



STATE OF DELAWARE
2017 Low Income Housing Tax Credits

QUALIFIED ALLOCATION PLAN

JANUARY 3, 2017

Delaware state Housing Authority
18 The Green
Dover, DE 19901
www.destatehousing.com

Jack Markell, Governor

Anas Ben Addi, Director



LOW INCOME HOUSING TAX CREDIT (LIHTC) PROGRAM 2017 Annual Funding Round

The Delaware State Housing Authority (DSHA) is pleased to announce that it will be authorizing the allocation of Delaware's Low Income Housing Tax Credits (LIHTC). Delaware's share of per capita plus returned and carry forward components of LIHTC is estimated to total **\$2,325,204**.

DSHA has made revisions to the 2017 Qualified Allocation Plan (QAP). The QAP was completed with the assistance of our tax credit stakeholders to identify current housing needs and market conditions. We strongly suggest that you review the QAP, Attachments to the QAP, and the LIHTC web-based application thoroughly. In addition, all applicants applying for any DSHA financing should also review the DSHA Funding Supplement.

Applicants must complete all applicable questions and supply **all** documents/exhibits that are required in the application package, even if DSHA has received similar documents in the past or otherwise has the information on file (i.e. financial statements). DSHA staff will be available for technical assistance prior to application submission. However, all questions regarding intention or interpretation of this QAP **must be submitted in writing to DSHA no later than fifteen (15) days prior to the submission deadline date for clarification.**

All applicants must complete and print DSHA's web-based LIHTC Application and provide one written complete application (with all required exhibits) and one complete electronic copy (on a CD or USB flash drive). The Application Checklist provides a complete list of attachments/exhibits, which are to be appropriately labeled and submitted with the printed version of web-based application. Only complete application packages will be considered for an allocation of credits. A package determined incomplete will be returned to the applicant and the application will not be eligible to compete for tax credits in the current round.

2017 DSHA LIHTC TIMELINE*:

- **February 10, 2017** Deadline for pre-inspection written notification if applying for 2017 Preservation/Rehabilitation/Conversion projects
- **February 17, 2017** Deadline to apply to Delaware Transit Corporation for Memorandum of Agreement
- **March 10, 2017** Deadline for DSHA General Contractor approval and/or updates
- **March 17, 2017** Deadline to request DelDOT technical assistance for Connectivity
- **March 17, 2017** Deadline for tax credit comparable rents, if seeking HDF funds
- **April 28, 2017** **All LIHTC Applications due to DSHA by 3:00 p.m.**
- **July 3, 2017** Preliminary ranking notifications released
- **October 20, 2017** Commitments for all financing must be submitted to DSHA
DSHA will make tax credit allocations for selected projects 30-60 days after financing commitments are received
- **December 15, 2017** Deadline for pre-closing documents for DSHA-financed projects
- **December 15, 2017** DSHA will execute carryover allocations to selected projects on or before this date

DSHA CONTACT FOR PROGRAM QUESTIONS AND TECHNICAL ASSISTANCE

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*A development which does not initially appear to rank high enough for a reservation of tax credits, but is subsequently considered for a preliminary reservation as a result of the withdrawal of a higher-ranked project, will be given a new timetable in order to allow reasonable time to obtain the necessary financial commitments and/or documentation required by DSHA before making an allocation of credits. DSHA reserves the right to amend any of the above dates.

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Introduction

The Federal Low Income Housing Tax Credit (LIHTC) program was established by Section 252 of the Tax Reform Act of 1986 and was codified as Section 42 of the Internal Revenue Code of 1986 as amended (IRC). The Revenue Reconciliation Act of 1989 amended IRC Section 42 by adding Section 42(m) that requires allocating agencies to allocate low-income housing tax credits pursuant to a Qualified Allocation Plan (QAP). The Delaware State Housing Authority (DSHA) is the allocating agency for the State of Delaware. The following QAP represents the standards and procedures used by DSHA to perform its allocation and monitoring responsibilities.

Section 42(m) of the IRC states:

For purposes of this paragraph, the term “Qualified Allocation Plan” means any plan:

- i) Which sets forth selection criteria to be used to determine housing priorities of the housing credit agency that is appropriate to local conditions.
- ii) Which also gives preference in allocating housing credit dollar amounts among selected projects to:
 - a) Projects serving the lowest income tenants;
 - b) Projects obligated to serve qualified tenants for the longest periods; and
 - c) Projects which are located in qualified Census tracts...and the development of which contributes to a concerted community revitalization plan.
- iii) Which provides a procedure that the Agency (or an agent or other private contractor of such agency) will follow in monitoring for noncompliance with the provisions of this section and in notifying the Internal Revenue Service of noncompliance with the provisions of this section which such agency becomes aware of and in monitoring for noncompliance with habitability standards through regular site visits.

Certain selection criteria must be used. The selection criteria set forth in a QAP must include:

- a) Project location;
- b) Housing needs characteristics;
- c) Project characteristics, including whether the project includes the use of existing housing as part of a community revitalization plan;
- d) Sponsor characteristics;
- e) Tenant populations with special needs housing;
- f) Public housing waiting lists;
- g) Tenant populations of individuals with children;
- h) Projects intended for eventual tenant ownership;

- i) Energy efficiency; and
- j) Preserving historic character.

The LIHTCs may be claimed annually for ten (10) years by owners of, or investors in, qualified low-income rental housing. The maximum amount of annual credit is based on the cost of development, the number of qualified low-income units, the credit percentage rate, and the amount needed to make the development viable. The annual credit amount is determined at the time of final allocation and remains constant for the entire ten (10)-year period. Cost of development is defined generally as the depreciable basis of the property. This includes "soft" costs such as engineering studies, architectural specifications, fees connected with construction financing, construction period interest, performance bonds and general contractor fees as determined by the cost certification and certified by applicant's certified public accountant in accordance with Section 42. Land is not a depreciable item under Section 42 and therefore the cost of land acquisition or imputed value of the land is excluded from the cost of development. Other non-depreciable items include escrows, reserves, marketing expenses, and permanent loan fees.

Eligible developments include new construction, substantial rehabilitation and acquisition, (if a substantial rehabilitation is being undertaken). Maximum credit percentages for qualifying costs in an eligible development are calculated monthly based on the applicable rate issued by the Treasury Department. The intent of the federal government is that the present value of the credit shall be 70% of qualified new construction and substantial rehabilitation costs that are not federally subsidized, while the present value of the credit for acquisition costs or costs that are financed from federal funds at a below market interest rate shall be 30%. The credit applicable percentage for the 70% basis calculation for new and rehabilitation developments has been approved by Congress as a permanent rate of 9%.

DSHA will underwrite and allocate acquisition credits based on the applicable rate issued by the Treasury Department one (1) month prior to application submission and will utilize an equity factor dictated by market conditions. The equity factor will be listed in the application.

The following summarizes eligible development categories and indicates maximum annual credit percentage rates:

**Maximum Annual Credit
Percentage Rate/Present
Value**

New construction or substantial rehabilitation of existing housing

Credit is based on qualified development costs excluding land, acquisition costs and other non-depreciable costs as defined under Section 42 of the IRC. Qualified expenditures for substantial rehabilitation must be the greater of \$6,700 of qualified basis per low-income unit or 20% of unadjusted basis. DSHA has further defined substantial rehabilitation in the definition section of the QAP, and DSHA reserves the right to further adjust the minimum substantial rehabilitation requirement.

9% credit value

NOTE: Pursuant to IRC Section 42(d)(5)(c), in the case of any building located in a qualified Census tract or difficult development area, the eligible basis of such building shall be 130% of such basis.

**Maximum Annual Credit
Percentage Rate/Present
Value**

New construction or substantial rehabilitation of existing housing receiving a federal subsidy (grant)

30% present value

Any development receiving a tax-exempt obligation or a federally-funded grant is limited to receiving 30% present value tax credits.

Acquisition cost of existing housing

30% present value

Basis of credit is on the cost of acquisition minus land value. The 30% present value credit for acquisition of an existing building can only be claimed if at least the minimum required substantial rehabilitation (greater of \$6,700 per low-income unit or 20% of unadjusted basis) is completed at the same time. DSHA has further defined substantial rehabilitation in the definition section of this QAP, and DSHA reserves the right to further adjust the minimum substantial rehabilitation requirement.

Developments are eligible for 30% present value credit only if the date of acquisition is ten (10) years or more after the later of the date the building was last placed in service or the date of the most recent nonqualified substantial improvements were made. However, acquisition credits may be obtained less than ten (10) years after the later of the date the building was last placed in service or the date of the most recent nonqualified substantial improvements were made for properties receiving federal subsidy such as U.S. Department of Housing and Urban Development (HUD) Section 8, Section 221(d) 3, Section (d) 4, Section 236 & USDA Section 515 or any other housing program administered by HUD or the Rural Housing Service of the Department of Agriculture.

If a development fails to meet the minimum eligibility requirements at any time during the compliance period, the "accelerated" credit amount, plus interest, may be subject to recapture by the IRS. The federal government considers the credit a fifteen (15)-year benefit accelerated to ten (10) years. Therefore, the accelerated credit amount is the difference between the aggregate amount of credit claimed and the aggregate amount of credit that would have been available if the credit was spread over the entire fifteen (15)-year period.

The housing credit recapture bond rule has relaxed the rule on future and past dispositions if (a) it is reasonably expected the building will continue to be operated as a qualified low-income building; and (b) the taxpayer elects to be subject to the new longer statute of limitations. The recapture provisions are not applied solely because there was a disposition of the low-income building (or interest therein) if it is reasonably expected that the building will continue to be operated as a qualified low-income building for the remaining compliance period for the building. Owners will remain subject to recapture should there be any reduction in qualified basis resulting in recapture after the disposition. Low-income buildings financed with tax-exempt bond financing may be treated differently and owners should receive separate legal interpretations for these type projects.

The LIHTC Program is complex and evolving. For example, changes in the program adopted by Congress over the life of the program require careful review by persons who have extensive experience and expertise with this program and its requirements. The explanation contained in this QAP is qualified in its entirety, as it is only a summary of the LIHTC program and should not in any way be relied upon as legal advice. To that end, it is strongly recommended that project sponsors and applicants interested in applying for a tax credit allocation contact their tax accountant and attorney to review this program, the IRC and IRS Regulations, IRS rulings, IRS guidance, and any other pertinent information before pursuing the program.

As rules and regulations continue to be issued by the U.S. Department of Treasury for all facets of the LIHTC Program, tax credit preliminary reservations and allocations will be made by DSHA based on existing regulations. Any changes of rules and requirements must be met by the owner/investor(s) in order for them to continue receiving the tax credit. Regulations, rulings, Revenue Procedures, and Technical Advice Memoranda (TAM) are regularly issued by the IRS. It is the sponsor's/applicant's obligation to understand and comply with the rules.

DSHA reserves the right to award a state basis boost in eligible basis of **up to** thirty percent (30%), as determined by DSHA, for the highest-ranked property(ies) to preservation applicants, applicants that target special needs populations, projects located in Areas of Opportunity¹ as defined in DSHA's Balanced Housing Opportunities map, and/or to make projects financially feasible. This additional boost is not available for properties that are in a Qualified Census Tract (QCT) or Difficult to Develop Area (DDA) since a QCT or DDA already qualifies for the additional 30% boost and is not available to tax-exempt bond applicants. No applications will be accepted with a state basis boost included in the tax credit calculation, with the exception of projects located in Areas of Opportunity. DSHA will determine during the ranking/underwriting process if a state basis boost is needed for financial feasibility.

DSHA encourages all applicants to promote greater choice of housing opportunities and avoid undue concentration of assisted persons in areas containing a high proportion of low-income residents or in areas containing a high proportion of affordable rental units and build communities of opportunities for newly created (conversion or new construction) projects. DSHA also encourages all applicants to consider building in communities with minimal affordable rental units relative to their housing needs for newly created affordable housing projects.

Failure of a project to fulfill all representations made in its application may result in a delay and/or non-issuance of the IRS Form 8609. At its sole discretion, DSHA may impose penalties for failure to comply with eligibility or point requirements. Such penalties may include, but will not be limited to, a reduction in the allocated credit amount, the unilateral cancellation of an allocation, or penalty points which will be carried forward to applicant's subsequent DSHA LIHTC application.

¹ In order to receive the state basis boost for projects located in Areas of Opportunity, at least 50% of the units must be within the Area of Opportunity to receive a state basis boost of up to thirty percent (30%). If only 50-99.9% of the units are located within an Area of Opportunity, the project is only eligible receive a state basis boost of up to fifteen percent (15%). If less than 50% of the units are located within an Area of Opportunity, the project is not eligible for a state basis boost.

Description of Housing Needs and Priorities

Housing Needs and Priorities

In September 2014, the *Delaware Housing Needs Assessment 2015-2020* was released. The study, prepared by GCR Incorporated and The Reinvestment Fund (TRF) for the Delaware State Housing Authority, identifies and quantifies housing needs of existing households in Delaware and projected housing demand for 2015-2020, as well as national trends in housing policy. The full report and associated documents are available at: <http://destatehousing.com/FormsAndInformation/needs.php>. An online reporting portal was also developed for the project and is available at http://demo.gis.gcr1.com/Delaware_GIS/. The report evaluates needs at the submarket level, providing demand projections and demographic and housing needs analysis for six (6) submarkets in the State's three (3) counties.

Priority needs identified in the *Needs Assessment* and reflected in this Qualified Allocation Plan include:

- Creation of new affordable rental housing, especially for families and especially in areas of opportunity for low-income households;
- Preservation of the State's existing affordable housing properties, especially federally-subsidized properties and sites in poor physical condition; and
- Integrated, affordable units for people with disabilities and extremely low incomes, and other special populations that may need supportive services and rental assistance to live independently.

Preservation of Existing Assisted Affordable Housing

As of 2014, Delaware's inventory of assisted multifamily rental housing includes approximately 11,500 units. This inventory includes approximately 4,000 LIHTC only units, approximately 2,700 LIHTC and Project-based subsidized housing, approximately 4,000 other subsidized housing projects, 600 other rent restricted housing, and approximately 250 market rate housing units. Many sites have never had a major rehabilitation. Preservation needs include:

- Older sites in need of extensive rehabilitation or potential demolition and redevelopment. Many of these sites have federal rental assistance contracts that provide critical and essentially irreplaceable rent subsidies. In city and town centers, rehabilitation/redevelopment of these sites can be a critical component of neighborhood revitalization.
- Newer (but still past Year 15) LIHTC sites in moderate to good condition where affordability may be at risk. These sites often need some rehabilitation and financial restructuring to preserve affordability. In high-value markets, this existing affordable rental housing is especially critical to preserve.
- Aged public housing in need of moderate to complete rehabilitation. Financing for these sites may be similarly complex, but preserves federal rental assistance and may rehabilitate sites where redevelopment is a critical part of neighborhood revitalization.

Needs of People with Disabilities and Special Populations

People with disabilities, particularly severe disabilities, are far more likely to have poverty-level income and lower income in general than people with no disabilities. In Delaware, 39% of people with disabilities have income below 200% of the federal poverty level compared to 25% of people with no disabilities. People with the most severe, work-limiting disabilities may rely on SSI or SSDI for income, which

typically provides a very limited income that makes it near-impossible to afford housing without assistance. The lack of stable, affordable, and accessible housing is often a major barrier to remaining in the community for people with severe disabilities and extremely low income.

In July 2011, the State of Delaware signed a Settlement Agreement with the United States Department of Justice (USDOJ) resolving a three-year investigation into the State’s behavioral health care system. The Agreement lays out strategies and benchmarks to ensure Delaware’s compliance with the Americans with Disabilities Act (ADA), specifically the “integration mandate” that services be provided in the least restrictive setting possible, as upheld by *Olmstead vs. L.C.* While the Agreement is specific to the population with serious and persistent mental illness (SPMI), the Department of Health and Social Services (DHSS) is carrying its intent and spirit into systemic reform across the Department. Ensuring affordable housing opportunities and choices are available to support community-based care is a critical piece of these reforms. For the State’s affordable housing industry, this shift to prioritizing community-based care means increased focus on integrating units set-aside for people with disabilities in regular multifamily properties, investing resources to meet affordability needs, and coordinating with service providers.

New Creation of Affordable Rental Housing

Approximately 40% of projected demand for new rental housing from 2015-2020 will be for households with income below 50% of Area Median Income (AMI). As a result of the housing crisis and recession, fewer households of all ages are homeowners, and demand for new housing has shifted to smaller, more affordable homes and rental units. The demand projections are for new units (either new construction or re-use of currently vacant structures) to meet demand created by new household growth. This does not reflect the housing needs of existing cost burdened renter households, described further below.

Rental Housing Demand by Income (2015 – 2020)					
	<30% AMI	30% to 50% AMI	50% to 80% AMI	80% + AMI	Total
Delaware State	1,730	1,455	1,525	2,820	7,530
New Castle County	1,005	845	875	1,385	4,110
Kent County	340	255	280	595	1,470
Sussex County	385	355	370	840	1,950

Source: GCR, Inc.

While seniors will comprise a large portion of future demand, they are predominately homeowners (84%) and are far more likely to enter or remain in the homeownership market than the rental market. Based on projections, 16% of future rental demand will be for senior rental housing, whereas 32% of future home sales will be from seniors. The majority of senior rental demand is for households below 50% and 30% of AMI.

Following national trends, Delaware households are similarly getting smaller due to the growing number of “empty nesters” and changing demographic trends. There is an increasing demand for 1- and 2-bedroom units. In Delaware, Sussex County has the largest share of people over 65, while South New Castle and North Kent County have the highest percentage of school-age children. HUD Comprehensive

Housing Affordability Strategy (CHAS) data, a standard dataset for quantifying housing needs, defines the following household types:

- Small Family – 2 to 4 related individuals with no member 62 years old or older;
- Large Family – 5 or more related individuals with no member 62 years or older;
- Elderly Family – Family where at least one person is 62 years old;
- Elderly Non-Family – Individual or a group of non-related individuals over 62 years old or older;
and
- Non-Family – Individual or a group of non-related individuals with no member 62 years old or older.

The household types with the greatest housing problems, in terms of numbers, are small families and individuals. In terms of percentages, senior households are slightly more likely to be cost burdened but make up a smaller percent of severely cost burdened renter households. There are approximately 9,300 elderly renter households in Delaware with income below 50% of AMI.

Statewide, there are 39,850 cost-burdened renter households, 70% (28,155) of these households are below 50% AMI. The lowest income households are the most likely to be severely cost burdened, or paying more than 50% of their income for housing costs. Extremely low-income households are overwhelmingly cost burdened (75%), and almost all of these are severely cost burdened.

Tax Credit Allocations and Pools

No applications will be accepted with developments of four (4) units or less. Developments will first compete within their respective pools. Developments will be ranked within these pools and the highest scoring developments in each pool will be separately evaluated to determine the amount of tax credits required. DSHA may, at its sole discretion, award unused credits in each pool to the next highest-ranking project, regardless of the project’s respective pool. Applicant tax credit requests should not exceed 10% of the approximate total amount available in each pool. Each year DSHA shall establish the percentage of available credits for each pool based on DSHA’s development goals, need for affordable housing in each area, and compliance with State Strategies for Policies and Spending.

Estimated Dollar Amounts for 2017

The estimated dollar amounts for 2017 are based on the annual tax credit authority available. 2017 forward reservations and commitments reduce Delaware’s net available Tax Credit amount to approximately **\$2,325,204**.

Allocation Pools and Eligible Applicants	Approximate Tax Credit Authority
Nonprofit Pool <ul style="list-style-type: none"> • All eligible nonprofit organizations. 	\$348,495
Preservation/Rehabilitation Pool <ul style="list-style-type: none"> • Tax Credits: any tax credit housing development which has completed its compliance period that is: <ol style="list-style-type: none"> 1. In need of substantial rehabilitation; or 2. At risk of losing its affordability. • Subsidized: any currently occupied subsidized housing development and/or demolition/new construction of subsidized units (see definition of subsidized housing) that is: <ol style="list-style-type: none"> 1. In need of substantial rehabilitation; or 2. At risk of losing its affordability (within 2 years of application). 	\$988,355
New Housing Creation Pool <ul style="list-style-type: none"> • Conversion²: <ol style="list-style-type: none"> 1. Any non-subsidized, non-tax credit housing development considered substandard (see definition) that needs substantial rehabilitation which will be converted into newly restricted and assisted affordable housing rental units; or 2. Conversion of non-residential use to residential use. • New Construction: <ol style="list-style-type: none"> 1. Newly constructed property that is created for newly restricted and/or assisted affordable housing rental units; or 2. Completely vacant and/or abandoned structures are considered new creation, including HOPE VI or Choice Neighborhood applications. 	\$988,355

² All conversion projects must meet all threshold requirements including minimum square footage and notice of inspection requirements.

Nonprofit Pool

In order to encourage the participation of local and/or State tax exempt organizations, and as required by Section 42 of the IRC, a minimum of ten percent (10%) of the housing credit ceiling for the current calendar year shall be set aside for qualified nonprofit organizations. Developments that compete in the Nonprofit Pool, but do not receive an allocation will be eligible to compete in their respective pools. If the highest ranking nonprofit sponsor/applicant requires additional credits, DSHA reserves the right to allocate the additional credits needed from another pool in which the development is qualified and/or issue a forward preliminary reservation for the remainder of credits required. See definition of a qualified nonprofit organization.

NOTE: Ownership entities that include nonprofit participation, but that do not meet the definition of a Qualified Nonprofit organization (see Definitions section) may apply but will not be eligible for consideration to compete in the Nonprofit Pool.

Preservation/Rehabilitation Pool

To further prioritize preservation developments, points will be awarded for each of the following factors up to a maximum of ten (10) points. Each factor listed below must be supported and documented as an attachment in the application:

1. Require hard cost/rehabilitation expenses that exceed \$50,000/unit: 4 points;

NOTE: All hard/rehabilitation costs will be for the building of housing units and units only. (Must be documented by the Capital Needs Assessment and proposed rehabilitation work must be past its 50% life cycle per DSHA's Construction Standards. (DSHA's Web-Based LIHTC Pro forma Tab – Cost Summary - Buildings and Units Costs (for points) - must be completed.) Costs not to be included in the \$50,000/unit, include, but are not limited to, all offices, community rooms/buildings, storage areas, maintenance areas, separate laundry facilities, all exterior work not an integral part of the building or units, all site costs, bonds, and all work not of a standard nature such as installation of awnings or solar panels. The Applicant will not be eligible for points in the Preservation/Rehabilitation Pool if DSHA's LIHTC Web-Based Pro forma Application Tab – Cost Summary - Buildings and Units Costs (for points) is not completed;

2. Have committed federal rental assistance contracts: 3 points;
3. Property was placed in service on or before December 31, 1997: 2 points; and/or
4. Property is a family development: 1 point.

In order to qualify for Section A (Tax Credits), the applicant must meet the definition of substantial rehabilitation or submit written confirmation from the tax credit allocation agency that the development's affordability expiration is imminent.

