low-income housing tax credit unit inspected will be owed to the Authority following any on-site compliance and monitoring inspection conducted by the Authority during the extended period following the close of the 15-year compliance period.