In order to be eligible under Section B (Subsidized,) the applicant must:

1. Meet the definition of substantial rehabilitation or provide written confirmation from the contract administrator of imminent expiration of affordability controls within two (2) years of application;
2. Provide a letter of confirmation that the funding source is interested in receiving an application for all applicable assistance; and
3. Commit to making an application for continued project-based housing assistance payments and/or rental assistance payments for the longest possible period and to continue to re-apply

for extensions. The obligation to apply for rental assistance payments will be a condition of any Tax Credit preliminary reservation and/or carryover agreement and a confirmation of rental assistance payments must be received prior to construction closing.

NOTE: RD Section 515 properties that are not contiguous can apply under one application as long as the ownership entity is under common ownership for all properties.

New Housing Creation Pool

All applicants in this pool will be for developments that are nonelderly unless one of the following conditions applies:

1. The application is for an elderly project with a rental subsidy contract for at least 25% of the newly constructed units; and/or
2. The application is for an elderly project in which 25% of the new affordable units are restricted to residents at 30% of AMI with rents restricted to levels affordable at 30% AMI.

The new housing creation pool was established to encourage new rental housing in response to new household growth and to relieve the conditions of "At-Risk" renter households. "At-Risk" renters are cost-burdened, residing in overcrowded or substandard units, or on assisted housing waiting lists.

Other Preliminary Reservation/Allocation Restrictions

In each calendar year, the total dollar value of the credits that can be allocated under these rules is limited by the State housing credit ceiling provided in Section 42 of the IRC. Applicants seeking these credits shall be ranked in each Pool according to their respective point scores.

Compliance with the requirements of the Code is the sole responsibility of the owner. All applicants should consult their accountant, tax attorney, or advisor as to the specific requirements of Section 42 of the Code governing the program.

Credits for all applicants will be limited to no more than: 1) **Fifty percent (50%)** per development of the State's annual Credit authority available during any allocation year, based on the maximum eligible basis limits (see definition of eligible basis limits); or 2) irrespective of the number of developments, no single development entity shall be allocated more than **fifty percent (50%)** of the total annual credit authority available during any allocation year. This shall include, but not be limited to, any consultants, co-developers, or joint ventures where the single development entity receives part of the developer's fee. A development entity that reaches **50%** of the total allocation dollars available will have its next ranked development(s) eliminated. However, if a cure item (including missed or additional costs that increase the LIHTC request) causes a development entity to exceed 50% of the total allocation dollars available, DSHA may, at its sole discretion, allow the development entity to reduce its requested credit amount to avoid having its next ranked development(s) eliminated.

Consideration for a Tax Credit allocation will be given for contiguous properties, which may or may not be controlled by a Declaration of Land Use Restrictive Covenants Relating To Low Income Housing Tax Credits or other affordable rental restrictions, as long as: 1) 70% of all units in the proposed project meet the "Preservation/Rehabilitation" definition under this QAP; 2) all contiguous properties will be under common ownership; and 3) all contiguous properties are eligible to receive acquisition and rehabilitation Tax Credits under the Code.

Once a development has received an allocation of credits, additional application(s) for credits for a subsequent phased development on the same or contiguous site(s) may not be submitted until such time as the original development is substantially complete and can demonstrate that at least ninety (90%) of the

original project is rented to qualified residents and has stable operations. Demonstration can include, but is not limited to, leases, deposits on units, relocation documentation, monthly net income reports, and/or income statements. DSHA may waive this requirement at its sole discretion.

If the applicable fraction from application to construction closing/carryover allocation changes due to over-income residents that result in a loss of credits, the difference in any equity will be the responsibility of the Applicant, not DSHA.

Program Approval

In accordance with LIHTC regulations, the allocation plan must be approved by the Governor of the State before Credits can be allocated. Governor Jack Markell approved the State of Delaware's LIHTC Program Allocation Plan on January 3, 2017. Prior to the approval by the Governor, a notification of the public hearing on the LIHTC Program's Allocation Plan was published in The News Journal and the Delaware State News between November 18 and December 7, 2016. A public hearing was held on December 8, 2016 at Liberty Court Community Building at 1289 Walker Road, Dover, DE. Oral and written comments concerning the QAP were received and recorded at the hearings. Oral and written comments were accepted until December 8, 2016 at 6:00 p.m. A transcript of the hearing is available for review at DSHA's Dover Office and has been posted to DSHA's website at www.destatehousing.com.

DISCLAIMER

The information contained herein is intended to provide guidance to the applicant in terms of the operations of the QAP. The information is not intended to be restrictive of DSHA with respect to the operation of the LIHTC Program. By submitting an application, the applicant acknowledges and agrees that statements contained in the Plan are subject to change by DSHA to reflect changes in applicable laws, regulations, and/or to otherwise maintain consistency with other DSHA programs, goals, and/or policies. Any changes to the Plan pursuant to this section will be duly noticed with an opportunity for public comments.

DSHA Policy on Civil Rights Compliance

The owner/developer/borrower and any of its employees, agents or subcontractors, in doing business with DSHA, understands and agrees that it is the total responsibility of the owner to adhere to and comply with all Federal Civil Rights legislation inclusive of the fair housing laws, Section 504 of the Rehabilitation Act of 1973, the Americans With Disabilities Act as well as any State and local civil rights legislation along with any required related codes and fair housing laws. Should DSHA not stipulate any specific requirements, such as design, it is nonetheless the owner's responsibility to be aware of and comply with all non-discrimination provisions relating to race, color, religion, sex, sexual orientation, handicap, familial status, national origin and any other classes protected in Delaware. The owners' compliance responsibility includes design requirements for construction or rehabilitation, equal opportunity in regard to marketing and tenant selection and reasonable accommodation and modification for those tenants covered under the federal and state fair housing laws.

Definitions

The definitions and terms used within DSHA's QAP and LIHTC applications are an integral part of threshold requirements as well as the review and underwriting process. Therefore, each applicant is responsible for ensuring that all applicable terms and definitions are adhered to in the submitted application.

Affordable

A unit is considered affordable if the cost of housing (rent plus utilities) is income and rent restricted not to exceed 30% of the household income, adjusted for family size.

Appraisal

An independent appraisal, which conforms to the Uniform Standards of Professional Practice and in accordance with all DSHA standards, may be commissioned by DSHA to determine a valuation for the site, land and buildings for projects financed by DSHA. Where applicable, the value of the LIHTC must be provided. Regardless of whether or not the project has received tax abatement(s), the appraisal will also provide the most recent tax assessment of the property. The cost of the appraisal will be an eligible development cost. Appraisals may be ordered by DSHA when the preliminary rankings are released for the top ranked projects. A Summary Appraisal will still be required for application.

Areas of Opportunity

Areas within the state where environmental conditions and resources exist that are conducive to helping residents achieve positive life outcomes. Examples of these conditions include availability of sustainable employment, high performing schools, supportive infrastructure and adequate transportation. These areas tend to be strong, high-value markets that contain little or no affordable housing.

Code

Internal Revenue Code (IRC), 26 U.S.C §1 et seq.

Community Revitalization Plan

A municipal, county, or regional plan that has been formally endorsed by a governing body. This includes, but is not limited to, a municipal and/or county comprehensive plan, a regional redevelopment plan, a local or neighborhood redevelopment plan or master plan as endorsed and approved by local government, or a Downtown Development District (DDD) plan for a DDD designated by the Governor. The plan must also be recent to the proposed development and community and certified by the agency that developed the plan. Plans cannot be older than five (5) years.

Complete Application

An application submission including the application, application fee(s), completed forms and all required certifications and an application that meets all threshold and eligibility requirements. A checklist of required documents is provided in the QAP- Attachment No. #8 – Application Checklist.

Consultant

Consultants can be members of the Development Team. Consultants' duties include, but are not limited to, application packaging, arrangement for syndication, closing preparation, processing draws, management liaison, etc. In order to claim points for consultant experience, the applicant must submit an agreement to DSHA, outlining the current and long-term roles of the consultant that includes the terms, fees, and other conditions. The consultant must also demonstrate that its firm will be with the project from application stage until break-even of operations, if not longer. DSHA has the right to determine Consultant eligibility.

NOTE: Consultant fees must be paid from the Developer's fees and the amount of the consultant fee must be disclosed at application. For historic projects, see also Historic Consultant definition.

Conversion

Any non-subsidized, non-tax credit housing development considered substandard and in need of substantial rehabilitation that may be converted into newly restricted and assisted affordable housing rental units or conversion of non-residential use to residential use. Completely vacant and/or abandoned structures are considered conversion for purposes of new creation, including HOPE VI or Choice Neighborhood applications.

NOTE: All conversion projects must meet all threshold requirements including minimum square footage and notice of inspection requirements.

Developer

A developer is any corporate entity, partner or individual responsible for initiating and controlling the development process and ensuring that all, or any material portion of all, phases of the development process are accomplished.

Developer Fee

A developer fee is the amount of identified uses of development funds paid as compensation for developing the proposed housing. This fee covers the overhead and profit of the developer. The amount of developer fee is limited to a maximum of 12% of total development cost excluding developer's fee, transferred reserves, relocation operating deficit reserve, bond prepayment penalty or other penalties, site environmental remediation costs, DSHA assumed debt, and land cost. In all 9% application, the developer fee cannot exceed \$1,000,000.

- For identity of interest acquisitions of either land or existing rental properties, the fee is 9% of the Total Development Cost excluding acquisition, developer fee, transferred reserves, bond prepayment penalty, relocation operations deficit reserve site environmental remediation costs, assumed DSHA debt, and land cost;
- Eligible tax credit basis will not include: 1) developer's fees exceeding the above Developer Fee limits; or 2) any Developer Fee paid on costs exceeding Eligible Basis limits;
- For tax-exempt bond projects (4% LIHTC projects), the fee cannot exceed \$1,500,000; however, any amount in excess of \$1,000,000 must be deferred and paid only from cash flow as defined by DSHA. Of the \$1,000,000 not paid from cash flow, the deferred developer fee cannot exceed \$500,000; and

- Applications from contiguous properties in the same LIHTC funding round using a combination of 9% and 4% credits will be subject to a reduction in the developer fee, unless each application is for a development of 60 units or more.

Development Team

Developments must be sponsored by a team that has development, construction and/or management experience. Members of the Development Team must evidence the capability, as determined by DSHA, which is needed to successfully undertake, complete and operate the development. The entire Development Team must be disclosed at time of application and includes, but is not limited to, the architect, developer, engineer, surveyor, real estate counsel, developer’s tax counsel, management agent, general contractor (when general contractor is chosen at application) and processing agent/development consultant (if applicable). Any substitutions of Development Team members from original application or at any time during the construction period must be pre-approved by DSHA.

Donated Land

Donated land means land (for new construction or acquisition/rehabilitation projects) on which the development will be built for which title is transferred to the Applicant and for which no consideration is provided, and for which no costs are included in the *Acquisition Costs* of the Development pro forma and budget.

An applicant or owner who holds fee title to the land/property must provide a copy of the recorded deed listing the applicant or owner as the grantee and a final settlement statement prepared by the title company evidencing the purchase of the property. Estimated settlement statements will not be accepted.

If a lease option is submitted, a copy of the agreement must be submitted and the relative agreement must provide for either a closing date or an initial term. The lease to be entered into must be attached and specify the rental amount, a term equal to or longer than the Extended Use Period, and provide for the owner of the land to execute the Declaration of Restricted Covenants.

Downtown Development District

The Downtown Development Districts Act of 2014 (the Act) was enacted by the General Assembly in order to:

- Spur private capital investment in commercial business districts and other neighborhoods;
- Stimulate job growth and improve the commercial vitality of such districts and neighborhoods;
- Help build a stable community of long term residents by improving housing opportunities; and
- Assist municipalities in strengthening neighborhoods while harnessing the attraction that vibrant downtowns hold for talented people, innovative small businesses and residents from all walks of life.

This is accomplished through local governments designating Districts and developing corresponding District Plans to support the goals of this Act. Once accepted into this program, the District Plan will serve as the focal point for coordinated action by state, local, and private entities.

Elderly Development

For the purposes of this QAP, DSHA defines an elderly development as one where all residents are 62 or older or any housing that is specifically designed and operated to assist elderly persons, as defined in a state or federal program (i.e., Rural Development or U.S. Department of Housing and Urban Development (HUD) or FHA Risk Share).

Elderly new creation developments are only eligible if one of the following conditions applies:

- 3. The elderly new creation project has a rental subsidy contract for at least 25% of the newly constructed units, or
- 4. The elderly new creation project has 25% of the newly constructed affordable units are restricted to residents at 30% of AMI with rents restricted to levels affordable at 30% AMI.

Eligible State Basis Boost

DSHA reserves the right to award an eligible state boost in eligible basis of up to thirty percent (30%), as determined by DSHA, for the highest ranked property(ies) to preservation applicants, applicants that target special needs populations, projects located in Areas of Opportunity as defined in DSHA’s Balanced Housing Opportunities map, and/or to make projects financially feasible. This additional boost is not available for properties that are in a Qualified Census Tract (QCT) or Difficult to Develop Area (DDA) since a QCT or DDA already qualifies for the additional 30% boost. The State Basis Boost is not available for tax-exempt bond projects. No applications will be accepted with an eligible state basis boost included in the tax credit calculation, with the exception of projects located in Areas of Opportunity. DSHA will determine during the ranking/underwriting process if an eligible state basis boost is needed for financial feasibility or for assisting extremely low-income households.

In order to receive the state basis boost for projects located in Areas of Opportunity, 100% of the units must be within the Area of Opportunity to receive a state basis boost of up to thirty percent (30%). If only 50-99.9% of the units are located within an Area of Opportunity, the project is only eligible receive a state basis boost of up to fifteen percent (15%). If less than 50% of the units are located within an Area of Opportunity, the project is not eligible for a state basis boost.

Eligible Basis Limitations

Eligible basis limits are limitations on total eligible basis as defined in section 42(d) of the code, excluding the QCT 30% adjustment factors based on number of bedrooms. Market rate units are not included in the eligible basis calculation. The limits replicate the Section 234 Basic Mortgage Limits established by HUD and utilized under the HOME Program.

Limits, effective 01/01/2016, are as follows:

<u>0 bedroom</u>	<u>1 Bedroom</u>	<u>2 Bedroom</u>	<u>3 bedroom</u>	<u>4 bedroom</u>
\$140,107	\$160,615	\$195,305	\$252,662	\$277,344

A project whose total eligible basis exceeds the above limit may participate in the program; however, the maximum amount of credits allocated to a development is limited to the amount of eligible basis or the eligible basis limit, whichever is lower.

Energy Audit

Architect shall hire a professional firm certified by the Building Performance Institute. The firm shall provide an audit of existing properties to determine which energy saving measures can be incorporated into the architects' design. New construction drawings shall also be reviewed by a certified firm to include the proposed energy saving measures into the final design.

Environmental Site Assessment

A Phase I Environmental Site Assessment shall be prepared in accordance with ASTM E-1527-13 and is required for all applications. The report cannot be more than 12 months old at the time the application is submitted to DSHA. The report shall be accompanied by a certification from the applicant stating that any issues raised in the environmental site assessment have been reviewed and budgeted accordingly in the development budget.

Environmental Audit

A Phase I Environmental Audit is required for all applications with existing buildings. The Phase I Audit report must include the results from the following tests: lead in water, lead-based paint, asbestos and radon. Only the executive summary of the report shall be submitted in the hard copy application, however, the full report shall be submitted with the electronic application. Cost estimates for any remediation work shall be provided and included in the executive summary and in the development budget.

Equity

Gross Equity: the amount of equity raised for the development before any amounts for fees or other deductions are made.

Net Equity: all equity raised for the development, less syndication fees imposed by syndicator and allowances by DSHA (i.e., syndicator legal/accounting fees, 1.50% allocation/carryover fees, transitional reserves, operating reserves, and monitoring fee amounts).

Identity of Interest

DSHA has further defined identity of interest as it relates to the Developer fee as an affiliate and/or related party that: (i) has a spousal or family relationship, parent-subsidary relationship, or where owners, officers, directors, partners, stockholders or members of one business entity has a five percent (5%) or more interest in the other business entity; or (ii) where a substantial relationship exists between the parties directly or indirectly through (a) common family, (b) common general partners or members, (c) common control of the entities, or (d) the person or entity is otherwise controlled in whole, or in part, by the other person or entity.

A tax attorney's opinion must be submitted at application in order for the related party to qualify for acquisition credits in accordance with Section 42. The opinion must state that the owner is entitled to claim acquisition credits under Section 42 in accordance with IRC related party requirements. However, the opinion is not required for acquisition credits when the property is acquired more than 10 years after the later of the date the building was placed in service or the date of the most recent nonqualified substantial improvements were made or for properties receiving federal subsidy such as HUD Section 8,

Section 221(d) 3, Section (d) 4, Section 236 & USDA Section 515 or any other housing program administered by HUD or the Rural Housing Service of the Department of Agriculture.

NOTE: See Developer Fee definition for Related Party Developer Fee Calculation.

Historic Consultant

For developments utilizing historic rehabilitation tax credits, DSHA will allow a reasonable historic consultant fee (also must meet Consultant definition) in both Total Development Cost and eligible basis. The historic consultant fee may not exceed \$30,000. A contract to provide historic consultant services must be submitted with the application and the historic consultant must be a certified expert.

Interim Income

All project operational income received prior to permanent closing, including federal housing assistance payments, less routine operating expenses (which includes any debt service normally paid during the construction period, but specifically excluding construction loan interest unless pre-approved in writing by DSHA). Interim income as a funding source must be pre-approved by DSHA. Funding of an approved reserve from interim income will not be considered to have caused a deficit in operations due to off-site relocation. Additionally, interim income may not be used as collateral for any loan (other than a standard assignment of rents and leases), operating deficit guarantee or letter of credit.

Literally or Imminently Homeless

The definition, in summary, includes individuals and families who lack a fixed, regular, and adequate nighttime residence and includes individuals who live in an emergency shelter or a place not meant for human habitation or leaving an institution where he or she temporarily stayed, or individuals and families who will imminently lose their primary nighttime residence, or unaccompanied youth and families with children who are defined as homeless under other federal statutes, or individuals and families who are attempting to flee some sort of abuse, i.e. domestic, dating, sexual, etc.

Low-Income Unit

As defined by IRC Section 42(I)(3), a family is considered low income if its income is less than 60% or 50% of AMI, adjusted for family size, depending upon whether the applicant elects to satisfy the “20-50 test” or the “40-60 test” under IRC Section 42(g)(1).

Market Study

All requirements as outlined in DSHA’s Market Study requirements (See QAP Attachments for requirements) and certified as follows:

The market analyst shall certify that:

- A. He or she is an independent, third party professional with no financial interest in the development other than in the practice of his or her profession;
- B. He or she has the requisite knowledge to proceed with the study;
- C. He or she has personally inspected the subject property and the comparable properties analyzed in the report;

- D. He or she has conducted the study in accordance with Standards 4 and 5 of the Uniform Standards of Professional Appraisal Practice (USPAP); and
- E. He or she certifies that the DSHA's Market Study requirements were followed.

Mixed Income/Market-Rate Development

A mixed income/market rate development is one where at least 20% and no more than 50% of the total units in the development are not tax credit rent-restricted and not subject to income limits. For projects utilizing the Housing Development Fund, rental rates for market rate units must be set at a level affordable to residents at 80% of AMI.

New Housing Creation

The creation of newly affordable rent and income restricted units.

A. Conversion:

- i. Any non-subsidized, non-tax credit housing development considered substandard (see definition) that needs substantial rehabilitation which will be converted into newly restricted and assisted affordable housing rental units, or
- ii. Conversion of non-residential use to residential use.

NOTE: All conversion projects must meet all threshold requirements including minimum square footage and notice of inspection requirements.

B. New Construction:

- i. Newly constructed property that is created for newly restricted and/or assisted affordable housing rental units, or
- ii. Completely vacant and/or abandoned structures are considered new creation, including HOPE VI or Choice Neighborhood applications.

In addition, all applicants to this pool will be for developments that are nonelderly unless one of the following conditions applies:

- 5. The application is for an elderly project with a rental subsidy contract for at least 25% of the newly constructed units, or
- 6. The application is for an elderly project in which 25% of the new affordable units are restricted to residents at 30% of AMI with rents restricted to levels affordable at 30% AMI.

The new housing creation pool was established to encourage new rental housing in response to new household growth and to relieve the conditions of "At-Risk" renter households. "At-Risk" renters are cost-burdened, residing in overcrowded or substandard units, or on assisted housing waiting lists.

Preservation/Rehabilitation

- A. Tax Credits: Any tax credit housing development, (1) in need of substantial rehabilitation or (2) at risk of losing its affordability.

- B. Subsidized: Any currently occupied subsidized housing development or demolition/new construction of subsidized units (see definition of subsidized housing) (1) in need of substantial rehabilitation or (2) at risk of losing its affordability (within 2 years of application).

In order to qualify for the preservation/rehabilitation point category, for each of the above definitions, the application must meet the definition of substantial rehabilitation or submit written confirmation from the Tax Credit agency or subsidy contract administrator that the development's affordability expiration is imminent.

Qualified Census Tract

Defined in Section 42(d)(5)(C) of the Code means a census tract designated by the Secretary of HUD in which 50% or more of households have an income less than 60% of median gross income or in which there exists a poverty rate of 25% or greater. A listing of Qualified Census Tracts (QCT) is included in the QAP Attachments.

Qualified Nonprofit Organization:

Pursuant to Section 42(h)(5)(B) of the Code, a qualified nonprofit entity means an entity that owns an interest in the development (directly or through a partnership) and materially participates in the development and operation of the development throughout the compliance period and must not be affiliated with or controlled by a for-profit organization.

Section 42(h)(5)(C) of the IRC defines a qualified nonprofit organization as:

- i. Such organization is described in paragraph (3) or (4) of Section 501 (c) and is exempt from tax under Section 501 (a);
- ii. Such organization is determined by the State housing credit agency not to be affiliated with or controlled by a for-profit organization; and
- iii. One of the exempt purposes of such organization includes the fostering of low-income housing.

For nonprofit/for profit joint venture developments, applicant must submit an agreement to DSHA, outlining the current and long-term roles of the partners. An **unqualified** legal opinion must be submitted with the application that states the joint venture meets the requirements of Section 42 of the IRC as it relates to being considered eligible to compete in the Nonprofit Pool. DSHA further requires that the nonprofit partner must maintain a 100% ownership interest in the general partner throughout the compliance period.

In addition, in order for a specific nonprofit organization known as a Community Housing Development Organization (“CHDO”), under the HOME Program, to participate in a LIHTC rental development and receive HOME funds set aside for CHDOs and related operational expense funding, the CHDO must “Sponsor” the rental housing. A CHDO Sponsor in a LIHTC rental development is defined as follows:

The CHDO must maintain effective project control when acting as a Sponsor of the rental housing. A CHDO sponsors rental housing under the LIHTC Program when the property is owned by:

1. A subsidiary of the CHDO (in which case the subsidiary, which may be a for-profit or nonprofit organization, must be wholly owned by the CHDO);
2. A limited partnership (in which case the CHDO or its wholly owned subsidiary must be the sole general partner); or
3. A limited liability company (in which case the CHDO or its wholly owned subsidiary must be the sole managing member).

If the limited partnership or limited liability company agreement permits the CHDO to be removed as sole general partner or sole managing member, respectively, the agreement must require that the removal be “for cause” and that the CHDO must be replaced by another CHDO. In addition, HOME funds must be provided to the entity that owns the project (HOME funds must be provided to the Limited Partnership or Limited Liability Company (Owner) in a LIHTC development rather than to the CHDO itself).

Ownership entities that include nonprofit participation but that do not meet the definition of a Qualified Nonprofit organization (above) may apply but will not be eligible for consideration to compete in the Nonprofit Pool.

Related Party

IRS regulations state that two persons are related if the same persons own more than fifty percent interests or profits in multiple partnerships. Also see Identity of Interest definition.

Special Populations and Target Units

Developments must set aside a minimum of 5% of the total units or three (3) units, whichever is greater, for special populations (target units). Target units: 1) are set-aside for special populations as defined below; 2) are rent- and income-restricted to 40% of AMI; and 3) have applicants referred from a referral system as managed by DSHA. Regardless of the size of the development, all developments with project based rental assistance must target five (5) units or 5%, whichever is larger.

Targeted special populations include:

- Veterans;
- Persons with HIV/AIDS related illness;
- Literally or Imminently Homeless;
- Survivors of Domestic Violence (in accordance with Delaware State Code Title. 13, § 703A);
- Persons with Disabilities including persons with mental illness; persons with physical disabilities, and/or persons with intellectual or developmental disabilities;
- Youth exiting foster care or persons exiting state run-institutions; and
- Other special needs populations identified in DSHA’s needs assessment may be considered at DSHA’s sole discretion.

Target units may not be segregated within in the property or in any way distinguishable from non-targeted units (beyond the presence of accessible features or assistive technology) and targeted unit mix will depend on the needs of the referred households.

An agreement shall be in place with the referring entity, DSHA, and the owner to assure that sufficient referrals of special population-eligible households for tenancy are received at the time of execution of the carryover agreement.

Applicants shall be willing to allow for physical or safety accommodations necessary for the target populations. For example, for survivors of domestic violence may require additional security systems within their own units, safety ladders, unit requests for floors and/or buildings, or panic bars on certain entrance doors.

When ADA-compliant target units are not occupied by households that need the target unit, a lease addendum for the non-special needs household will be required for the non-special needs household to transfer to the next available non-target unit (of comparable or smaller size) when a household that needs the target unit applies and is accepted to the development.

All applicants will complete a targeting plan and will sign an agreement certification and memorandum of understanding with DSHA.

Section 811 Project Rental Assistance Demonstration (PRA Demo) Program

The Section 811 Supportive Housing for Persons with Disabilities is a HUD program. Through the Section 811 Supportive Housing for Persons with Disabilities program, HUD provides funding to develop and subsidize rental housing with the availability of supportive services for very low- and extremely low-income adults with disabilities. The Frank Melville Supportive Housing Act of 2010 made broad changes to the Section 811 Supportive Housing Program, including the authorization of a demonstration program to distribute project-based rental assistance via state housing finance agencies who have established partnerships with their state departments of health and social services to provide services. This demonstration program (“Section 811 PRA Demo Program”) was announced via NOFA in 2012, and in early 2013, HUD announced its intent to award DSHA funding.

The PRA Demo Program will allow DSHA to enter into Rental Assistance Contracts (RACs) with new or existing multifamily housing complexes funded with other Federal or State assistance (Low Income Housing Tax Credit, HOME, or other State, Federal or local programs, such as the Housing Development Fund). Under the RACs, HUD, via DSHA, will provide rental assistance for a percentage of units in the development to target extremely low income nonelderly people with disabilities. Additional detail about the PRA Demo Program at the HUD level may be found at http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/mfh/grants/section811ptl/demoNOFA. DSHA intends to first target units to existing multifamily projects. If not all units are distributed to existing sites, they may be made available to projects seeking LIHTC financing.

Social Services

One or more of the following types of services to improve the quality of life of the residents of the development may be offered. The services must be affordable, appropriate, available, and accessible and must be provided to the development’s residents in every calendar quarter for a total of eight (8) hours per year. In order to receive the maximum number of points (3), at least three qualifying services must be provided, representing a total of 24 hours of qualified services provided to the development’s residents.

Applicants must submit a narrative describing the services to be provided, a curriculum for any classes, a description of why the services are appropriate for the population, how the services will be publicized and marketed, and expected outcomes and benefits. The services must be distinct to qualify for the points – for example a series of financial literacy classes, even on different topics such as budgeting/spending or understanding your credit/credit counseling, would count as one financial literacy class. The cost and source of funds to pay for social services must be included in the application. Services should be actively linked to the residents and not simply provided to the community at large and can be provided on-site or off-site. If services are provided off-site, a memorandum of understanding (MOU) with the off-site service provider (i.e., senior center, service center, etc.) must be submitted with the application. The MOU must stipulate a transportation plan for regularly scheduled trips to the facility and classes, a schedule of classes, attendance proof and record keeping, as well as the narrative described above.

Examples of services include but are not limited to, the following:

- Parenting programs;
- Literacy programs;
- Day Care;
- Job Training;
- Nutritional services;
- Transportation services;
- Financial literacy and counseling;
- Adult Day Care; and
- Substance Abuse Counseling or Referral.

DSHA allows for reasonable substitutions of services at DSHA’s discretion. Prior to application deadline, Applicants are invited to propose social services in writing, in addition to those listed and may, at DSHA’s discretion, receive points for them.

Subsidized Housing

Any housing that presently has HUD, USDA Rural Housing Service (RD), HUD public housing subsidies and/or equivalent project-based rental assistance contracts on at least 75% of the units. Demolition/new construction of subsidized units are eligible as subsidized housing, if the subsidy contract remains intact, and at least 75% of the subsidized units are to be replaced and meet the substantial rehabilitation threshold. A copy of any pertinent contract for subsidy must be submitted with the application.

Substandard Housing

Substandard housing is a unit or building that meets the definition below and is in need of substantial rehabilitation in order to make the unit or building structurally sound, safe and habitable and meet local housing or building codes.

A housing unit is substandard if it has one or more of the following conditions:

1. Does not provide safe and adequate shelter;
2. Endangers the health, safety, or well-being of a family in its present condition;
3. Has one or more critical defects;

4. Has a combination of intermediate defects in sufficient number or extent to require considerable repair or rebuilding (the defects may involve original construction or they may result from continued neglect or lack of repair or rebuilding);
5. Does not have operable indoor plumbing;
6. Does not have a usable flush toilet, bathtub or shower inside the unit for the exclusive use of a household;
7. Does not have electricity or has inadequate or unsafe electrical service;
8. Does not have a safe or adequate source of heat;
9. Does not have a kitchen; and/or
10. Has been declared unfit for the habitation by an agency or unit of government.

Critical defects include: Walls, partitions, supporting members, sills, joists, rafters, or other structural members list, lean, or buckle; are rotted, deteriorated, or damaged; or have holes or cracks. Floors or roofs do not have adequate supporting members and strength to be reasonably safe. Foundation walls, piers or other supports are deteriorated or damaged. Steps, stairs, landings, porches, or other parts or appurtenances are maintained in such condition that they will fail or collapse. The roof, flashings, exterior walls, basement walls, floors, and all doors and windows are not weather tight.

NOTE: “Single room occupancy” (SRO) housing is NOT substandard solely because it does not contain sanitary or food preparation facilities (or both). SRO is a unit which contains no sanitary facilities or food preparation facilities or which contains one but not both types of facilities and which is suitable for occupancy by a single eligible individual capable of independent living in accordance with 24 C.F.R. § 882 102.

Substantial Rehabilitation

All units in a Development must receive the same upgrades/modifications or rehabilitation work and be brought up to the same standards. A Rehabilitation development is considered to be undergoing substantial rehabilitation if the minimum rehabilitation cost per unit is at least \$30,000 of hard cost and meets both of the following conditions (unless otherwise approved by DSHA):

Condition One: The building’s most recent use has been residential, and

Condition Two: One hundred percent (100%) of the units within the existing structural framing are being rehabilitated.

Developments with rehabilitation and new construction combined will not be considered rehabilitation developments if more than 25% of the existing units are added as new units to the site. An exception as defined in Subsidized Housing previously will be made for HUD’s public housing program. Conversely, for projects that are removing units for accessibility purposes or adding a community center, at least 75% of the original unit configuration must be maintained.

Application Process

An applicant may apply for credits for the current year only. The deadline for submission of each cycle is disclosed on the cover page of the application package.

Applications must be submitted to DELAWARE STATE HOUSING AUTHORITY, 18 The Green, Dover, Delaware 19901, **no later than 3:00 p.m. on April 28, 2017**. Late submissions will not be accepted. One complete paper copy of the LIHTC web-based application with all attachments/exhibits and one electronic (CD or flash drive) application must be submitted. All paper applications must have original signatures. For the electronic application, the CD or flash drive should be labeled with the Project Name. A Table of Contents should list the web-based application and each Exhibit Number and Name of Exhibit. **The Exhibits should be scanned as separate files and labeled accordingly.**

Only complete application packages will be considered for an allocation of LIHTCs. Incomplete packages will be returned to the applicant and the application will not be eligible to compete for tax credits in the current round.

The application package contains all forms and instructions. The Application Checklist provides a complete list of attachments, which are to be appropriately labeled and submitted with the application forms. All documents are required, even if applicants have submitted similar documents to DSHA in the past (i.e. financial statements). Exhibits and questions that do not pertain to a particular development should be noted as such.

The applicant must complete all applicable questions and supply all documents that are requested in the application package. All questions seeking clarification or interpretation of the QAP must be submitted in writing to DSHA for clarification no later than fifteen (15) days prior to the submission deadline date.

The application should be comprehensive in addressing all information necessary for a responsible funding decision. Upon the application meeting minimum threshold requirements, DSHA reserves the right to request additional information during the review process should it be deemed necessary. Any such information requested and/or provided shall be considered part of the application and shall be subject to the above acknowledgments, agreements and waivers.

No application for credits will be accepted for any building or property that has previously claimed credits and is still subject to the initial compliance period for such credits after the year such building is placed in service. This also includes all developments for which tax-exempt bonds of DSHA or an issuer other than DSHA has been issued and are still subject to the initial compliance period.

Application Fees and Processing

Pursuant to 31 Del.C. § 4028, upon receipt of an application, DSHA will notify any state senators and representatives whose districts include the area where the applicant's proposed development is located, as well as the chief executive officer of any local government having jurisdiction where applicant's proposed development is located.

A non-refundable application fee of **\$1,250** must accompany all applications, including applications for volume cap credits, at the time of submission. At carryover/construction closing of the credits, including

volume cap credits, an additional 1.50% of carryover/allocation amount x ten (10) years is due. Prior to the allocation of credits, issuance of IRS Form 8609 or Carryover Agreement, whichever is issued first, a **\$600 per unit** compliance monitoring fee is due. All fees are non-refundable.

For projects requesting DSHA funding sources, including, but not limited to, Housing Development Fund (HDF), National Housing Trust Fund (NHTF), Affordable Rental Housing Program (ARHP), or HOME Program (HOME) financing, an additional non-refundable application fee of **\$1,250 (per requested funding source)** must accompany all applications, including applications for volume cap credits and DSHA funding sources, at the time of submission.

SEVERABILITY

If any provision of the QAP or the application thereof to any applicant, person, or circumstance is held invalid, such invalidity shall not affect other provisions or applications of the plan which can be given effect without the invalid provision or application, and to that end the provisions of this plan are declared severable.

DSHA Fee Schedule

The fees outlined herein are applicable to all applicants seeking DSHA resources and should be included in the development budget of the application. Interest rates and annual expenses are determined during underwriting based upon market conditions. All fees are non-refundable, non-transferable, and due as designated in the schedule below.

2017 DSHA FEE SCHEDULE		
Application Fees		
<i>9% and 4% Tax Credit Multifamily Application Fee</i>	\$1,250	Due with submission
<i>ARHP/HDF Financing Application Fee</i>	\$1,250	Due with submission
<i>HOME/NHTF Financing Application Fee</i>	\$1,250	Due with submission
Tax Credit Program Fees		
<i>9% and 4% Tax Credit Multifamily Application Fee</i>	1.50% of carryover or allocation x 10 years	Due at carryover or construction closing
Monitoring, Compliance, and Asset Management Fees		
<i>Compliance Monitoring Fee (one-time, per unit)</i>	\$600	Due prior to allocation, issuance of 8609, or carryover, whichever is first
<i>Asset Management Fee (one-time, per unit)</i>	\$250	Due prior to construction closing; any HOME and NHTF units will be excluded from this fee
Construction Financing*		
<i>ARHP/HDF Construction Loan Commitment Fee</i>	1.25% of approved loan amount	Due at construction closing
<i>ARHP/HDF Construction Loan Interest Rate</i>	3.00%	Due at monthly installments
<i>HOME/NHTF Construction Loan Commitment Fee</i>	0.00%	
<i>HOME/NHTF Construction Loan Interest Rate</i>	3.00%	Due at monthly installments
Permanent Financing*		
<i>ARHP/HDF Permanent Loan Commitment Fee (applied to fully amortizing or interest-only permanent loans)</i>	1.25% of amortizing or interest-only loan amount	Due 50% at construction closing and 50% at permanent closing
<i>ARHP/HDF Permanent Fully Amortizing or Interest-only Permanent Loan Interest Rate</i>	5.00%	Due at monthly installments
<i>ARHP/HDF Deferred Permanent Loan Interest Rate</i>	1.00%	Deferred; accrued interest due from cash flow
<i>HOME/NHTF Permanent Loan Commitment Fee</i>	\$0.00	
<i>HOME/NHTF Deferred Permanent Loan Interest Rate</i>	0%-1%	USDA loans-Principal due in full at the end of maturity date; Non-USDA loans-Deferred accrued interest due from cash flow
Administration Fees		
<i>Waiver Request Fee (per each item from DSHA's Minimum Construction Standards or Underwriting Guidelines)</i>	\$500	Due upon request (after award or during construction). No waiver requests will be accepted prior to application.
<i>Re-design Review Fee (per each re-review of plans and specifications)</i>	\$500	Due at submission of revised plans
<i>Incomplete Draws and Change Orders (re-processing fee)</i>	\$250	Due prior to approval of draw or change order
<i>Re-inspection Fee (after the first two inspections)</i>	\$500	Due prior to re-inspection or issuance of approval to occupy
<i>Cost Certification Penalty Fee</i>	\$5,000	Due if cost certification is not submitted within 90 days after DSHA provides the "Permission to Occupy"
<i>Cost Certification Penalty Fee</i>	\$500	Due for each additional week cost certification remains outstanding
<i>Forward Reservation Fee</i>	1.25% of carryover amount	Due at submission of request, fee amount not to exceed \$15,000
*Interest rates and repayment schedules of loans will be influenced by the income mix of the persons served, as well as the financial viability of the development.		

Additionally, the following fee schedule applies to all tax-exempt bond-financed projects:

2017 DSHA Fee Schedule for Tax-Exempt Revenue Bonds		
Application Fee	\$500	Due with submission
Issuance Security Deposit	40 basis points of total proposed issuance amount	Due upon application approval, refunded if bonds are issued within 100 days of allocation
Issuance Fee	35 basis points of issuance amount or \$100,000, whichever is less	Due at bond closing
Monitoring Fee	5 basis points of issuance amount	Due at bond issuance
Annual Issuer Fee	12.5 points of initial bond amount	Due annually, payable in arrears
Additional Costs of Issuance	May include, but are not limited to, fees of bond counsel, underwriter, trustee, financial advisor, and rating fees. Deposit, less other expenses shall be credited to payment of this amount. Only 2% of the proceeds of the bond issuance may be used to pay these costs.	

Cure Period

DSHA retains the absolute right to determine that an application is substantially incomplete and ineligible for further review. DSHA may also choose to allow for the immediate correction of minor/immaterial defects in an application. Should DSHA choose to allow immediate correction, applicants shall be given 48 hours from the time of DSHA notification to cure defects with their application, except for applications that DSHA deems to be substantially incomplete. Examples of items that DSHA may consider as “curable” are further described below:

1. If the applicant has failed to include a required document, the applicant may supply the document, provided, however, that the document existed on the application deadline date and, if the document is a legal agreement or instrument, the document was legally effective on the application deadline date;
2. If statements or items in the application are contradictory or mutually inconsistent, the applicant may present information resolving the contradiction or inconsistency, provided, however, that the information accurately reflects the state of affairs on the application deadline date; and/or
3. The applicant may provide any required signature that has been omitted, except for applications that DSHA deems to be substantially incomplete.

DSHA shall notify the applicant of any curable defects it discovers by telephone, and, simultaneously, in writing electronically (e-mail). The applicant's corrective submission shall not be considered unless it is

received by DSHA no later than forty-eight (48) hours (excluding weekends and legal holidays) from the applicant's receipt of the notification from DSHA. If an applicant cures one or more defects in the manner set forth above, DSHA will deduct one point for each ranking category defect cured from the project's score in determining its ranking in the application cycle.

If an applicant fails to respond to DSHA's notification of curable defects within the 48-hour cure period, or if an applicant's response is non-responsive to the question asked, a negative conclusion shall be drawn. Failure to respond to an item in a cure notification will result in the denial of points in that category or the application may be deemed to not meet threshold.

After the application deadline, telephone calls or other oral or written communications on behalf of a tax credit applicant (for example, from a project's development team, elected representatives, etc.) other than information submitted pursuant to the above shall not be accepted or considered before preliminary reservation awards have been announced.

DSHA shall determine whether any defect in an application is minor or immaterial. Further, if DSHA allows an applicant to cure certain minor/immaterial defects, that does not constitute approval or acceptance of the application in any respect, and is not an assurance that the application will, upon complete review, be deemed acceptable or in compliance with the QAP or DSHA policy.

Review and Selection Process

Only developments that meet all federal and state program requirements and meet minimum threshold requirements will be reviewed for credits.

DSHA will notify the state representative, state senator, and chief executive officer having jurisdiction over the location of any application meeting the minimum threshold eligibility requirements. Such notices will indicate that the applicant has met the minimum threshold requirements under the plan and generally explain the process for reviewing applications for the possible awarding of tax credits.

DSHA will score the developments strictly in accordance with the QAP with consideration for any penalty points imposed from previous application(s). Prior to making allocations in accordance with rankings pursuant to the QAP for the current year, DSHA shall allocate credits to developments which (i) received Forward Reservations of credits in previous years and (ii) in the determination of DSHA, have met any conditions to such Forward Reservations and are ready to receive an allocation of credits.

In accordance with federal requirements, a determination that the credits allocated to a development do not exceed the amount DSHA finds necessary for the financial feasibility of the development and its viability as a qualified low-income housing development will be made again at the time of allocation and at the time the development is placed in service.

A development cannot be allocated credits in an amount that exceeds the amount necessary to make the development feasible. Therefore, the amount of credit allocated to the development may change from initial credit preliminary reservation.

Preliminary Ranking Notifications, Appeals and Unused Credits

Based on the rankings, threshold eligibility review, and needs analysis, DSHA shall make preliminary reservation award recommendations to the Director of DSHA (Director). An applicant may appeal

DSHA's ranking decision by submitting a written request for reconsideration to the Director no later than fifteen (15) days from the date of the announcement of the ranking of applications. The request must include a comprehensive discussion of the basis for the reconsideration. Such requests will be considered promptly by the Director and the decision of the Director shall constitute final agency action. In the absence of a request for reconsideration, the date of the ranking announcement shall constitute the date of final agency action. The Director shall review the rankings, eligibility, and tiebreaker decisions. DSHA decisions are final.

Within ninety (90) days of application deadline and submission, DSHA will notify Applicants in writing whether or not they received a preliminary reservation and the basis of the decision. The preliminary reservation letter will enumerate the maximum amount of credit available to the development, as well as the conditions that will be required for the final allocation of credits.

Any unused credits will be provided to the highest-ranking project that requires the least amount of credits. DSHA may reserve credits to the next highest-ranked project as a result of returned credits from a previous allocation year or withdrawal or disqualification of a higher-ranked project. A development which does not initially appear to rank high enough for a preliminary reservation of tax credits, but is subsequently considered for a preliminary reservation as a result of the above, will be given a new timetable in order to allow reasonable time to obtain the necessary financial commitments and/or documentation required by DSHA before making a carryover allocation of credits.

Forward Reservations/Commitments

DSHA reserves the right, at its sole discretion, to reserve a portion of its credits for a year subsequent to the current year for a highly-ranked development that received only partial funding in the current year due solely to limited credit availability. DSHA's determination to reserve will be based on the amount of credits needed to demonstrate financial workability, readiness to proceed and other considerations deemed appropriate. The amount actually allocated in the subsequent year may be less than the amount reserved depending on DSHA's determination regarding the financial feasibility of the development. DSHA shall only make forward commitments from the following year's allocation and not in an amount greater than the balance of the credits available in the current year, after the highest-ranked projects have received their full complement of credits.

DSHA's Director reserves the right to amend the Forward Reservations requirements at his/her sole discretion. (Also see Non-Compliance with Placed in Service Date further information).

The Delaware Freedom of Information Act

By submitting this application, the applicant acknowledges and agrees that the Application, including any market study, shall be deemed a "public record" for the purposes of the Delaware Freedom of Information Act ("FOIA"), codified at 29 Del. C. §§ 10001 - 10005. If information included in an application is exempt from disclosure as trade secrets or commercial or financial information of a privileged or confidential nature, DSHA will protect such information from disclosure to the extent permitted by § 10002(g)(2) of FOIA. DSHA shall determine in its discretion whether application material is exempt from disclosure as a trade secret or confidential or proprietary information. Applicant acknowledges and agrees that any portion of the application which is determined by DSHA to not constitute confidential

financial or trade secret information exempt from disclosure under FOIA shall be subject to public examination and copying.

It is the policy of DSHA to not release to any third party any application materials until after the ranking of projects and allocation of credits has been announced. DSHA expressly reserves its authority to withhold all such information from third party requests pending the completion of the ranking process, to the extent permitted by FOIA. DSHA will endeavor to respond to FOIA requests for application materials as promptly as possible, and absent unusual circumstances, will release to any requesting party public documents related to application materials within fifteen (15) business days of a written request. Any requests should be directed to FOIACoordinator@destatehousing.com.

Tax-Exempt Bond-Financed Developments

Tax-Exempt Bond Applications without DSHA financing

Applications for projects financed with tax-exempt private activity bonds will be accepted by DSHA throughout the year.

Properties financed with tax-exempt bonds may receive 4% tax credits without participating in the annual competitive allocation process described in this QAP for 9% applications. In order to receive 4% tax credits, properties must receive the following:

- A determination that they satisfy the requirements for the allocation under the QAP pursuant to the IRS Code Section 42(m)(1)(D);
- DSHA's determination that a property satisfies the requirements of the QAP and will be based on the property meeting all of the Threshold Requirements described in the QAP;
- Complete applications must be submitted and approved by DSHA before the tax-exempt bonds are sold;
- Tax-exempt bond-financed properties must make an application for tax credits prior to construction or rehabilitation of the property and will receive tax credits on the full amount of their eligible basis only if at least 50% of the development's aggregate basis is financed with tax-exempt bonds. In the event that a tax-exempt bond property is proposed in the same area as competing tax credit properties, the market study must provide an acceptable demand analysis; and
- An application must score a minimum of fifty (50) points.

Tax-Exempt Bond Applications with DSHA financing

Developments proposed to be financed with tax-exempt bond financing and requesting funding from HDF or DSHA must apply to DSHA on the same deadline as DSHA requires for its annual tax credit application round for 9% tax credits.

NOTE: Developments applying for 4% tax-exempt bond financing and DSHA financing are not required to compete with the 9% tax credit applications.

- A set-aside minimum of **\$6,000,000** of HDF funds will be made available for 4% tax-exempt bond applications seeking HDF funding. **Please see HDF supplement for additional information.**
- Eligible projects will include:
 - Preservation projects, which include Year-15 tax credit projects³ currently in DSHA’s LIHTC portfolio; and
 - New Creation, which includes new construction and conversion projects.
- Projects will receive tax credits on the full amount of their eligible basis only if at least 50% of the development’s aggregate basis is financed with tax-exempt bonds. In the event that a tax-exempt bond property is proposed in the same area as competing tax credit properties, the market study must provide an acceptable demand analysis.
- DSHA’s goal is for all 4% tax-exempt applicants to meet threshold in as many point scoring categories as possible.
- An application must score a minimum of fifty (50) points. If DSHA receives more than one (1) 4% bond application seeking HDF or DSHA financing, the application(s) with the highest point score will be awarded a preliminary ranking over other applications.
- DSHA will be the bond issuer.
- DSHA's determination that a property satisfies the requirements of the QAP and will be based on the property meeting all of the Threshold Requirements described in the QAP.

Please see DSHA Funding Supplement for additional information.

Other Tax-Exempt Bond Information

- For developments seeking tax-exempt financing, DSHA may waive timelines, processing and other QAP requirements, at its sole discretion, to encourage and facilitate such financings. Additionally, for the purposes of the 4% tax credits, DSHA, upon a showing of good cause by the applicant, may waive the \$30,000 hard cost minimum requirement for substantial rehabilitation. Such a waiver shall be in the sole discretion of DSHA and shall only be granted upon a showing that the proposed rehabilitation is sufficient in terms of quality and significance, notwithstanding the fact that it does not meet the \$30,000 requirement.
- DSHA, at its sole discretion, may waive the requirement to make applications for 4% tax credits and HDF financing on the same deadline date as the 9% tax credit application round for applicants where a special appropriation is approved by the state legislature or new federal funding/subsidy is committed for a specific development and/or type of development.
- DSHA may consider subsequent financing of phased sites on a case-by-case basis.

³ For 4% tax-exempt applications, Y15 tax credit projects must demonstrate that the initial fifteen (15)-year compliance period requirement will be met by the proposed construction closing date.

Tax-Exempt Revenue Bond Fees

The fees outlined herein are applicable to all applicants seeking DSHA resources and should be included in the development budget of the application. Interest rates and annual expenses are determined during underwriting based upon market conditions. All fees are non-refundable, non-transferable, and due as designated in the schedule below.

2017 DSHA Fee Schedule for Tax-Exempt Revenue Bonds		
<i>Application Fee</i>	\$500	Due with submission
<i>Issuance Security Deposit</i>	40 basis points of total proposed issuance amount	Due upon application approval, refunded if bonds are issued within 100 days of allocation
<i>Issuance Fee</i>	35 basis points of issuance amount or \$100,000, whichever is less	Due at bond closing
<i>Monitoring Fee</i>	5 basis points of issuance amount	Due at bond issuance
<i>Annual Issuer Fee</i>	12.5 points of initial bond amount	Due annually, payable in arrears
<i>Additional Costs of Issuance</i>	May include, but are not limited to, fees of bond counsel, underwriter, trustee, financial advisor, and rating fees. Deposit, less other expenses shall be credited to payment of this amount. Only 2% of the proceeds of the bond issuance may be used to pay these costs.	

Threshold Requirements

Applications shall meet all of the threshold eligibility requirements listed in this section in order to be admitted into a pool. In addition, applications must meet all applicable definitions and terms within the QAP and related documents for threshold purposes.

IRS Threshold Requirements

1. Projects must set-aside a minimum of:
 - a. Twenty percent (20%) of the units to be occupied by households with incomes at or below 50% of median gross income, adjusted for family size, for each county; or
 - b. Forty percent (40%) of the units to be occupied by households with incomes at or below 60% of median gross income adjusted for family size, for each county.

The choice between complying with the 20-50% test or the 40-60% test, as well as the determination as to the number of housing units that will be set aside for low-income households in total must be made at the time of application for tax credits and maintained for the entire compliance period. Once made, both decisions are irrevocable.

2. Units must be rent-restricted with gross rents for a qualifying unit at or below 30% of the Imputed Income Limitation applicable to such units. If the costs of any utilities, excluding telephone, are paid directly by the tenant(s), the gross rent must include the applicable utility allowance. Utility allowances are determined by HUD and local housing authorities. A development can use these allowances or when applicable, justify their own by using local utility company estimates, HUD Utility Schedule Model, or Energy Consumption Model (see DSHA's Compliance Monitoring Manual for more information). HUD, local housing authority utility allowances, or local utility company estimates must be updated annually.
3. The Imputed Income Limitation applicable to a unit is the income limitation which would apply to an individual occupying the unit if the number of individuals occupying the unit were as follows:
 - a. SRO or efficiency (no separate bedroom) - 1 person
 - b. One or more separate bedrooms - 1.5 individuals for each separate bedroom
4. Tax Credit units must be developed and maintained in equivalent quality and square footage as non-tax credit units.
5. All units must meet applicable building and/or housing codes.

DSHA Threshold Requirements

General Information

For developments that have previously received tax credits, the compliance period must have expired on all buildings before re-applying for tax credits, unless applying for contiguous properties under the preservation/rehabilitation pool. See preservation pool requirements for further information.

For acquisition rehabilitation developments, including conversion projects, DSHA Development Section must be notified in writing sixty (60) days in advance of application submission for a **pre-inspection**.

Displacement: No development will be eligible to compete for an allocation of credits if the application requires that existing residents be involuntarily and permanently relocated due to income ineligibility for tax credit purposes.

1. State Strategies for Policies and Spending

DSHA promotes the use of the State Strategy Level areas by tailoring programs based on the Levels. For example: In order for a developer to apply for Low Income Housing Tax Credits, it is a threshold requirement that proposals for newly constructing or rehabilitating affordable rental communities be located in Investment Levels 1, 2, or 3. The Housing Development Fund's (HDF) homeownership loans and grants are also targeted to Levels 1, 2, and 3. While development proposals are permitted in environmentally-sensitive areas, pursuant to State Strategies for Policies and Spending, special consideration should be made to protect the environment. In keeping with State Strategies for Policies and Spending, tax credit developments should integrate, as much as practical, into existing residential communities and neighborhoods. Surrounding uses must be compatible with the proposed development and the proposed design shall be compatible with existing architecture in the area. Delaware Strategies and Maps can be accessed on the web at: <http://stateplanning.delaware.gov/>

2. Compliance with Discrimination Laws

All applicants must comply with the provisions of any federal, state or local law prohibiting discrimination in housing on the grounds of race, color, sex, creed, handicap/disability and familial status, sexual orientation, or national origin, including but not limited to: Title VI of the Civil Rights Act of 1964 (Public Law 88 352, 78 Stat. 241), all requirements imposed by or pursuant to the Regulations of HUD 24 CFR Subtitle A, Part 100 issued pursuant to that title; regulations issued pursuant to Executive Order 11063, and Title VII of the 1968 Civil Rights Act, as amended by the Fair Housing Amendment Act (Public Law 100-430) and Americans with Disabilities Act (Public Law 101-336). In addition, recipients of federal funds (i.e. RHS HUD financing) must comply with Section 504 of The Rehabilitation Act of 1973, as amended (29 U.S.C. 794).

3. **Minimum Household Size**

The minimum household size eligible for each affordable housing unit has been established by DSHA. The minimums are as follows: Efficiency - 1 person; one bedroom - 1 person; two bedrooms- 2 persons; three bedrooms- 3 persons; and four bedrooms- 6 persons.⁴

4. **Minimum Gross Square Footage**

DSHA has established a minimum gross square footage requirement for new construction and conversion developments, as well as, conversion of non-residential units to residential use that is based on bedroom size. The following gross square footage dimensions are the minimum required by bedroom:

- a. One bedroom - 700 square feet;
- b. Two bedrooms - 850 square feet;
- c. Three bedroom - 1,050 square feet;
- d. Four bedroom - 1,300 square feet; and
- e. Efficiencies, which include lofts, - 500 square feet and *Single Room Occupancy (SRO)* - 100 square feet.⁵

Square footage of units may not be averaged to meet minimum square footage requirements.

For City of Wilmington applications, DSHA will follow the City of Wilmington definition of SRO / Efficiency as adopted in the Code of Ordinances. An efficiency living unit shall conform to the requirements as follows:

- a. Every dwelling unit shall contain at least 150 square feet of floor space for the first occupant thereof, regardless of age, the floor space to be calculated on the basis of total habitable room area, exclusive of stairways.
- b. In every dwelling unit of two or more rooms, every room occupied for sleeping purposes by one occupant shall contain at least 70 square feet of floor space, and every room occupied for sleeping purposes by more than one occupant shall contain at least 50 square feet of floor space for each occupant thereof.
- c. The unit shall be provided with a separate closet.

⁴ DSHA reserves the right to waive minimum household size eligibility for two-bedroom units when it is satisfied that conditions exist that indicate difficulties in finding qualified families to rent two-bedroom units. Such conditions include, but are not limited to: Market condition shifts; low absorption rates; no waiting lists; large number of one person household applicants; excessive vacancies for extended periods of time; and increased elderly household demand. If conditions can be documented, a development owner may apply in writing for a waiver. DSHA may elect to permit occupancy by one person in a two-bedroom unit for a maximum of 10% of the total number of two-bedroom units in a property. Requests for the waiver will only be accepted 24 months after development has reached 100% occupancy. For elderly only properties, one person households may be eligible for two-bedroom units. However, priority must be given to two person elderly households on the waiting list.

⁵ The minimum gross square footage is measured from the face of the exterior sheathing to the center line of the party wall (exclusive of storage and common areas). Storage and common areas are defined as areas contiguous to units, but not part of the units' living area such as attached storage sheds, storage rooms, stairs and halls in common areas.

- d. The unit shall be provided with a kitchen sink, cooking appliance, and refrigeration facilities, each having a clear working space of not less than 30 inches (762 mm) in front. Light and ventilation conforming to this code shall be provided.
- e. The unit shall be provided with a separate bathroom containing a water closet, lavatory, and bathtub or shower.

5. Target Units

All developments will be required to target 5% of the total units or three (3) units, whichever is greater, to be set-aside for special population-eligible households as defined below and household income at 40% of AMI or below. All developments receiving project-based rental assistance must target 5% or five (5) units, whichever is larger.

Applicants shall occupy target units with eligible special populations listed below:

- Veterans;
- Persons with HIV/AIDS-related illness;
- Literally or Imminently Homeless;
- Survivors of Domestic Violence (in accordance with Delaware State Code Title. 13, § 703A);
- Persons with Disabilities including persons with mental illness, persons with physical disabilities, and/or persons with intellectual or developmental disabilities;
- Youth exiting foster care or persons exiting state run-institutions; and
- Other special-needs populations identified in DSHA's needs assessment may be considered at DSHA's sole discretion.

An agreement shall be in place with the referring entity, DSHA, and the owner to assure that sufficient referrals of special population-eligible households for tenancy are received (which will be executed with the carryover agreement). DSHA has developed a supportive housing referral system that must be utilized by all applicants to obtain referrals of special population-eligible households who are connected to supportive services. This process must also be described in the Targeting Plan (QAP Attachments).

The Declaration of Restrictive Covenants (extended use agreement) will require that the targeted units are maintained and that a corresponding number of units are marketed to and set-aside for special population-eligible households throughout the compliance period. The owner will also agree that targeted units will not be segregated within the property or in any way be distinguishable from non-targeted units (beyond the presence of accessible features or assistive technology) and targeted unit mixes will depend on the needs of the referred households. Applicants shall be willing to allow for physical or safety accommodations necessary for the target populations.

When ADA-compliant target units are not occupied by special population-eligible households, a lease addendum for the non-special population-eligible household will be required for the non-special population-eligible household to transfer to the next available non-special population unit (of comparable or smaller size) when a special population-eligible household applies and is accepted to the development.

Target units must be reserved exclusively for the target population(s). If a project is unable to fill a unit with the targeted population after a sixty (60) calendar day referral period, the unit may be leased to another household with incomes at 50% AMI or below. The next available 50% AMI unit in the Project shall be marketed to the Project's original targeted population until the project is in compliance with the percentage for which it received points. The sixty (60) calendar day period at lease-up will be measured from the date upon which the project achieves 80% occupancy and at turnover will be measured from the date upon which the unit is determined ready for occupancy following move-out by the prior tenants and completion of any unit turn cleaning, repairs, or maintenance.

Additionally, if the applicant/development is a recipient of an award of project-based subsidy from HUD through the Section 811 Demonstration Program funds, the owner/development will be required to comply with certain applicable Section 811 program restrictions.

All applicants will complete a targeting plan (Attachment # 20) and will sign an agreement, a certification and memorandum of understanding with DSHA.

NOTE: The mandatory Fair Housing requirement of 5% fully-accessible units will not automatically satisfy this target unit threshold. Target threshold units must also have households with incomes of 40% of AMI or less and those households may not need a fully-accessible unit.

6. **Market Study**

In order to demonstrate the need and demand for the proposed development in a market area, a comprehensive market study of the housing needs of low-income individuals in the area to be served by the development must be submitted with the application. (See Attachment #9 for requirements of the Market Study.) The market study should be conducted within six (6) months of the date of application submission. The assumptions used in the market study must precisely reflect the information provided in the application. If DSHA determines there is an insufficient market need or demand, the application shall be deemed ineligible. DSHA must pre-approve the market study provider.

7. **Development Team**

Applicants **are not** eligible to compete if they:

- a. Have a general partner, voting member, developer or an affiliated entity who owned a managing or controlling interest in an LIHTC development when title was foreclosed by entry of judgment or deed in lieu of foreclosure during the past seven years;
- b. Have a general partner, voting member, developer, related party, or an affiliated entity who has failed to utilize credit within program time guidelines causing the recapture of said credits;
- c. Have a general partner who has been removed or withdrawn under threat of removal from a tax credit development;
- d. Have a general partner, voting member, developer, related party, or affiliated entity that owns a managing or controlling interest in any LIHTC development that has failed to submit annual development certifications and/or is delinquent in payment of monitoring or other required LIHTC fees;
- e. Have failed to fulfill any obligations committed to in a previous application for LIHTC that has not been corrected to DSHA's satisfaction. Such obligations include, but are not limited to,

substantial design changes, did not build project as represented, failure to provide the minimum DSHA Construction Standards, exceeds proposed cost per unit, failure to implement waivers, and/or termination of credits by DSHA;

- f. Have had IRS Form 8823, "Low Income Housing Tax Credit Agencies Report of Noncompliance" filed on a development during previous year(s) that has not been corrected to DSHA's satisfaction; and/or
- g. Have any development that is not complying with its Declaration of Restrictive Covenant Provision, including, but not limited to, not providing social service commitments, additional income restrictions, elderly preferences, public housing waiting lists, and the commitment to renew housing assistance contracts.

Notwithstanding the above, DSHA may, in its sole discretion, waive the threshold eligibility restrictions pursuant to subsection [c] of this section upon a showing by the applicant of good cause. Any such decision shall be final and not subject to review.

8. **Site Control**

Applicants must have sufficient site control to enable the development to move forward if a preliminary reservation is made. Site control can be demonstrated by recorded deed, recorded long-term lease, municipal or county disposition and development agreement, an option to purchase or lease, or a purchase contract. The sales agreement or lease agreement and all pertinent terms therein must be submitted at the time of application. **DSHA reserves the right to determine a development is ineligible to compete for Tax Credits where site control documentation is amended after application.**

Applicants that have secured, applied for, or may apply for federal funding for a development or subsequent phase of a development must make all site control documents contingent upon completion of a satisfactory environmental review in accordance with federal guidelines.

9. **Local Zoning/Planning Approvals**

Applicants must submit documentation that the following approvals are in place or can be obtained without jeopardizing an allocation of credits.

- a. Zoning - Properties must be zoned for its intended use. If variance or exception is required, applicants must provide documentation illustrating the present status of the proposed zoning change, the local planning and zoning process, and must submit evidence that appropriate approval can be obtained within the required period.
- b. If no zoning or site plan approval is required, applicant must submit a letter from the appropriate municipal official indicating such or the applicant or developer may provide such certification.

10. **Public Housing and Section 8 Waiting Lists and [DelawareHousingSearch.org](http://www.delawarehousingsearch.org)**

- a. Applicants must agree to market their developments to the local public housing waiting lists and/or Section 8 existing waiting lists. The application must contain a letter from the appropriate agency.
- b. All Applicants, if awarded credits, must agree to list and maintain their development data on www.delawarehousingsearch.org.

11. Financial Feasibility

Applicant shall provide one financing plan for the proposed development and shall demonstrate that the proposed development is financially feasible and viable as a qualified low-income housing development throughout the Extended Use Period. The housing credit dollar amount allocated to a development shall not exceed the amount DSHA determines is necessary for the financial feasibility of the development.

At time of Tax Credit application: For construction and permanent financing, written letters of interest or letters of intent must be provided. Applicants must provide letters from the lending entities, which include items such as: amount of financing requested, interest rate, term and a statement that the development is eligible for financing under the lender's requirements. The documentation provided will be used to determine financial feasibility and the Leveraging of Non-DSHA Administered Resources point category.

For public and private financing subsidies, written letters of interest, letters of intent, or proof of application must be provided (i.e. including, but not limited to, USDA Rural Development, HOME, HOPE VI, Section 202, Federal Home Loan Bank funding, local municipalities, foundations, etc.). The documentation provided will be used to determine financial feasibility.

Commitment letters or contracts for public and private financing subsidies are required for ranking points in the Leveraging of Non-DSHA Administered Resources and/or Local Government Contribution categories. (Existing federal financing/rental subsidy contracts for current Section 8/USDA Rural Development projects will be considered for the leveraging category and financial feasibility.)

During DSHA's application review: Should DSHA receive information that public or private financing subsidies have been denied, DSHA will review the information and will either determine the application feasible and will continue with the application review or determine the application ineligible.

After DSHA has released the ranking: For projects that have not received anticipated commitments for public or private financing subsidies, DSHA will condition the project's ranking on receipt of subsidy by a specific deadline. Upon expiration of the deadline, such conditional ranking will be revisited and applications will be re-ranked accordingly or deemed ineligible.

DSHA reserves the right, based on documentation submitted and DSHA's underwriting criteria as well as the submitted market analysis, to determine that a development is not viable and/or feasible. If such determination is made, the application will be deemed ineligible.

During any period of the application review process or underwriting, more extensive reviews of the applications may be completed and factors may be re-examined. These factors include, but are not limited to, the reasonableness of the costs, feasibility, additional information received/requested, and construction timetables. In the event that a more extensive review reveals a change that affects a ranking, the application will be re-ranked accordingly or deemed ineligible.

Applicants seeking to fill a funding gap (amount approved by DSHA) and coming out of pocket shall submit a certification that the applicant has the amount of cash or other resources, as approved by DSHA, required to fill the funding gap. If a developer fee pledge is to be utilized to fill a funding gap, no more than 50% of the developer fee may be used.

12. **Minimum Construction Requirements**

All developments must adhere to minimum construction standards and all other DSHA construction requirements regardless of financing source(s) (including tax-exempt bond financing and DSHA permanent financing). In order to meet minimum threshold requirements, the Rehabilitation Standards Checklist (see Attachments #10 - #12) must be fully completed for rehabilitation projects. These standards have been outlined in the Attachments to the Qualified Allocation Plan. Based on these minimum standards, DSHA reserves the right to determine a development is ineligible to compete.

Penalty points may be assessed to applicants who did not adhere to DSHA's minimum construction standards on previous projects.

13. **Internal Revenue Form 8821**

IRS Form 8821, Tax Information Authorization, must be signed at application by the developer/applicant. This form will allow the IRS to share taxpayer information with DSHA.

14. **Rehabilitation and Uniform Relocation Act Projects**

Any development allocated rehabilitation credits must vacate units in order to complete renovation activities and also provide relocation assistance to tenants in accordance with the more stringent of the "DSHA Residential Anti-displacement and Relocation Plan" or the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA), as amended, and current HUD handbooks.

As noted previously, for acquisition rehabilitation developments, including conversion projects, DSHA's Development Section must be notified in writing sixty (60) days in advance of application submission for a pre-inspection.

Displacement: No development will be eligible to compete for an allocation of credits if the application requires that existing residents be involuntarily and permanently relocated due to income ineligibility for tax credit purposes.

15. **Minimum Point Score**

All applicant/sponsor applications must score a minimum of sixty-five (65) for an award of tax credits.

Ranking and Points

General Information

In point scoring categories, where points are based on calculations (i.e. unit cost reduction, leveraging, et al), DSHA will round up calculation results to the nearest whole number.

If DSHA determines that an applicant received a preliminary reservation of credits and failed to fulfill representations made in applications or in the carryover allocation, DSHA will impose a penalty against the Applicant in the subsequent LIHTC application submission. The penalty will be equal to the point(s) awarded that were deemed ineligible.

Before such action is taken, DSHA will notify the Applicant of the needed corrective action. If the Applicant has not submitted written corrective action acceptable to DSHA, the Applicant will have points deducted in its/their subsequent application equal to the amount of points deemed ineligible in the previous application.

NOTE: Point system for all Applicants - an application must score a minimum of sixty-five (65) points in order to meet the minimum threshold requirements and receive an award of credits.

Tiebreakers

Applications that meet the minimum threshold requirements shall receive points based on the point system for the particular pool in which they compete. In the event of a tie score, applications shall be ranked according to the tiebreaker system outlined below. For applications with a tie score, applications that win the tiebreakers will receive preliminary reservations from their respective set-asides first.

The following tiebreaker system shall be used to break ties between applications with the same score:

- a. If competing developments within a given pool have a tie score, a tax credit preliminary reservation shall be awarded to the application with the lowest amount of low income housing tax credits (unadjusted for the 130 percent QCT) per low-income bedroom;
- b. If there is still a tie score after the first tiebreaker, the tax credit preliminary reservation shall be awarded to the application with a lower total development cost per bedroom; and
- c. Where there is a circumstance in which applications of different types (subsidized v. non-subsidized) are competing within the same pool, the score of each may be scaled as necessary to provide an equitable comparison among the applications.

Increase in Compliance Period (0-6 points)

For increases in the compliance period, zero to six (0-6) points shall be awarded. One point will be awarded for every five-year period the compliance period and extended use period is extended. During the extended use period, the owner may not choose to exercise its Opt-Out provision.

Years	Points for Compliance Period	Points for No Opt-Out During Extended Use Period
15 years	0	0
20 years	1	1
25 years	2	2
30 years	3	3

During the extended use period, the owner (General Partner) must waive its Qualified Contract Rights and opt-out rights (to sell, transfer, re-syndicate) for the period chosen. A waiver for re-syndication for substantial rehabilitation may be considered by DSHA during the extended use period. Documentation that clearly states the compliance and extended use period must be provided as an exhibit to the application.

OR

Six (6) points will be awarded to developments that will be converted to homeownership for the residents after the initial fifteen (15) year compliance period has expired. In such instances, the extended use period will be waived. The deed of easement and Declaration of Restrictive Covenants shall reflect a right of first refusal be granted by the owner to the residents. Units must be offered at the units' fair market value at the time of the original resident's initial occupancy of the unit. Total costs per unit is subject to the limits of Section 221 (d)(3)(ii) of Section 42. Applicants must submit a detailed marketing plan which includes projections on maintenance, tenant reserve funds, homeownership training, continued affordability, sales price calculation, lease/purchase agreements, etc. The plan will be evaluated for feasibility and compliance with all regulations (Section 42, Fair Housing, and all other funding sources requirements). Syndication documents must reflect the conversion.

Balanced Weighted Income Targeting (0-10 points)

Up to ten (10) points will be awarded based on the weighted overall development's average of AMI targeting by bedroom in a project. For purposes of this calculation, the lowest income level will be 30% of AMI. SRO or efficiency units will be counted as 0.67 bedrooms, and all weighted averages will be rounded up to the nearest full percentage point. To calculate the weighted average, applicants should use the median income tab on the LIHTC Application Part II - Pro forma. The median income is determined by the number of income-restricted bedrooms serving each percentage of area median income by multiplying the number of units of a given size by the number of bedrooms per unit.

Points	Average AMI of Overall Project
10	30-35%
8	36-40%
6	41-45%
4	46-50%
2	51-55%
1	55-58%
0	>58%

NOTE: For this calculation, DSHA will round up to the nearest percentage. For example, if the average AMI is 40.05%, DSHA will round up to 41%.

Mixed Income/Market Rate (3 points)

Three (3) points will be awarded to a development where at least 20% and no more than 50% of the total units in the development are not rent-restricted and not income-restricted. For applicants requesting Housing Development Funds or other DSHA financing, rental rates for market rate units will be established at a level affordable to residents at 80% of AMI.

Per Unit Cost Reduction (2-5 points)

Two to five (2-5) points will be awarded to developers whose Total Development Costs (TDC) per unit costs are less than DSHA’s cost containment guidelines. While maintaining aesthetic and livable standards, it is DSHA’s objective to fund as many applications as possible. Because credits and DSHA funds are limited, costs per type of unit and costs per unit are important factors in analyzing applications, as well as a required consideration for subsidy layering. DSHA has adopted cost guidelines to evaluate the total development cost for all projects. DSHA has also developed cost guidelines (for line items) to be used as a tool when estimating costs.

All projects must meet DSHA’s minimum construction standards. Acquisition/rehabilitation projects, including preservation, conversion, and tax-exempt bond properties must also meet the minimum substantial rehabilitation requirements.

Cost Containment Guidelines	
Project Type	Per Unit Average Costs
New Construction	\$216,676
Acquisition/Rehabilitation ⁶	\$170,914

Projects will receive points for being below DSHA’s cost guidelines by at least five percent (5%). Projects that exceed the cost limits or are less than five percent (5%) below the limit will not receive points in this category.

Points	% Below Cost Containment Guidelines
2	>5%-9.99%
3	>10%-14.99%
4	>15%-19.99%
5	>20%

NOTE: For this calculation, DSHA will round up to the nearest percentage.

Example:

Acquisition/Rehabilitation Project TDC: $\$7,000,000$
 $\div 50$ (number of units)
 = \$140,000 per unit TDC

Average per unit TDC: $\$170,914$
 $-\underline{\$140,000}$
 = \$30,914 cost below average TDC

Cost Below Average TDC $\$30,914$
 Average TDC $\div \underline{170,914}$
 = 18% below cost containment guidelines (project would receive 4 points)

⁶ Includes conversion projects.

Integrated Housing for Special Populations (5 points)

Five (5) points will be awarded to applicants who shall increase the number of target units set aside for special population-eligible units to 10% or 6 units, whichever is greater from the mandatory 5%. The units from the 5% threshold requirement may be counted toward the total percentage for scoring in this section, as long as the threshold units and the additional units continue to be income and rent restricted at 40% AMI or below. Special population eligible households are households with income at 40% of AMI or below and in one or more of the following populations:

- Veterans;
- Persons with HIV/AIDS-related illness;
- Literally or Imminently Homeless;
- Survivors of Domestic Violence (in accordance with Delaware State Code Title. 13, § 703A);
- Persons with Disabilities - including persons with mental illness, persons with physical disabilities, and persons with intellectual or developmental disabilities;
- Youth exiting foster care or persons exiting state-run institutions; and
- Other special-needs populations identified in DSHA's needs assessment may be considered at DSHA's sole discretion.

An agreement shall be in place with the referring entity, DSHA, and the owner to assure that sufficient referrals of special population-eligible households for tenancy are received. DSHA has developed a supportive housing referral system that must be utilized by all applicants to obtain referrals of special populations-eligible households who are connected to supportive services.

The Declaration of Restrictive Covenants (extended use agreement) will require that the targeted units are maintained and that a corresponding number of units are marketed to and set-aside for special needs-eligible households throughout the compliance period. The owner will also agree that targeted units will not be segregated within the property or in any way be distinguishable from non-targeted units (beyond the presence of accessible features or assistive technology) and targeted unit mix will depend on the needs of the referred households. Applicants shall be willing to allow for physical or safety accommodations necessary for the target populations.

When ADA-compliant target units are not occupied by special population-eligible households, a lease addendum for the non-special population-eligible household will be required for the non-special population-eligible household to transfer to the next available non-special population unit (of comparable or smaller size) when a special population-eligible household applies and is accepted to the development.

Target units must be reserved exclusively for the target population(s). If a project is unable to fill a unit with the targeted population after a sixty (60) calendar day referral period, the unit may be leased to another household with incomes at 50% AMI or below. The next available 50% AMI unit in the Project shall be marketed to the Project's original targeted population until the project is in compliance with the percentage for which it received points. The sixty (60) calendar day period at lease-up will be measured from the date upon which the project achieves 80% occupancy and at turnover will be measured from the

date upon which the unit is determined ready for occupancy following move-out by the prior tenants and completion of any unit turn cleaning, repairs, or maintenance.

All applicants will complete a targeting plan, signed certification and memorandum of understanding with DSHA.

Section 811 Project Rental Assistance Demonstration (3 points)

In March 2013, DSHA was awarded a \$5 million grant from HUD under the Section 811 Project Rental Assistance Demonstration Program (PRA Demo). The grant will enable Delaware to provide project-based Section 811 rental assistance for approximately 140-170 units that will be occupied by extremely-low income non-elderly people with disabilities. Section 811 PRA Demo-Eligible households will be referred to the applicants/developments that are awarded rental assistance by a referral system managed by DSHA.

DSHA will award three (3) points to applicants, for non-subsidized developments with non-elderly special population units that meet the Section 811 requirements - **if the applicant agrees to accept**, if offered by DSHA, the assignment of Section 811 project-based subsidies on their non-elderly special population units and to comply with the requirements of the PRA Demo Program. Applicants should note that HUD's Section 811 program represents a federal funding stream and may trigger various federal regulations, including but not limited, to Davis-Bacon and Environmental Records Review.

To receive these points, a project must be eligible to receive Section 811 funding and must not already have project-based rental assistance in place for the targeted units. Additionally, to receive these points the project must select households with disabilities as the target population for its special population units and agree to use the supportive housing referral network that serves both special populations and the PRA Demo Program. Only non-elderly projects are eligible.

NOTE: For 2017 LIHTC projects, **only one (1)-bedroom units will be eligible** to receive Section 811 funding and each project is limited to a maximum of eleven (11) Section 811 units.

All applicants will complete a signed certification for the application and a rental assistance contract with DSHA prior to being placed in service.

Additional information about the Section 811 program can be found at:

http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/mfh/grants/section811ptl

Additional Fair Housing and Americans with Disabilities Act (ADA) Units (3-5 points)

Three to five (3-5) points are awarded for developments that exceed the Fair Housing and ADA minimum requirement threshold of maintaining 5% of the **total** unit count as fully accessible units.

Points	% of Fully Accessible Units
3	10%
4	15%
5	20%

Accessible units should be marketed and rented to households that need the accessible features. When accessible units are not occupied by households that need the accessible features, a lease addendum for the non-disabled household will be required for the non-disabled household to transfer to the next

available non-accessible unit (of comparable or smaller size) when a household that needs the accessible features applies and is accepted to the development. For acquisition/rehabilitation projects, ADA units must not be concentrated in a given area (i.e. segregated to only one floor, building, or section of the development).

Applicants are required to list their development and all accessible units on the following link: www.delawarehousingsearch.org.

Local Government Contribution (1-5 points)

One to five (1-5) points are awarded for developments that receive written financial support by commitment letter or other documentation (i.e. executed grant agreement, award letter, etc.) from local government. Evidence of approved local government contribution must be submitted to DSHA from the local government entity detailing the dollar amount of the waiver or contribution. A local contribution must reduce the development or operating costs of a development by at least 1%. This can be in the form of municipal or county funding (including CDBG or HOME funds) or local public housing authority capital funding, waiving of building permit fees, granting of a tax abatement, donation of land or land provided at a nominal price, or some other documented form of assistance, as approved by DSHA, that financially reduces the development cost or reduces the operating cost of the project over a five (5)-year period.⁷

Points	Contribution %
1	1%
2	2%
3	3%
4	4%
5	5%

Leveraging of Non-DSHA Sources (0-20 points)

Zero to twenty points (0-20) will be awarded for the leveraging of permanent funding sources not controlled by DSHA. DSHA-controlled funds include: HDF funds, Affordable Rental Housing funds, Preservation funds, DSHA HOME funds, NHTF funds and project reserves (held or not held by DSHA). Permanent financing from sources other than DSHA is considered leveraging (i.e., Private conventional lenders, USDA Rural Development (rolled debt or new), local municipality HOME funds, HOPE VI, Section 202, Federal Home Loan Bank funding, local municipalities funds, foundations and other permanent sources, value of donated land or subsidized land leases). Tax credit equity (including historic equity) and deferred developer fee amounts are not considered permanent funding sources for the leveraging calculation.

⁷ In order to accurately calculate the financial reduction in development costs, the costs should be shown in the development budget (Pro forma) and the waiver or grant shown as a development source.

Points	% of Non-DSHA Permanent Sources
20	91-100%
18	81-90%
15	71-80%
12	61-70%
9	51-60%
7	36-50%
5	20-35%
0	0-20%

NOTE: For this calculation DSHA will round up to the nearest percentage. DSHA fully amortizing first mortgages and DSHA interest-only mortgages are not included in this calculation. In the event that a change is revealed, after further review, underwriting, or at any time, (including DSHA fully amortizing debt or interest-only debt cannot be attained), the application will be re-ranked accordingly or deemed ineligible.

Promoting Balanced Housing Opportunities (5-10 points)

In order to balance housing investments and encourage the creation of affordable housing opportunities within the State of Delaware in areas that contain little or no affordable housing, but which may offer economic opportunity, proximity to the workplace, high performing schools, or supportive infrastructure, points will be awarded to developments that are in Areas of Opportunity. Developments can be Preservation or New Creation. Points will be awarded as follows:

Points	% of Units Located in Area of Opportunity
0	0%-49.9% of Total Units
5	50%-99.9% of Total Units
10	100% of Total Units

DSHA has defined areas of the State as follows:

- Distressed – ‘Racially/Ethnically Concentrated Areas of Poverty’^{*1}, Delaware Market Areas G and H^{*2} OR Wilmington Market Areas F, G, and H^{*3}, Downtown Development Districts, and isolated Rural Communities. These areas are where sustainable long-term homeownership opportunities should be supported. These are the same areas where development that furthers highly-concentrated areas of minorities or poverty should be limited.
- Stable – Delaware Market Areas D, E, and F^{*2} OR Wilmington Market Areas C, D, and E^{*3}. These areas are where a balance of market rate and subsidized housing should be supported.
- Areas of Opportunity – Delaware Market Areas A, B, and C^{*2} OR Wilmington Market Areas A and B^{*3} and/or areas where students are attending schools achieving a proficiency level^{*4} of 90%

or higher. These are strong, high-value markets where new affordable housing opportunities should be supported.

*¹ As defined by U.S. Department of Housing and Urban Development

*² As identified in *Delaware Housing Needs Assessment, 2015 – 2020*

*³ As identified in that Wilmington Market Valuation Analysis, developed by the Reinvestment Fund in 2015

*⁴ School Attendance Boundary Information System (SABINS), 2012. Values are percentile ranked and range from 0 to 100; the higher the score, the higher the quality of the school system in a neighborhood.

DSHA maps that include all defined areas are available under Balance Housing Opportunities Maps at the following link:

<http://delaware.maps.arcgis.com/apps/webappviewer/index.html?id=e93dabfce6af4a94870111a1489bb1b0>

Historic Housing (5 points)

Five (5) points will be awarded to developments that are utilizing Historic Tax Credits under Section 47 of the Internal Revenue Code of 1986 and/or State Historic Tax Credits. To qualify for these points, the entire property, including all buildings, must already be on the National Historic Register at the time of application. If a property is located within a historic district listed on the National Historic Register, the entire property, including all buildings, must be determined as ‘contributing to the significance of the historic district’ and documentation must be provided as such. In addition, the Applicant must obtain a letter from the State Historic Preservation Office that all buildings of the development are eligible and that state credits will be available by conversion. Conversion is defined as the date upon which the loan shall convert to permanent financing, which shall be following the construction period and upon satisfaction of all conditions set forth in the Loan Agreement(s).

Preservation (1-10 points)

To further prioritize preservation developments, points will be awarded for each of the following factors up to a maximum of ten (10 points). Each factor listed in the table below must be supported and documented as an attachment in the application.

Points	Preservation Factor
4	Requires hard costs that exceed \$50,000 per unit ⁸
3	Have committed federal rental assistance contracts
2	Property was placed in service on or before December 31, 1997
1	Property is a family development

⁸ All hard costs will be for the building of housing units and units only. (Must be documented by the Capital Needs Assessment and proposed rehabilitation work must be past its 50% life cycle per DSHA’s Construction Standards. (DSHA’s Web-Based Application Pro forma Tab – Cost Summary must also be completed). Costs not to be included in the \$50,000/unit, include but are not limited to, all offices, community rooms/buildings, storage areas, maintenance areas, and separate laundry facilities, all exterior work not an integral part of the building or units, all site costs, bonds, and all work not of a standard nature such as installation of awnings or solar panels. The Applicant will not be eligible for points in the Preservation/Rehabilitation Pool if DSHA’s Web-Based LIHTC Application Tab - Cost Summary Buildings and Units section is not completed.

USDA Rural Development/Other Federal Rental Subsidy (3 points)

Three (3) points will be awarded to developments that meet one or more of the following:

1. Are in rural areas designated by the United States Department of Agriculture (USDA) Rural Development and have received an award of new USDA project-based rental subsidy for at least 75% of the total development units;
2. Have received an award of new federal project-based rental subsidy for at least 75% of the total development units (transfer of existing contracts is not considered new subsidy); or
3. Demolition and new construction of units that have not been in service for at least one (1) year are eligible for points in this category (i.e. public housing) provided that the units meet the definition of Subsidized Housing.

Documentation of the award of the rental assistance/subsidy contract must be included in the application.

Capacity of Development and Management Team (0-6 points)

Zero to six (0-6) points will be awarded based on the demonstrated relevant experience and qualifications of the developer and management entity. All team members must be disclosed at time of application. The members of the team, in addition to the developer and management entity, include the applicant/owner, co-developer, consultant, owner, architect, surveyor, real estate and tax counsel. Members of the development and management team must demonstrate experience in the satisfactory development of affordable housing, experience in the management of affordable housing and must have the financial capacity to carry the development through to completion. All members of the development team must provide documentation that services will be provided during all phases of the development. DSHA reserves the right to determine “satisfactory” development experience. Any substitutions of Development Team members from original application or at any time during the construction period must be pre-approved by DSHA.

- A. **General Partner/Developer Experience:** Up to three (3) points shall be awarded based on the number of Low Income Housing Tax Credit Properties developed⁹ by the general partner¹⁰ and/or developer.

2- 4 developments	2 points
5 or more developments	3 points

If a consultant’s experience is being utilized to qualify for points, a signed agreement and/or contract for substantial services must, as described under the definition for Consultant, be provided describing the role each entity will play in the development and/or the management of the development.

⁹ “Developed” is defined as having gone to permanent closing on a development with an acceptable cost certification.

¹⁰ “General Partner/ Developer” is defined as a corporate entity, partner or owner of a multi-family development company that has been a signatory/guarantor on a Tax Credit construction loan.

NOTE: Consultant and Broker Fees are not eligible development costs and must be paid from Developer Fees (with the exception of Historic Consultants as described in the Definitions section).

B. Management Agent’s Experience: Up to three points (3) shall be awarded based on the number of completed and occupied Low Income Housing Tax Credit and subsidized developments currently being managed.

1- 4 developments	1 point
5-15 developments	2 points
More than 15 developments	3 points

DSHA’s Management Agent Qualification application forms must be submitted with the LIHTC application. DSHA reserves the right to determine appropriate involvement.

The Management Agent experience points will not be awarded if one or more of the following occur in the Management Agent’s overall management portfolio in the previous calendar year:

1. More than five (5) Form 8823, “Low Income Housing Tax Credit Agencies Report of Noncompliance” have been filed on development(s) in the portfolio and are still unresolved;
2. An average REAC score of seventy-nine (79) or below; and/or
3. The average vacancy loss for five (5) or more “like¹¹” properties in the Delaware portfolio is 7% or more. Properties under construction or properties with units being held for rehabilitation should be clearly labeled as such.

Please refer to the QAP Attachments for documentation of the above factors.

Provision of Social Services (0-3 points)

The provision of social and support services is an integral part of any development to improve the quality of life of the residents of the development. The cost and source of funds to pay for social services must be included in the application. Services must be affordable, appropriate, available, accessible, and the service must be provided to the development’s residents in every calendar quarter for a total of 8 hours per year.

One (1) point will be awarded for each service up to a maximum of three (3) points. In order to receive the maximum number of points three (3), at least three (3) qualifying services must be provided, representing a total of 24 hours of qualified services provided to the development’s residents. The services must be distinct to qualify for the points – for example, a series of financial literacy classes, even on different topics such as budgeting/spending plan or understanding your credit/credit counseling would count as one financial literacy class. Services should be actively linked to the residents and not simply provided to the community at large and can be provided on-site or off-site. If services are provided off-site, a Memorandum of Understanding (MOU) with the off-site service provider (i.e., senior center, service center, etc.) must be submitted with the application. The MOU must stipulate a transportation

¹¹ “Like” properties are properties of the same type (i.e. if project is a family site, like properties must include family sites, if property is an elderly site, like properties must include elderly sites).

plan for regularly-scheduled trips to the facility and classes, a schedule of classes, attendance proof and recordkeeping, as well as the narrative described below and any other terms, fees, and conditions of the service provider and applicant.

A Support Service Plan must be completed and submitted with the application. The plan should include the following:

1. Applicants must submit a narrative describing the services to be provided, a curriculum for any classes, description of why the services are appropriate for the population, how the services will be publicized and marketed, and expected outcomes and benefits;
2. Qualifications of the social service organizations that will be utilized at the property or off-site, including their history, capacity, and experience; and
3. Contracts or commitment letters detailing the costs of services from social service provider must also be attached.

Examples of services include, but are not limited to:

- Parenting programs;
- Literacy programs;
- Daycare;
- Job training;
- Nutritional services;
- Transportation; and
- Financial literacy and counseling.

DSHA allows for reasonable substitutions of services at DSHA's discretion. Prior to application deadline, Applicants are invited to propose social services in writing in addition to those listed and may, at DSHA's sole discretion, receive points for them. Failure to provide social services after points are awarded and a carryover agreement is executed or any time during the compliance period will result in a penalty against the Applicant in the subsequent LIHTC application submission. The penalty will be equal to the point(s) awarded that were deemed ineligible.

Sites and Neighborhood Standards (0-12 points)

Up to twelve (12) points will be awarded to developments that can demonstrate overall quality of location, access to services and transit, and protection of the environment. Each factor of the sites and neighborhood standards must be supported in the market study by the market study provider.

1. Access to Services (0-7 points of 12 points possible)

One (1) point for each service, up to a maximum of seven (7) points will be awarded. For projects located in municipalities and incorporated areas, the services must be within a one-half (1/2) mile radius of the project to be eligible for points. Services should be reasonably walkable. For projects located in unincorporated areas of the State in or in a rural area (as designated by USDA), whether incorporated or unincorporated, including New Castle, Kent, and Sussex Counties, services must be within a one and one-half (1 ½) mile radius of the project.

USDA designated areas can be found at the following link:

<http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do?pageAction=sfp&NavKey=property@12>

Each of the following factors is eligible to receive points if located within the radiuses listed above:

- Supermarket (minimum square foot of 10,000 - with a broad supply of sufficient food to maintain daily food consumption);
- Public schools (family sites only);
- Library;
- Licensed child care center (family sites only);
- Senior center (elderly sites only);
- Usable park space;
- Bank;
- Walk-in medical facility or hospital;
- Post office;
- Laundry/dry cleaner;
- Pharmacy (pharmacy located within a supermarket will only receive one point for supermarket);
- Community, civic or town center, or community recreation center that is accessible to all residents; and/or
- Community facilities (place of worship, police or fire station, community gardens, cultural arts facility).

2. Location (0-3 points of 12 total points possible)

Three (3) points will be awarded to projects that are considered infill sites. A site that has 75% of its perimeter bordering existing developed land and has immediate access to existing infrastructure (roads, water, sewer, and other infrastructure) shall be considered an infill site. Infill sites must be demonstrated through a site map with perimeter measurements.

One (1) point will be awarded to projects that are contiguous to existing development. A site with at least 25% of the perimeter bordering existing developed land and will utilize existing sewer and water lines without extensions exceeding 1,000 feet shall be considered a contiguous development site.

Contiguous development sites must be demonstrated through a site map with perimeter measurements.

NOTE: A street or other right-of-way does not constitute developed land. It is the status of property on the other side or right-of-way of the street that matters. Any fraction of the perimeter that borders waterfront other than a stream is excluded from the calculation. Forest, farmland, and any other undeveloped parcels surrounding sites do not count as “developed land,” regardless of zoning classification.

3. Protecting Environmental Resources (0-2 points of 12 total points possible)

Two points may be awarded if the development, including buildings, other structures, roads or other parking areas, on all portions of the site shall avoid all of the following (documentation will be verified through the environmental assessment or environmental audit and detailed site map):

- Land within 100 feet of wetlands, including isolated wetlands or streams. Bike and foot paths are allowed if at least 25 feet from the wetlands boundary;
- Land with 100 feet of critical slope area;
- Prime farmland (Zone 4 - State Strategies for Policy and Spending);
- Land that is specifically identified as habitat for any species on federal or state threatened or endangered lists;
- Land with elevation at or below the 100-year floodplain;
- Land or development having current environmental issues (i.e., superfund site, brownfields, grey fields, arsenic or chemical, lead in water, lead-based paint, asbestos, close proximity or adjacent to railroad within 1,000 feet. (Note: 3,000 feet is a noise assessment requirement); and
- Land or soil is not suitable for building.

NOTE: When a development has had environmental issues and the issues have been remediated, documentation of remediation should be included as an exhibit in the application in order to be eligible for points in this category.

Energy Conservation Measures (0-5points)

Up to five (5) points may be awarded for projects that demonstrate a comprehensive and innovative approach to energy conservation and green building performance that meets and exceeds the DSHA Base Level Energy and Green Standards. Multiple certification options are provided in order to allow flexibility for rehabilitation and new construction projects to demonstrate improved performance using the method the applicant judges to be most cost-effective.

Three (3) points will be awarded for projects that successfully achieve one of these **comprehensive green certifications**:

- Enterprise Green Communities 2015 certification, with the additional requirement that the 7.1 Ventilation criteria, which is mandatory for new construction and substantial

- rehabilitation/new creation, must be selected as one of the additional criteria for moderate rehabilitation¹² projects;
- National Green Building Standards certification, with the additional requirement that the following optional Green Building Practices must be included among the selected practices to achieve the required points:
 - **Installation & Performance Verification** 705.6 for all projects;
 - **Building Ventilation Systems** 902.2 for New Construction and 11.902.2 for Remodeling; and
 - **Air Sealing and Insulation** 701.4.3.2 for New Construction and 11.701.4.3.2 for Remodeling. (1) Testing Option under this mandatory measure must be selected (vs. Visual Inspection). In addition, for Remodeling projects where any existing combustion appliances or systems are retained, these items must be tested per **BPI Minimum Health and Safety Requirements**.
 - LEED for Homes Multifamily or Midrise Multifamily certification, Version 4, which requires a HERS index rating based on Energy Star Version 3.

DSHA will review the architectural documents submitted with the application exhibits to confirm the conformance with the applicable comprehensive green certification listed above. The following information must be submitted to DSHA at the following times:

At application:

- A preliminary design checklist and narrative for how the Enterprise Green Communities, NGBS, or LEED certifications and advanced energy efficiency measures, if applicable, will be achieved. For any of the above certification paths selected a design stage HERS rating should be determined and submitted with the application. This preliminary model is based upon mechanical systems and thermal envelope assumptions;

At carryover allocation or 60 days prior to construction closing:

- A final design checklist and narrative providing information on any changes since application submittal; and

Upon completion of construction and prior to request of IRS Form 8609:

- Evidence of final certification by Enterprise Green Communities, LEED or NGBS.

In addition, two (2) points will be offered for comprehensive green certifications for projects that incorporate **advanced energy efficiency** measures, which may involve additional energy modeling, HERS rating and certification documentation depending on the type of project. Such measures include the following:

For New Construction:

1. Passive House certification; or
2. DOE Zero Energy Ready Home <http://energy.gov/eere/buildings/zero-energy-ready-home>

¹² Per the 2015 Enterprise Green Communities Criteria, moderate rehabilitation is a project that does not fully expose the structure and envelope of the building and /or does not include replacement or improvement of two or more major systems of the building, yet is still able to comply with the energy performance requirements of at least one iteration of Criterion 5.1. (5.1 includes Mandatory Energy Efficiency requirements).

For Acquisition/Rehabilitation:

1. HERS index rating of 75 or less for each dwelling unit in buildings that are three (3) stories or fewer, or four (4) or five (5) stories where each dwelling unit has its own heating, cooling, and hot water system; with the exception for substantial Rehabilitations of buildings with walls made only of brick / masonry and built before 1980, as well as moderate rehabilitations of buildings built before 1980, which are permitted to have a HERS Index score of 90 or less for each unit.

The following information must be submitted to DSHA at the following times for Passive House and DOE submissions:

Passive House

At application:

- Plans and specifications at a level of 50% or higher with section details at the proposed building envelope at key intersections (footings, foundations, slabs, floors, walls, windows, doors, projections/overhangs, roofs, etc.);
- A detailed narrative outlining the scope of passive house design measures prepared by a qualified¹³ third party Certified Passive House Consultant or PHI Designer in coordination with the architect;
- A preliminary modeling analysis/output report through the Passive House Planning Package (PHPP) or DesignPH as developed by the Passive House Institute (PHI) or WUFI Passive as developed by the Passive House Institute United States (PHIUS) indicating that the preliminary data meets Passive House Criteria;
- An affidavit signed by the qualified Certified Passive House Consultant or Designer, and the architect, and the developer indicating that the project has been designed and priced to reflect compliance with the Passive House requirements.

As part of the design development drawings and specifications:

- A completed Passive House Planning Package (PHPP), DesignPH, or WUFI Passive modeling analysis, which includes compliance documentation by the certifying agency.

As part of the construction completion:

- All required rater-verified test results and inspection reports final certification documentation from the certifying agency.

DOE Zero Energy Ready Home

At application:

- Plans and specifications at a level of 50% or higher with section details at the proposed building envelope at key intersections (footings, foundations, slabs, floors, walls, windows, doors, projections/overhangs, roofs, etc.);

¹³ Qualified is defined as having completed a minimum of one (1) similar Passive House building or an inexperienced certified consultant working under the supervision of a qualified consultant.

- A detailed narrative identifying the strategies that will be employed to meet the mandatory requirements outlined in the DOE Zero Energy Ready Home program specifications developed by the project's HERS rater;
- Preliminary HERS certificates for worst case modeled units; and
- An affidavit signed by the HERS rater, and project architect, and the developer indicating that the project has been designed and priced to reflect compliance with the Zero Energy Ready Home requirements.

As part of the design development drawings and specifications:

- HERS certificates for modeled units.

HERS Compliance for Acquisition/Rehabilitation

At application:

- A design stage HERS rating should be determined and submitted with the application. This preliminary model is based upon mechanical systems and thermal envelope assumptions.

At carryover allocation or 60 days prior to construction closing:

- Preliminary HERS scores based on modeling for all unique unit types and details for air sealing and insulation as part of the construction document set.

Upon construction completion and prior to request of IRS Form 8609:

- Final HERS scores based on updated models that incorporate testing and verification data collected at closeout of construction.

Verification of the compliance with green and energy certifications may be required by DSHA at any time and throughout the development's compliance period.

Failure to implement and maintain energy conservation systems and operational practices consistent with certifications after points are awarded and a carryover agreement is executed or any time during the compliance period will result in a penalty against the applicant in the subsequent LIHTC application submission. The penalty will be equal to the point(s) awarded for this category.

Applicants seeking professional assistance to provide these certifications can refer to the following web sites: Applicants seeking professional assistance to provide these certifications can refer to these web sites:

- NGBS http://www.homeinnovation.com/services/certification/green_homes/resources/find_a_multifamily_verifier
- Enterprise Green Communities <http://enterprisecommunity.org/solutions-and-innovation/green-communities/tools-and-services/technical-assistance-providers-database>
- Passive House <http://www.phius.org/find-phius-certified-professionals>
- HERS raters <https://www.resnet.us/directory/search>
- DOE Zero Energy Home <http://www5.eere.energy.gov/buildings/residential/locator>

Utility Benchmarking (0-2 points)

Two (2) points will be awarded if the development certifies that it will use a utility benchmarking service for all owner-paid utility accounts and a sample of tenant-paid utility accounts for a minimum of five (5) years. At all times, the utility data tracked by the service shall be updated continuously and be no more than three (3) months old. The applicant/owner shall make all information accessible to DSHA annually and upon request.

The minimum sample of tenant-paid utility accounts benchmarked shall be that required by the HUD for the purposes of conducting a baseline utility analysis, as stated in HUD Notice H-2015-04. To facilitate access to tenants' utility data, the developer shall commit to incorporating utility release forms that are compatible with the selected utility benchmarking service into all appropriate leasing documents and processes. The utility release forms shall indicate that DSHA will have access to such information.

The utility benchmarking service selected by the developer shall be specified in its application and any costs associated with the service should be reflected in the development's operating expenses. The benchmarking service chosen shall: 1) be a service with at least five (5) years of experience in utility data management and analysis; 2) provide analytic capability and insight with regard to multifamily housing; 3) enable easy analysis of the utility consumption and cost on the owner and tenant meters, both separately and together; and 4) be compatible with the EPA's ENERGY STAR Portfolio Manager.

To demonstrate conformance with the utility benchmarking criteria

New construction projects must:

1. Provide evidence that the project has been enrolled in a benchmarking service upon completion of construction and prior to request of IRS Form 8609; and
2. Provide evidence that the project meets the tenant sample size requirements upon full occupancy.

Acquisitions/Rehabilitation projects must:

1. Provide evidence that the project has been enrolled in a benchmarking service at the time of construction closing, with the following exception:
 - Where the project is an identity of interest acquisition of existing rental property, the applicant must provide evidence that the property has been enrolled in a benchmarking service upon carryover allocation.
2. Provide evidence that the project meets the sample size requirements to benchmark tenant-paid utility accounts upon full occupancy.

Verification of the compliance with the utility benchmarking requirements may be required by DSHA at any time and throughout the development's compliance period.

Failure to implement and maintain use of the utility benchmarking service after points are awarded and a carryover agreement is executed or any time during the compliance period will result in a penalty against the applicant in the subsequent LIHTC application submission. The penalty will be equal to the point(s) awarded for this category.

Access to Transit (0-3 points)

A development may be awarded up to three (0-3) points for including amenities and facilities to accommodate current, planned, or possible fixed route transit service. For each transit category below, points will be awarded when all criteria are met to the satisfaction of the Planning Section within the

Delaware Transit Corporation (DTC), providers of DART First State transit services, and DSHA. An early consultation with DTC is strongly recommended to be successful. Application to DTC must be made by **February 17, 2017** with the required information or the applicant will fail to qualify for points in this category.

For applications with more than one (1) non-contiguous project (e.g. two or more USDA Section 515 projects under one application), similar points will be awarded to the applicant if a Memorandum Of Agreement (MOA) can be executed for at least one (1) or more of the projects in an application.

For each transit category, the application shall include a DRAFT MOA between the tax credit applicant and DTC stipulating:

- Detailed improvements to be made (determined via consultation with DTC);
- Detailed costs of improvements (provided by applicant's site engineer); and
- Responsibility for maintenance. (Project funds may not be used to maintain transit improvements not located on the site or immediately adjacent to the site).

After an award is made, an executed MOA will be required prior to construction closing. DRAFT and/or executed MOAs from previous years' applications will not be accepted.

Failure to provide transit amenities after points are awarded and a carryover agreement is executed, or any time during the compliance period, will result in a penalty against the Applicant in the subsequent LIHTC application submission. The penalty will be equal to the point(s) awarded that were deemed ineligible.

Off-site improvements may not be part of the project costs, unless the costs are closely associated with the project and have been clearly written and described in the MOA and receive DSHA approval. No costs associated with a transit stop associated with other state agencies or municipalities may be included in project costs.

Projects that cannot fulfill their MOA, for reasons beyond their control, may not transfer budgeted transit costs to DTC or any other agency or transfer costs to other development cost line items.

DSHA maps that include all transit areas are available under Transit Maps at the following link: <http://delaware.maps.arcgis.com/apps/webappviewer/index.html?id=e93dabfce6af4a94870111a1489bb1b0>

Transit Categories: Existing Transit and Transit Ready

The purpose of both categories is to encourage the location of sites in immediate proximity of existing transit service and include amenities and facilities to accommodate current or planned fixed route transit service. A site will be deemed *Existing Transit* or *Transit Ready* where the following base requirements are met:

- A designated point of pedestrian site ingress and egress is located within DTC's currently-defined Transit Service Area (see map); or

- DTC has expressly confirmed its intention to propose direct service to the site subject to its service development planning process (Note: The agency proposes Service Area adjustments to the public via biannual Service Changes and/or mid-range fiscal year Service and Business plans.); and
- The designated point of pedestrian site ingress and egress is connected to an internal ADA-compliant sidewalk network.

Existing Transit – (1 point)

A site will be considered *Existing Transit* if, in addition to the base requirements, the property will be directly served by transit by an existing bus stop located within immediate walking distance (700 ft. maximum).

Transit Ready – (3 points)

A site will be considered *Transit Ready* if, in addition to the base requirements, DTC and the developer have agreed that the property will be directly served by transit, subject to the service development planning process. Direct service may be construed by DTC to mean the installation of a bus stop within the site or along the property frontage. In some instances, this determination can be satisfied when DTC agrees to add or relocate a bus stop within immediate walking distance (700 ft. maximum) of the site’s pedestrian access point.

Transit-Ready properties will include some of the following amenities and facilities, determined by DTC, installed and maintained at the developer’s expense, and in compliance with DTC standards:

- Bus pull-offs (poured curb or striped in road shoulder);
- Pavement requirements (where applicable);
- Bus stop waiting pads;
- Shelter pad only installations (future shelter install);
- Bench pad only installations (future bench install);
- Shelter and pad;
- Bench and pad;
- Trash Receptacles; and
- On-site fare card outlet or distribution (where applicable).

Please provide the following information to DTC with your request for a MOA by February 17, 2017:

- General map showing the location of your proposed development in relation to the City or State Map in Delaware;
- General site plan depicting the building locations both current and proposed;
- Detailed site or construction plan depicting the proposed location for the transit improvement(s) per the ***Access to Transit*** submission through DSHA;

- Cost of improvements (provided by the applicant’s site engineer (or other qualified cost professional); and
- Copy of Certificate of Liability Insurance.

Delaware Transit Contact Information:

David Dooley
 Senior Service Development Planner
 Delaware Transit Corporation/DelDOT
 119 Lower Beech Street, Suite 100
 Wilmington, DE 19805-4440

Phone: (302) 576-6064
 E-mail: david.dooley@state.de.us

Community Compatibility (New Housing Creation Only) (0-10 points)

Up to ten (10) points will be awarded to developments that can demonstrate overall community design and connectivity to surrounding communities. Each factor of the community compatibility should be demonstrated through the site plan, market study, and other applicable documents.

Community Design (0-8 points of 10 total points possible)

While design of the development need not be at an advanced stage, the conceptual design should reflect compatibility with the surrounding community and enhancement of the visual character of the surrounding area as well as foster creativity. Two (2) points each, up to a maximum of eight (8) points may be awarded for the following:

- The project’s design is consistent with the architecture/character of the local area, or the project’s visual character respects and makes a positive contribution to the surrounding community;
- Aesthetic amenities, such as trim, materials, and color enhances the exterior quality and interest of the project;
- Detail to design and planning, including full height brick, stone, articulations in the facades, bay windows, and detail at the eaves and cornices;
- New and existing setbacks are consistent with surrounding development;
- Building heights and bulk, as seen from the street, should be respected. The building should not look strange or out of place in the community where it is located; and/or
- Developments should have a variety of bedroom sizes that include one, two, and/or three bedrooms. A mix of bedroom size promotes opportunities for various household sizes in a community.

Conversion projects should adhere to the above criteria to maintain the existing character of the surrounding neighborhood. In addition, innovative upgrades that considerably enhance the visual appeal of the existing building and site are expected to qualify in this category. Examples of upgrades to the project’s design include, but are not limited to, the following:

- Landscaping in excess of community requirements;
- Roof pitches where they can complement surrounding flat roofs;
- Color schemes that highlight architectural details such as rosettes, dentils, and trim in contrasting colors for historic buildings;
- Sidewalk coverings, such as canopies over entries, freestanding awnings, and building-supported awnings that can be applied in a manner to enhance the visual appeal of the building;
- Minimize the impact of parking spaces by placing them to the rear of the building where possible or incorporating decorative elements or landscaping elements to soften the visual impact; and
- To the extent possible, developments with a variety of bedroom sizes that include one, two, and/or three bedrooms. A mix of bedroom size promotes opportunities for various household sizes in communities.

Connectivity to Surrounding Communities (0-2 points of 10 total possible points)

The project is designed to relate to and encourage connectivity with the surrounding community and not create an isolated enclave. Two (2) points may be awarded if the project demonstrates, through a sitemap, that sidewalks and other all-weather pathways are independent of the street or highway edge, connect to adjoining neighborhoods or other trail systems, and provides proof of technical assistance communication with DeIDOT as outlined below. Unimproved dirt pathways and pathways covered with organic materials such as bark or mulch do not qualify as “all-weather” pathway. Porous pavement, to reduce water runoff, should be considered. All pathways must be ADA compliant.

Failure to provide the compatibility in design and connectivity to surrounding communities after points are awarded and a carryover agreement is executed will result in a penalty against the Applicant in the subsequent LIHTC application submission. The penalty will be equal to the point(s) awarded that were deemed ineligible.

Technical assistance on how to achieve points for connectivity is available from the Delaware Department of Transportation (DeIDOT). Please contact:

Marc Cote
 Assistant Director-Development Coordination
 P.O. Box 778
 Dover, DE 19903
 Phone: (302) 760-2266
 Fax: (302) 739-2251
Marc.Cote@state.de.us

Requests for technical assistance must be made to Del DOT by, March 17, 2017.

Development and Unit Amenities (0-5 points)

All units must meet Minimum Construction Standards established by DSHA. A maximum of five (5) points will be awarded to those developments that exceed the minimum standards. Eligibility of points will be based upon 100% of all units benefiting from such amenities. One (1) point will be awarded for each new amenity, up to five (5) points, provided that such amenities affect 100% of the units. These include, but are not limited to:

- On site community center: The community center should be of sufficient size to accommodate the residents and services (if provided). The community center should contain at least 15 net square feet per unit and at a minimum 750 square feet in size. The square footage should be in addition to the kitchen or kitchenette, if provided; the community center shall include a computer/business center equipped with computers, printers, and other technology for resident's access (separate points will not be awarded for computer and/or business centers);
- Security/Surveillance System: Expanded system will be tied into the monitoring system of the local police department. (Documentation from police department should be submitted as an attachment in the application);
- Private Outdoor space: The space shall be directly associated with each dwelling unit, may occur as an entrance way (porch, fenced in area), an outdoor patio or play area or other definable space. Access shall be from the interior and limited for use by the tenant only. Grade level space shall have perimeter enclosure by material suitable for installation (i.e., fence or railings). Second floor space shall comply with all applicable building codes for life safety;
- Exercise and/or walking trails with permanent surface;
- Eat-in kitchens: Room shall be sized to accommodate a table and chairs for the number of occupants within the unit;
- Ceiling fans: Must be Energy-Star compliant and provided in all bedrooms and living room areas. One point will be given no matter how many fans are in the unit;
- Microwave or micro-hood combination: Must be Energy-Star compliant;
- Trash chutes (for mid- or high-rise facilities);
- WIFI for all units: Initial installation and equipment must be part of the project's base construction costs. The monthly fee can be paid by operations;
- Washer/Dryers units in elderly units;
- For elderly properties, regular (at least 3 times a week), site-provided bus service for residents for shopping, appointments, etc.; and

- All Non-Smoking Buildings and Units: The non-smoking policy will prohibit tobacco products in all units, indoor common areas in and other administrative office buildings of the development, including the maintenance buildings/offices. Smoke-free policies must extend to all outdoor areas up to 25 feet from all housing buildings/units and administrative office buildings.

Prior to application deadline, Applicants are invited to propose amenities in writing, in addition to those listed and may, at DSHA's sole discretion, receive points for them. The development and unit amenities must be supported and documented in a chart format as part of the Market Study requirements (see QAP Attachments).

Failure to provide amenities after points are awarded and a carryover agreement is executed or any time during the compliance period will result in a penalty against the Applicant in the subsequent LIHTC application submission. The penalty will be equal to the point(s) awarded that were deemed ineligible

Community Revitalization Plan (0-2 points)

Two (2) points will be awarded if the development and/or physical location are clearly identified and are included in an approved Community Revitalization Plan or Redevelopment Plan. The plan must also be recent to the proposed development and community and certified by the agency that developed the plan. A signed certification from the municipality in which the development is located must be submitted, identifying the most recently approved Community Revitalization Plan, citing the page number of the plan that identifies the site. Said page of the Plan must be attached to the certification. See the form of certification included in the QAP Attachments. Letters of support and/or resolutions will NOT be considered under this category. Plans cannot be older than five (5) years.

Qualified Census Tract (0-1 point)

One (1) point will be awarded to developments where all buildings and parcels are located within a HUD identified Qualified Census Tract.

Downtown Development Districts (New Housing Creation Only) (0-1 point)

One (1) point will be awarded to developments where all buildings and parcels are located within a certified Downtown Development District.

Scoring Summary

Maximum Points	Category
6	Increase in Compliance Period
10	Balanced Weighted Income Targeting
3	Mixed Income/Market Rate
5	Per Unit Cost Reduction
5	Additional Target Units – Special Populations
5	Additional Fair Housing and ADA Units
5	Local Government Contribution
20	Leveraging of Non-DSHA Resources
10	Promoting Balanced Housing Opportunities
5	Utilization of Historic Tax Credits
10	Preservation
3	USDA/Other Federal Rental Subsidy
3	Section 811 Participation
3	Provision of Social Services
6	Capacity of Development/Management Team
12	Site and Neighborhood Standards
5	Energy Conservation
2	Utility Benchmarking
3	Access to Transit
10	Community Compatibility – New Housing Creation Only
5	Development and Unit Amenities
2	Community Revitalization Plan
1	Qualified Census Tract
<u>1</u>	Downtown Development Districts (DDD)
140	Maximum Points Available
<i>(9% applicants must score a minimum of 65 points. 4% applicants must score a minimum of 50 points.)</i>	

Post Tax Credit Award Requirements

Extended Use Agreement

All applicants must agree to a minimum thirty (30)-year low-income housing commitment for the development. The extended use agreement must reflect any additional compliance period committed to at time of application. The Declaration of Restrictive Covenants must be signed, recorded and returned to DSHA before the carryover allocation is awarded or the development is placed in service.

At such time, the owner will also need to determine if he/she will elect to fix the applicable credit percentage for acquisition credits on each building in the development as the percentage(s) prescribed by the Secretary of the Treasury for the month the Allocation Carryover Agreement is executed or, alternatively, use the applicable percentage for the month in which the particular building is placed in service.

DSHA reserves the right to require certain conditions to be met before making the final credit allocation. These requirements will be itemized in the Preliminary Reservation and/or Carryover Agreement. Should any of the requirements listed in this document not be met or the characteristics of the development be changed or modified at any time after receiving the Allocation Carryover Agreement, the owner agrees DSHA shall have the right to cancel the credit allocation and the owner shall acknowledge the return in full of the credit allocation to DSHA.

DSHA is not making any representation or warranty that the amount of credit allocated is sufficient to make a development feasible or viable or that the development has complied or will comply with any particular requirement of the IRC.

Carryover Agreement Requirements

To qualify for an Allocation Carryover Agreement, the owner must provide the carryover agreement execution date, or at construction closing, proof of ownership of the property by certifying in writing, under penalty of perjury, that he/she owns the property and must attach either a copy of the recorded deed or the owner's title insurance policy. If a copy of the recorded deed is not available in time, the owner may provide a copy of the settlement statement evidencing purchase of the site(s) along with a copy of the executed deed(s) and recorder's receipt.

At the time the Allocation Carryover Agreement is executed, the owner must elect whether, pursuant to Section 42(b)(2)(A)(ii)(I) of the Code, to fix the applicable acquisition credit percentage rate for each building in the development as the percentage prescribed by the Secretary of the Treasury for the month of the Allocation Carryover Agreement (if acquisition credits will be taken). The owner may request that DSHA assign portions of the allocation to individual buildings upon execution of the Agreement or request that DSHA assign portions of the allocation to specific buildings within the development no later than the close of the calendar year in which the buildings are placed in service.

Allocation Carryover Agreements will be required by DSHA prior to the end of the credit year in which applicants receive the preliminary reservation. DSHA will generate the Agreement and contact the applicant for execution of the carryover agreement date at DSHA's discretion.

The applicable federal rate may be locked in to the current monthly applicable federal rate at the time of carryover allocation by election under Code Section 42(b)(2)(A)(ii).

Placed in Service Requirements

All developments receiving an allocation of credits must be placed in service either by November 1st of the year in which they receive credits or have incurred more than 10% of eligible development costs, no more than twelve (12) months after the issuance of the carryover allocation. Federal law requires developments receiving an allocation made prior to the year in which the building is placed in service to:

1. Have more than 10% of the reasonably-anticipated costs of the development incurred by the later of:
 - i. The end of the calendar year in which the allocation is made, or
 - ii. Twelve (12) months from the date of the allocation; and
2. Be placed in service by the end of the second calendar year following the year of allocation.

Owners must provide a written certification to DSHA from a certified public accountant that the owner has incurred by the close of the calendar year of the allocation or twelve (12) months from the date of the carryover allocation, expenditures for more than 10% of the reasonably expected basis (the “10% Test”) of the development. Developments not adhering to this procedure or not meeting the above criteria will be subject to credit allocation revocation. Please refer to the DSHA Cost Certification Guide for additional information regarding the 10% Test requirements.

DSHA Placed in Service Requirements

In addition, DSHA requires that all applicants, owners, and/or related entities (as determined by DSHA) that received a preliminary reservation and/or a carryover allocation of 2016 credits and have not met the 10% Test by the 2017 tax credit application submission deadline are ineligible to make application for 2017 tax credits.

Non-Compliance with Placed in Service Date – Forward Reservation

DSHA, within its sole discretion, reserves the right, based upon written documentation submitted by the applicant, to make a determination that the failure to place a development in service is due to circumstances beyond the applicant’s control.

Such written documentation must:

1. Be submitted to DSHA in writing within thirty (30) days of such applicant’s knowledge of the delay, via certified mail to DSHA, 18 The Green, Dover, DE 19901;
2. State the name of the development, the name of the applicant, and the deadline pursuant to the Code for placing the development in service; and
3. Provide an explanation, supported by appropriate evidence of:
 - i. The due diligence performed by the applicant in attempting to meet the deadline;
 - ii. The specific circumstances causing the delay;

- iii. The attempted remedial measures taken by the applicant in order to mitigate the delay; and
- iv. Any other pertinent information.

Notwithstanding any other restrictions in the Forward Reservations section, or other sections of the QAP, upon such determination by DSHA that the circumstances are in fact beyond the applicant's control, DSHA may allow the development, having previously been evaluated, reserved, and/or allocated credits (but being unable to be placed in service within the applicable time limit), to return such credits without penalty imposed by DSHA and to be given a forward reservation in the allocation of the same amount of credits (as those returned to DSHA) within the next two calendar years after the return of the credits. Any such priority will be conditioned upon the following:

1. A determination by DSHA that the development continues to be desirable in terms of meeting affordable housing needs;
2. The applicant's early return of any previously allocated credits;
3. Such other terms as are deemed appropriate under the circumstances by DSHA in its sole discretion; and
4. Requests for Forward Reservations will require a fee of 1.5% of the carryover/allocation amount up to \$15,000. The fee will be non-refundable, non-basis eligible, and must be paid prior to execution of the Forward Reservation.

Anything in the Forward Reservations section to the contrary notwithstanding, DSHA shall be authorized to make forward reservations of tax credit authority in order to encourage the applicants of any such developments to return credits within the year it is determined that the applicant will not be able to place the development in service, while awaiting the allocation from the next year.

The return of credits pursuant to this subsection will only be allowed one time and the development and applicant must comply with the current QAP in place at the time of re-application. The applicant will be required to complete a new application and may be subject to revise certain exhibits at DSHA's discretion.

Cost Certification

The final credit allocation will take place at the time the development is placed in service and DSHA has received cost certification by the owner (mortgagor) and the general contractor of the development. A cost certification guide will be provided by DSHA for use by the developer and general contractor in submitting all information. The cost certification for the development must include all sources and uses of funds including all syndication fees. The final cost certification will be due ninety (90) days after DSHA issues the "Permission to Occupy" approval(s) on the last building and must include all sources and uses, including all syndicator fees.

If the final cost certification is submitted after the deadline date a \$5,000 penalty fee plus an additional \$500 penalty fee for each additional week that the cost certification remains outstanding will be assessed to the applicant. The penalty fee cannot be paid from loan(s), equity proceeds, or the project's operations.

Please refer to the DSHA Cost Certification Guide for more information. The Cost Certification Guide and all cost certification forms are located at the following link:

http://destatehousing.com/Developers/developermedia/cost_cert_guide.pdf

Post Tax Credit Award Documents

Additionally, the following items must be submitted and approved during the underwriting process and prior to construction closing:

Document Description	
<input type="checkbox"/>	DSHA Plans/Specifications Checklist
<input type="checkbox"/>	Department of Natural Resources and Environmental Control Documentation regarding National pollutant Discharge Elimination System, Notice of Intent
<input type="checkbox"/>	National Emission Standard for Hazardous Air Pollutant
<input type="checkbox"/>	Erosion and Sedimentation Control Plan
<input type="checkbox"/>	DelDOT Entrance Permit (if applicable)
<input type="checkbox"/>	Model Energy Code, Building Compliance
<input type="checkbox"/>	Fire Marshal Approval
<input type="checkbox"/>	Architectural Accessibility Board Approval
<input type="checkbox"/>	Site Plan with Easements Notated (ALTA)
<input type="checkbox"/>	Building Permit Include Fire Marshal approval of sprinkler and alarm design
<input type="checkbox"/>	Realty Transfer Tax, Title 30 §5401 (8) c (Refer to DSHA for form)

Compliance Monitoring Procedures

DSHA has implemented monitoring regulations for the LIHTC program as required by the IRS and in conjunction with all other funding sources allocated by DSHA. DSHA will monitor all LIHTC projects for compliance with:

1. Minimum low-income set aside requirements;
2. Rent limitations;
3. Tenant income requirements;
4. Recordkeeping requirements; and
5. Annual project certification requirements.

DSHA will perform annual on-site inspections of at least twenty percent (20%) of all LIHTC developments, including, but not limited to, properties utilizing HOME program, National Housing Trust Fund (NHTF), Housing Development Fund (HDF), Rural Rental Housing (RHS) Section 515, Section 8 Housing Assistance Payment Contracts (HAP), 811 PRA DEMO Rental Assistance Contracts (RAC), and tax-exempt bond-financed properties.

Initial Review

DSHA will conduct on-site inspections of all the buildings in the development by the end of the second calendar year following the year the last building in the development is placed in service and, for at least twenty percent (20%) of the development's low-income housing units. DSHA may conduct an on-site review of 100% of the resident files. This review will consist of the low-income certification, the documentation the owner has received to support that certification, and the rent record for the tenants in those units.

Subsequent Review

At least once every three (3) years, DSHA will conduct on-site inspections of all the buildings in each low-income housing development and, for at least twenty percent (20%) of the development's low-income units, the low-income certifications, the documentation the owner has received to support the certifications, and the rent record for the tenants in those units. DSHA will determine which low-income housing developments will be reviewed in a particular year, which residents' records are to be reviewed, and which residents' units will be inspected.

For the purpose of a desk audit, DSHA may request an owner of a low-income housing development, not selected for the review in a particular year, submit documentation of compliance and annual compliance reporting. Requested documentation may include, but is not limited to, the following: copies of the annual income certifications; documentation that the owner has received to support those certifications; and the rent record for each low-income tenant of the low-income units in the development.

All low-income housing developments may be subject to review at any time during the compliance period.

Inspections

DSHA has the right to perform an on-site inspection of any low-income housing development through the end of the compliance period of the development. Each owner of a development receiving credits must permit the performance of DSHA inspections. The owner of a low-income housing development should notify DSHA when the development is placed in service. DSHA reserves the right to inspect the property prior to issuing IRS Form 8609 to verify that the development conforms to the representations made in the application.

DSHA also reserves the right to perform a general physical inspection of the building(s), if it is deemed necessary. The owner must make available all the information required by DSHA to perform its inspection during normal business hours for the entire compliance period or until the end of the extended use period, whichever is longer.

Data Systems

DSHA requires all owners to use the MITAS Multifamily Software (an integral database system for all required tax credit data) for reporting purposes. DSHA is required to report all resident and project data (for all tax credit projects monitored by DSHA) to HUD annually. The format for annual reporting is established by HUD and must be completed by September of each year. All reporting data is obtained through the properties' monthly submission of the Tenant Income Certification (TIC).

HUD's LIHTC Tenant Data Collection requires each state credit allocating agency to provide HUD with information on the race, ethnicity, family composition, age, income, use of federal rental assistance, disability status, and monthly rental payments of households residing in each property receiving tax credits. All developments receiving tax credits must participate in this data collection effort and will be expected to provide the required information to DSHA and HUD.

LIHTC regulations are effective as of January 1, 1992; however, if DSHA becomes aware of noncompliance that occurred before that date, DSHA is required to notify the IRS of noncompliance. These regulations are subject to change at any time to comply with federal regulations.

Minimum Low Income Set Aside

The minimum criteria for low income set asides are as follows:

1. Twenty percent (20%) of the residential units in a project shall be both rent-restricted and occupied by individuals whose income is fifty percent (50%) or less of the area median gross income, or
2. Forty percent (40%) of the residential units in a project shall be both rent-restricted and occupied by individuals whose income is sixty percent (60%) or less of the area median gross income.

The owner may select either (A) or (B) as a minimum set aside or a greater percentage, up to one hundred percent (100%). The election is made at the time of application and must be maintained throughout the compliance and extended use periods.

Rent Limitations

LIHTC units are rent restricted. The maximum rent that can be charged for a low-income unit cannot exceed thirty percent (30%) of the imputed income limitation applicable to such unit (See - Rent Limits by Number of Bedrooms chart).

Income Requirement

The maximum income requirement is fifty percent (50%) or less of the county gross median income based on family size or sixty percent (60%) or less of the county gross median income based on family size. The owner elects the income limit percentage to be used at the time of application. The allowable incomes based on family size can be found in the Income Limits chart. The owner must keep on file verification of the tenant's income.

The owner must retain on file DSHA's Annual Tenant Income Certification Form, documentation/verification to support all income sources, and a copy of the lease for each unit of the project. The form includes the following information:

1. Tenant name and social security identification numbers;
2. Family dependents and ages;
3. Gross income and asset information;
4. Sources of income; and
5. Full-time student status.

The form must be signed by the tenant and accepted by the owner. By signing this document, the tenant is certifying that the information is true and correct. Certain owners of 100 percent (100%) qualified low-income properties may not have to perform an annual recertification of the tenant's income; however, owners may have to provide such certifications for various funding programs. In addition, data collection and submission requirements will still be applicable.

DSHA reserves the right to request this information at any time throughout the compliance or extended use period, whichever is longer. Please see DSHA's Compliance Monitoring Manual for proper documentation and certification procedures.

Recordkeeping Requirements

As required by the IRS, all LIHTC projects must maintain and have available for inspection the following information on each building in the project for each year in the compliance period:

1. The total number of residential rental units in the building (including the number of bedrooms and the size, in square feet, of each residential rental unit);
2. The percentage of residential rental units in the building that are low-income units;

3. The rent charged on each residential rental unit in the building (including the source and amount of any utility allowance calculations);
4. The low-income unit vacancies in the building(s) and information that shows when and to whom the next available unit(s) was rented;
5. The number of occupants in each low-income unit;
6. The annual income certification of each low-income tenant per unit;
7. Documentation to support each low-income tenant's income certification;
8. The eligible basis and qualified basis of the building(s) at the end of the first year of the Credit period, IRS Form 8609 and all attachments;
9. A list of all tenants of the building(s) at initial rent-up, which includes the name of occupant, number of persons, and annual income;
10. The character and use of the non-residential portion(s) of the building included in the building's eligible basis under Section 42(d) (e.g., tenant facilities that are available on a comparable basis to all tenants and for which no separate fee is charged for use of the facilities, or facilities reasonably required by the project);
11. Documentation that the owner has not refused to lease a unit in the project to an applicant because the applicant holds a voucher or certificate of eligibility under Section 8 of the United States Housing Act of 1937 or any State of Delaware rental assistance program;
12. Documentation that the buildings and low-income units in the project were suitable for occupancy, taking into account local health, safety, and building codes (or other habitability standards), and the State or local government unit responsible for making local health, safety, or building code inspections did not issue a violation report for any building or low-income unit in the project. If a violation report or notice was issued by the governmental unit, the owner must attach a statement summarizing the violation report or notice to the annual certification submitted to DSHA. In addition, the owner must state whether the violation has been corrected;
13. No findings of discrimination under the Fair Housing Act, 42 U.S.C. §§ 3601-3619, occurred for the project. A finding of discrimination includes an adverse final decision by the Secretary of Housing and Urban Development, 24 C.F.R. § 180.680, an adverse final decision by a substantially equivalent state or local fair housing agency, 42 U.S.C. § 3616(a)(1), or an adverse judgment from a federal court; and
14. If a property receives funding from the following sources; HOME funds, Housing Payment Assistance contract (HAP) funds, HDF funds, or the LIHTCs were allocated in 2002 to present, an Affirmative Fair Housing Marketing Plan (AFHMP) must be reviewed and approved by either DSHA or HUD. This plan must be updated every five (5) years.

The records (listed above) for the first year of the credit period must be retained for at least six (6) years beyond the due date (including any extensions) for filing the federal income tax return for the last year of

the compliance period of the building. The records for each year thereafter must be retained for at least six (6) years after the due date (including any extensions) for filing of the federal income tax return for that year.

Annual Project Certification and Review

The owner must annually certify to DSHA that, for the preceding twelve (12)-month period, the project has achieved the following requirements:

1. The project met the required minimum set aside or any higher set aside elected by the owner;
2. There was no change in the applicable fraction (as defined in Section 42(c)(1)(B)) of any building in the project, or that there was a change, and a description of the change;
3. The owner has received an annual income certification from each low-income tenant and documentation to support that certification;
4. Each low-income unit in the project was rent-restricted under Section 42(g)(2);
5. All units in the project were for use by the general public and used on a non-transient basis (except for transitional housing for the homeless, provided under Section 42(i)(3)(B)(iii));
6. Each building in the project was suitable for occupancy, taking into account local health, safety, and building codes (or other habitability standards), and the state or local government unit responsible for making building code inspections did not issue a report of violation for any building or low-income unit in the project;
7. There was no change in the eligible basis (as defined in Section 42(d)) of any building in the project, or that there was a change and the nature of the change (e.g. a common area has become commercial space, or a fee is now charged for a tenant facility formerly provided without charge);
8. All tenant facilities included in the eligible basis under Section 42(d) of any building in the project, such as swimming pools, other recreational facilities, and parking areas, were provided on a comparable basis without charge to all tenants in the building;
9. If a low-income unit in the project became vacant during the year, reasonable attempts were or are being made to rent that unit or the next available unit of comparable or smaller size to tenants having a qualifying income before any units in the project were or will be rented to tenants not having a qualifying income;
10. If the income of tenants of a low-income unit in the project increases above the limit allowed in Section 42(g)(2)(D)(ii), the next available unit of comparable or smaller size in the project was or will be rented to tenants having a qualifying income;
11. If a household consists of ALL full-time students, such households met one of the exceptions outlined in Section 42 (i)(3)(D) which prohibits households occupied entirely by full-time students in a low-income tax credit unit;

12. The owner has not refused to lease a unit in the project to an applicant because the applicant holds a voucher or certificate of eligibility under Section 8 of the United States Housing Act of 1937 or any State of Delaware rental assistance program;
13. No findings of discrimination under the Fair Housing Act, U.S.C. 3601-3619, occurred for the project. A finding of discrimination includes an adverse final decision by the Secretary of Housing and Urban Development, 24 CFR 180.680, an adverse final decision by a substantially-equivalent state or local fair housing agency, 42 U.S.C 3616(a)(1), or an adverse judgment from a federal court;
14. An Extended Low-Income Housing Commitment, as described in Section 42(h)(6) was in effect (for buildings subject to Section 7108(c)(1) of the Revenue Reconciliation Act of 1989) (e.g. Declaration of Land Use Restrictive Covenants relating to Low Income Housing Tax Credits is in effect and was recorded with the Recorder of Deeds in the applicable county); and
15. The certifications and reviews described in this section shall be made at least annually, covering each year of the initial fifteen (15)-year compliance period and the fifteen (15)-year extended use period.

The owner must certify the above under penalty of perjury. In addition, it is a state crime punishable by a fine of up to \$2,300 or up to one (1) year in prison or both, to knowingly make any false statements concerning any of the above facts as applicable under the provisions of Title 11, Delaware Code, Section 1233.

The Annual Project Certification form must be completed by the owner annually and forwarded to DSHA at 18 The Green, Dover, Delaware 19901 to the Attention of Tricia Conley, by January 15 of each year.

Notice to Owner

DSHA shall provide prompt written notice to the owner of a low-income housing project if DSHA does not receive the Annual Project Certification, or does not receive or is not permitted to inspect the tenant income certifications, supporting documentation, and rent records described above; or discovers by inspection, review, or in some other manner, that the project is not in compliance with the provisions of Section 42.

Notice to Internal Revenue Service

DSHA is required to file Form 8823 "Low-Income Housing Credit Agencies Report of Noncompliance" with the IRS no later than forty-five (45) days after the end of the correction period specified in the written notice to the owner and no earlier than the end of the correction period (whether or not the noncompliance or failure to certify is corrected). DSHA must explain the nature of the noncompliance or failure to certify and indicate whether the owner has corrected the situation. Any change in either the applicable fraction or eligible basis that results in a decrease in the qualifying basis is an event of noncompliance.

Correction Period

Should DSHA find a project to be in noncompliance with Section 42 of the Code, the owner must supply any missing certifications, correct any findings, and bring the project into compliance with the provisions of Section 42 within sixty (60) days of the date of DSHA notification to correct the violation, unless a written extension is provided by DSHA.

Compliance Monitoring Fee

DSHA will charge a monitoring fee on tax-credit eligible units for performing the service of monitoring the LIHTC project. For new projects, DSHA will charge \$600 per unit. This fee must be paid prior to receiving an allocation of tax credits; at the issuance of IRS form 8609 or the Allocation Carryover Agreement, whichever is issued first. For all projects allocated credits after January 1, 1990 through December 31, 1996, the annual fee will be \$15 per unit and will be due January 15 each year for the remaining years of the compliance period. An annual fee of \$15 per unit will also be due as long as DSHA has LIHTC monitoring responsibility (after the initial fifteen (15)-year compliance period has expired and during the second fifteen (15)-year extended use period) for all properties under the LIHTC program.

Compliance Monitoring Manual

DSHA has developed a "Compliance Monitoring Manual" to be used as a guide and reference for LIHTC Compliance-Monitoring Procedures. Upon Carryover Allocation of Tax Credits, a copy will be forwarded electronically.

Attachment 1 - DSHA Underwriting Guidelines

NOTE: All applicants must utilize DSHA's LIHTC Application Part II - Pro Forma. No addition of tabs, changes to formulas, or manipulations of any kind are allowed. Any deviations from DSHA's version (as posted on its website) will be deemed a violation and the complete application will be considered ineligible.

Waiver requests from DSHA underwriting guidelines will require a \$500 waiver fee for each underwriting item waiver request after tax credits are awarded or during the construction period. No waiver requests will be considered or granted prior to application or award of credits.

Construction Guidelines

General Contractor's Overhead and Profit

1. Maximum 10% of construction costs including site work, buildings and general requirements.
2. For General Contractors that are part of the Development Team **at** application a maximum 7% of construction costs including site work, buildings and general requirements.
3. There will be no increase to the Overhead and Profit other than what is approved by change orders during the course of the project. At project completion, the Overhead and Profit percentage may not exceed the percentage submitted at application or approved at construction closing (whichever is less), but may be less than the approved percentage. Please refer to the Cost Certification Guide for additional information.

General Requirements

1. Maximum 7% of construction hard costs for new construction and rehabilitation projects.
2. The General Requirements definition under DSHA's Mortgagor Requisition and Cost Certification Guide will still apply and will be verified by the auditor at cost certification.
3. All costs that are eligible under General Requirements cannot be charged against any other trade line items, unless specifically allowed under DSHA's Cost Certification Guide.
4. General Requirements will be drawn based on percentage of construction completion and will no longer require back-up documentation.
5. There will be no increase to the General Requirements other than what is approved by change orders during the course of the project. At project completion, the General Requirements percentage may not exceed the percentage submitted at application or approved at construction closing (whichever is less), but may be less than the approved percentage. Please refer to the Cost Certification Guide for additional information.

Additional general requirements may be allowed for contractors recycling building materials. Refer to DSHA Cost Cert Guide for further information.

Contingency

1. A percentage, maximum of 5% for new construction and 10% for rehabilitation based on the cost of buildings, site work, general requirements and contractor's overhead and profit. Only one contingency is allowed for both hard and soft costs. Balance of contingency must be exhausted prior to approval of funds to pay for construction interest or any other construction expense from the development's operations account.

For the purposes of contingency only, rehabilitation will be defined as follows:

- a. Seventy-five percent (75%) or more of the existing external walls of the building are retained in place as internal or external walls; and
- b. Seventy-five percent (75%) or more of the existing internal structural framework of the building is retained in place.

All other projects will be defined as new construction.

2. Funds from contingency cannot be drawn or transferred without prior DSHA approval. If contingency funds are limited, it is at DSHA's discretion to release and approve requests.
3. Balance of contingency line item must be exhausted prior to approval of funds to pay for construction interest or any other construction expense from the development's operations account.

Land and Acquisition Value

Price must be supported by approved summary appraisal. Appraisers must contact DSHA for comparable land cost analysis. DSHA reserves the right to request a second appraisal. Rolled debt must be included in the acquisition cost and supported by the appraised value.

For a related party transaction where the property was acquired less than two (2) years before the application date, the maximum acquisition price may not exceed the lesser of the 'as is' appraised value of the property, or the original acquisition price plus carrying costs acceptable to DSHA. For a related party transaction where the property was acquired two (2) or more years before the application date, the maximum acquisition price may not exceed the "as is" appraised value of the property. Prior to allocation, a property appraisal and, if applicable, a copy of the settlement sheet will be required.

Appraisers are required to contact DSHA for a list of comparable LIHTC properties, which are to be included as comparables within the property appraisal report.

NOTE: The Summary Appraisal Report and the Property Appraisal should not be more than six (6) months old.

Construction Interest

Interest is allowable in the amount paid on all construction mortgage loans, from the date of initial closing until permanent loan closing. Balance of line item must be exhausted prior to approval of funds to pay for construction interest or any other construction expense from the development's operations account.

Development Guidelines

A. Developer's Fee

1. Constitutes the developer's compensation for services rendered exclusively in connection with coordinating and overseeing the construction and completion of the development. No portion of the developer's fee may compensate the general partner to render any other services including, but not limited to, services in connection with the organization or syndication of the mortgagor.

The fee is limited to a maximum of 12% of the total development cost, excluding developer's fee, transferred reserves, relocation operating deficit reserve, bond prepayment penalty or other penalties, site environmental remediation costs, DSHA assumed debt, and land cost. For identity of interest acquisitions of either land or existing rental properties, the fee is limited to 9% of the total development cost, excluding acquisition, developer fee, transferred reserves, bond prepayment penalty, relocation operating deficit reserve, site environmental remediation costs, assumed DSHA debt, and land cost.

In all 9% LIHTC projects, the developer fee cannot exceed \$1,000,000. For tax exempt bond projects (4% LIHTC projects), the fee cannot exceed \$1,500,000; however, any amount in excess of \$1,000,000 must be deferred and paid only from cash flow as defined by DSHA. Of the \$1,000,000 not paid from cash flow, the deferred developer fee cannot exceed \$500,000. Contiguous properties that receive awards in the same LIHTC funding round, using a combination of 9% and 4% credits, will be subject to a reduction in the developer fee, unless each project is for a development of sixty (60) units or more.

2. The developer's fee shall be payable as follows:
 - a. Fifty percent (50%) of the non-deferred developer's fee shall be paid from the construction loan proceeds funded by DSHA and any other lenders and shall be disbursed twenty-five percent (25%) at fifty percent (50%) completion of the construction of the Development and twenty-five percent (25%) at permanent closing.
 - b. The remaining fifty percent (50%) of the total non-deferred fee shall be paid from the total equity contribution as provided in the Partnership/Operating Agreement.
 - c. Regardless of the sources, in no case shall the developer be allowed to receive greater than fifty percent (50%) of the non-deferred developer's fee prior to the conversion date. DSHA reserves the right to hold back any portion of the developer's fee funded from its construction loan(s) in the event funds are needed, which are not otherwise available to complete the development, or to complete the closing on the conversion date.

NOTE: If applying for other DSHA funding, please review the DSHA Funding Supplement for further definition.

B. Working Capital Escrow

1. 2.5% of the combined construction mortgages (excluding rolled debt). Amount will be released at permanent closing assuming there are no outstanding financial or construction issues.
2. The cash or Letter of Credit (LOC) is to be provided by the developer, sponsor, Applicant, general partner and/or other entity approved by DSHA. This amount cannot be financed by any lending, equity, or grant sources involved in the Development nor may any portion of the Development be used as security for the working capital LOC or any other LOC issued in connection with the Development. LOC fees may be paid from construction financing sources, but not from Development operational funds.

C. Operating Reserve Escrow

1. Federally Subsidized Projects: Four months of operating expenses, including debt service and replacement reserves. Must be funded at construction closing for acquisition/rehabilitation developments and by permanent closing for new construction developments.
2. Non-subsidized Projects: Six months of operating expenses, including debt service and replacement reserves. Must be funded at construction closing for acquisition/rehabilitation developments and by permanent closing for new construction developments.
3. The operating reserve, other reserves or operating income cannot be used to guarantee any obligations of other lenders or syndicators.
4. Unless otherwise specified above, all reserves must be funded by permanent closing.

D. Transition/Subsidy Reserves

1. A reserve that is usually required by the syndicator for anticipated non-renewal of the subsidy contract. This reserve is not an eligible basis cost and cannot be paid from DSHA funds. Typically it is funded from equity. The term of the reserve is in accordance with the investor's partnership or lender requirements. At the end of the transition term, funds are returned to the development.
2. If an agreement combines transitional and operating reserves, the escrow accounts must still be separated.
3. All reserves must be funded by permanent closing.

E. Equity Factor and Equity Raised

1. DSHA requires that a minimum of .95 cents on the dollar of net equity be raised and contributed to the development. However, DSHA reserves the right to amend this amount due to changing market conditions. The net equity is defined as all equity raised for the development less syndication fees (i.e. syndicator legal and accounting costs), DSHA fees (i.e., 1.5% allocation/carryover fees and monitoring fee amounts), and DSHA Reserve Requirements (i.e. Operating Reserve, Replacement Reserve, and Carpeting Replacement Reserve). Additionally, if required by the investor, transitional subsidy reserve may be included as part of the net equity calculation upon consent of DSHA. DSHA will underwrite and allocate all acquisition credits or

tax-exempt bond projects based on the applicable rate issued by the Treasury Department one (1) month prior to application submission. For identity of interest syndicators, DSHA reserves the right to request additional letters of interest from other syndicators when market conditions warrant competitive equity pricing.

2. Fifteen percent (15%) minimum of the net equity raised must be brought in as a source at construction closing exclusive of equity used to pay the developer's fee or other fees. If more than 15% of net equity is being shown as a source during construction, documentation from the syndicator/investor with the additional amount of equity and proposed pay-ins must be included in the appropriate LIHTC application exhibit. Equity Letters of Interest must be fully executed and clearly demonstrate that equity construction funds are available and the balance of required equity will come in at permanent loan closing (except for any portion of the developer's fee withheld by the investor).
3. The applicable 4% credit rate may be locked in to the current monthly applicable rate at the time of carryover allocation/reservation by election under Code Section 42(b)(2)(A)(ii). DSHA will underwrite new construction and rehabilitative competitive rates at 9%.
4. Historic Equity/Credits
 - a. Letters need to be detailed with commitments of funding within four (4) months of a carryover allocation award and have a clear timetable of how the equity funding will flow.
 - b. The Developer fee for properties receiving historic credits is maxed at \$1,500,000 and amounts exceeding the normal DSHA limit can only be paid from cash flow. The pro forma must demonstrate that the additional fee can be paid in accordance with IRS regulations.
 - c. Historic Consultant: For developments utilizing historic rehabilitation tax credits, DSHA will allow a reasonable historic consultant fee (also must meet consultant definition) in both Total Development Cost and eligible basis. The historic consultant fee may not exceed \$30,000. A contract to provide historic consultant services must be submitted with the Application and the historic consultant must be a certified expert.

F. Relocation

1. All state- and federally-financed, federally- and state-subsidized, or conversion properties must follow all Federal Uniform Relocation Act regulations as applicable and DSHA's Relocation Policy. Relocation assistance must be included as part of construction costs. DSHA must approve all relocation plans and correspondence to residents.
2. At the time of application, the applicant may assume the risk for over-income residents and apply for the full amount of credits needed. However, at the carry-over allocation, verifications/certifications of current residents' income must be analyzed for eligibility. If the applicable fraction from application to construction closing/carryover allocation changes due to over-income residents that result in a loss of credits, the difference in any equity reduction will be the responsibility of the owner, not DSHA.

3. Relocation expenses include resident moving expenses, utility deposits, off-site rents, on-site management administration beyond normal management duties (as documented by detailed timesheets and invoices), unaffiliated outside personnel hired specifically to perform relocation work only and other relocation expenses allowed under the URA.
4. DSHA will allow up to \$3,000 per unit.
5. Relocation costs cannot be included in eligible basis.

G. Relocation Operating Deficit Reserve

1. DSHA allows up to \$1,500 per unit for a relocation operating deficit reserve for operating deficits caused by off-site relocation. This line item cannot be included in eligible basis. Any funds remaining will be applied to reduce DSHA's loans (if applicable) and cannot be applied to other line items. Funding of an approved reserve from interim income will not be considered to have caused a deficit in operations due to off-site relocation. Additionally, interim income may not be used as collateral for any loan (other than a standard assignment of rents and leases), operating deficit guarantee, or letter of credit.

H. Legal Fees

1. All requests for payment of fees to developer's counsel shall be for work completed by counsel and accompanied by an invoice on the letterhead of the firm.
2. The total amount of legal fees for any single Development shall not exceed \$200,000 for all developments. This limit is the maximum allowable and includes all fees, travel, expenses, incidentals and other costs (i.e. searches, courier, binder preparation, copy costs, etc.) incurred by the firm or the counsel in connection with the Development work. Charges for travel, expenses, incidentals, and other costs must be appropriately itemized and/or documented. This limit includes both construction and permanent closing.
3. The fee cap includes all lenders' counsel and the Applicant/Developer and/or related entities counsel.
4. No waiver requests may be submitted for legal fees exceeding the \$200,000 limit. Any overages may be paid from the developer's fee or from non-project sources.
5. Syndication legal expenses, bond issuance fees, bond legal fees charged by the financial institutions providing equity and/or bond financing to the development, and title and recording fees are not included in this limit. Syndication fees are not generally included in DSHA financing and must be paid from the developer fee or equity.

No legal fees and costs incurred in preparation and review of the tax credit application will be paid or reimbursed for prior applications.

I. Cost Certification/Accounting

1. Accounting costs for completing audits or cost certifications required by DSHA or other entities providing funds to the development are permitted charges.

2. Cost certification/accounting fees cannot exceed \$30,000.
3. Cost certification costs cannot be included in eligible basis.
4. All cost certification and accounting firms must be licensed in the State of Delaware.

J. Furniture, Fixtures, and Equipment (FFE)

1. Furnishings for management office, and/or community room, office equipment and computer software/hardware. DSHA requires a minimum FFE of \$800 per unit for new construction and new creation projects and a maximum of \$800 per unit for preservation projects.

K. Marketing and Rent-Up Fees

1. Marketing costs include advertising, temporary office rental expenses, office supplies and other marketing costs, such as brochures, business cards, temporary signs, and flyers. No salaries may be included in the marketing costs.
2. Rent-Up Fees:
 - a. Management companies can charge a rent-up fee of up to \$500 per unit for new construction or unoccupied rehabilitation developments.
 - b. Management companies can charge a rent-up fee of up to \$250 per unit for occupied rehabilitation developments.
 - c. This fee is only allowed if it is included in the budget at construction closing. This line item cannot be increased after construction closing. No other management costs related to rent-up (office supplies, salaries, travel expenses, etc.) are allowed. Note: rent-up fees cannot be included in eligible basis.

L. Bond Prepayment, Broker Fees and Tax Credit Fees

1. Bond prepayment and broker fees shall be included as part of the seller's costs and included in the acquisition price provided such payment is supported by an appraisal.
2. Tax credit and HDF application fees are eligible expenses if a successful award is made by DSHA. HOME and NHTF application fees are not eligible for reimbursement and should not be counted in basis.

M. Appraisals

1. Appraisals for projects with DSHA financing may be ordered by DSHA when the preliminary rankings for projects are released for the top-ranked Applicants. DSHA reserves the right to order appraisals for non-DSHA-financed projects at DSHA's discretion. (Please see DSHA Funding Supplement for more information.)
2. A Summary Appraisal Report, from a qualified professional appraiser (all appraisers must be licensed in the State of Delaware), of the unimproved land value is required for all Applicants at application. For all projects, the acquisition price must meet the following standards:

- a. For an arm's length transaction, the maximum acquisition price must be the lesser of the contract price or the "as is" appraised value of the property;
 - b. For a related party transaction where the property was acquired less than two years before the application date, the maximum acquisition price may not exceed the lesser of the 'as is' appraised value of the property, or the original acquisition price plus carrying costs acceptable to DSHA; and
 - c. For a related party transaction where the property was acquired two or more years before the application date, the maximum acquisition price may not exceed the "as is" appraised value of the property. Prior to allocation, a property appraisal and, if applicable, a copy of the settlement sheet will be required.
3. Appraisers are required to contact DSHA for a list of comparable LIHTC properties, which are to be included as comparables within the property appraisal report.
 4. A Summary Appraisal/Opinion of Project Value will still be required at application.

NOTE: The Internal Revenue Service updated IRC §42, Low-Income Housing Credit Audit Technique Guide in August 2015. The revised guide includes, among other changes, an expanded explanation of documents to request from the taxpayer during pre-contact analysis; a more developed definition of "residential rental property"; a new section on emergency housing relief; and clarifications on an eligible basis determination. It is recommended that the applicant's tax accountant and attorney review this document, as well as all other IRS Rulings, Regulations and Guidance for determining eligible basis.

Operating Pro Forma Underwriting Guidelines

A. Operating Income

1. Must include rents, laundry income, and income from solar energy, as long as it benefits the property and/or residents. Other income must be supported with written documentation.
2. Rents should be affordable for the market area. Please contact DSHA for comparable tax credit rents in the area of the proposed development.
3. For federally-financed or subsidized properties, the contract rents approved by HUD/USDA Contract Administrator(s) must be used for the contract period. Tax credit rents must be used after any subsidy period expires.
4. Interim income can only be used for HUD/USDA/DSHA-approved operating expenses of the property and not for construction expenses except by written consent by HUD and/or DSHA as the case may be. For subsidized developments, existing escrows and interim income may be used to fund required reserves (contact DSHA for additional guidance). Funding of an approved reserve from interim income will not be considered to have caused a deficit in operations due to off-site relocation. Additionally, interim income

may not be used as collateral for any loan (other than a standard assignment of rents and leases), operating deficit guarantee, or letter of credit.

B. Operating Expenses

- a. Range must be between \$5,000 and \$5,800 per unit (for non-subsidized properties).
- b. Range must be between \$5,900 and \$6,900 per unit (for federally-subsidized properties).

C. Debt Coverage Ratio

NOTE: Value = Rent Restricted Value

- a. 1.15:1 Loan to Value ratio of 50% or less.
- b. 1.20:1 Loan to Value ratio of 51%-80%.
- c. For projects with fully amortizing DSHA permanent debt, the Loan to Value ratio must cover all amortizing debt (with exception to USDA projects).
- d. For projects financed under the FHA Risk Sharing Insurance program, DSHA will follow the risk sharing regulation of 1.176:1.
- e. For projects with USDA debt, where 90-100% of the units are subsidized with rental assistance, DSHA will allow 1.15:1 Loan to Value ratio of 51%-80%.
- f. No negative cash flow within first 20 years of loan will be accepted. All first mortgages must have a term of 20 years or more amortized over 30 or 35 years unless otherwise approved by DSHA.

D. Annual Replacement Reserves¹⁴

- a. New Construction and Rehabilitation: \$500 per unit; however, if carpet is installed in the units, the annual replacement reserve will be increased to \$550 per unit.

E. Replacement Reserves¹⁵

- a. Existing federally-financed or subsidized properties that have replacement reserve funds currently in escrow must use these funds for capital improvements (rehabilitation expenses). Reserve funds cannot be counted toward eligible basis.
- b. All projects must establish an initial replacement reserve by permanent closing of \$1,500 per unit; however, if carpets are installed in the units the replacement reserve will be increased to \$1,650 per unit. The reserve will be established from equity per the net equity calculation. When the initial per unit balance has been met (must be by permanent closing), the annual replacement reserve per unit cost will reduce to \$500 per unit (see Annual Replacement Reserve).

¹⁴ Deviations from the Annual Replacement Reserve guideline must be submitted in writing and approved by DSHA.

¹⁵ Deviations from the Replacement Reserve guidelines must be submitted in writing and approved by DSHA.

- c. All reserves must be funded by permanent closing.

F. Trending (20-year Cash Flow Pro Forma)

1. Income escalation is 3%
2. Expenses escalation is 4%

NOTE: For Section 8 properties, trending must be approved by the Contract Administrator(s) prior to application submission.

G. Vacancy Rate

1. 5-7% (contact DSHA for guidance).
2. Loans financed using the FHA Risk Sharing Program will generally be underwritten using a 7% vacancy rate.

H. Management Fee

1. Maximum of 8% of gross income (exceptions made for subsidized developments).

I. Operating Pro Forma

1. Must be approved by the development's management entity. For federally-subsidized properties, the Contract Administrator must also approve the pro forma.
2. If photovoltaic system (solar) is being utilized at the development, any costs associated with the third party aggregator (typically 8-10% of the fees generated) should be added as an expense to the budget. In addition, sources derived from the photovoltaic system should be noted as a source.
3. For subsidy layering and pro forma purposes, the amount of annual equity distribution should be calculated at 1.5% of initial investment. However, if DSHA does not provide financing to the development, the 1.5% will not apply during the term of the credit or extended use period and standard partnership waterfall distribution of income will apply. Maximum accumulated distributions cannot exceed five (5) years. DSHA may reduce the amount of annual credit to a development where the annual equity distribution appears excessive. Please see DSHA Funding Supplement for additional requirements.
4. For projects with approved debt service coverage ratios of lower than 1.20:1, or longer amortization periods (greater than thirty (30) years), the annual equity distribution will be calculated at 1% of initial investment; this will also include all tax-exempt/HDF projects.

J. Utility Allowance

1. Allowable Methods

The IRS and HUD have published final regulations regarding utility allowances for LIHTC properties and projects that receive federal funds. Utility allowance methods include the following:

- a. ***Public Housing Authority (PHA) Utility Allowance Schedule***: the utility allowance method is established by the applicable PHA. If the applicable PHA allowance lists flat fees for any utility, those flat fees must be included in the calculation of the utility allowance if the resident is responsible for that utility. The most recent PHA allowance must be used.
- b. ***HUD Actual Consumption Method***: this method is required by all LIHTC projects that receive HUD funding (see chart below). The HUD Actual Consumption Method is based on actual consumption of the residents in existing projects. The calculations and submittal for DSHA approval must be completed in accordance with HUD Notice H-2015-04, Methodology for Completing a Multifamily Housing Utility Analysis, effective June 22, 2015. This utility calculation is the only method that is updated every three (3) years.
- c. ***Energy Consumption Model (Estimates from engineering firms)***: this method uses engineering calculations and technical data to estimate a utility allowance.

This method calculates utility estimates using an energy, water, and sewage consumption and analysis model. The energy consumption model must, at a minimum, take into account specific factors including, but not limited to, unit size, building orientation, design and materials, mechanical systems, appliances, characteristics of the building location, and available historical data.

The utility consumption estimates must be calculated by a properly licensed engineer or other qualified professional. The qualified professional and the building owner must not be related within the meaning of the applicable IRS regulation, Section 1.42-10. If a qualified professional is not a properly licensed engineer and if the building owner wants to utilize that qualified professional to calculate utility consumption estimates, then the owner must obtain approval from DSHA. When requesting such approval, DSHA requires a written request from the owner and submission of a statement of qualifications describing the qualified professional's relevant experience. Further, regardless of the type of qualified professional, DSHA may approve or disapprove of the energy consumption model or require information before permitting its use.

Utility rates used for the energy consumption model must be no older than the rates in place 60 days prior to the beginning of the 90-day notification period as described in the applicable IRS regulation, Section 1.42-10.

To generate an energy consumption model, the qualified professional shall estimate the utility consumption and cost for each tenant-paid utility for every apartment configuration within each unit-type, such as two-bedroom units. For example, the qualified professional will model a two-bedroom end unit and a two-bedroom interior unit as each is a different configuration of a single unit type. The qualified professional shall then determine the appropriate utility allowance for each unit-type by performing a weighted average of the modeled values for each distinct apartment configuration within that unit-type.

The following information should be clearly defined or described in the engineering firm's analysis and report:

1. The name and version of the modeling software used;
2. The name of the applicable utility company or companies serving the property;
3. The utility rate and costs, including any taxes or other charges that would be included in a tenant's utility bill;
4. A list of all design elements and modeling inputs used and a brief description of each and the source of that information;
5. Available historical consumption data for the subject building or a similar building. If such historical data is not available, the analysis should justify that the modeled consumption values are reasonable;
6. Summary table(s) of the consumption and cost by utility for each apartment configuration modeled;
7. Summary table(s) of the consumption and cost by utility for each unit-type after performing a weighted average of the apartment configurations; and
8. Narrative explaining how the analysis satisfies each requirement of the applicable IRS regulation, Section 1.42-10.

This method may be used for new construction developments for projections in the pro forma submitted at application. However, at conversion both new creation projects and those receiving any type of HUD funding will switch to the HUD Actual Consumption Method after consumption records are available.

- d. ***Estimate from Utility Provider:*** a written estimate from a local utility provider is an acceptable method. The utility provider's estimate must be in writing and any costs incurred to receive this estimate are borne by the owner/applicant. The building owner/applicant must retain the original utility provider estimate and must furnish a copy to DSHA and must make copies available to all tenants. This utility analysis or survey must also be pre-approved by DSHA.
- e. ***HUD Utility Schedule Model:*** building owners/applicants may use the HUD Utility Schedule Model that can be found on the HUD data set page at

<http://www.huduser.gov/portal/resources/utilallowance.html>. The HUD Utility Schedule Model is based on data from the Residential Energy Consumption Surveys (RECS) conducted by the Department of Energy. This data provides energy consumption by structure for heating, air conditioning, cooking, water heating, and other electric (lighting and refrigeration). The Model incorporates building location and climate.

The utility allowance methods listed below should be used in LIHTC projects, respective to the type of program included in the LIHTC project.

LIHTC Unit Type – Program Type	Applicable Utility Allowance Method	Review Requirement
Rural Development (RD) Section 515/RA	RD Utility Method/Schedule	As required by RD
RD Section 515/with Section 8	HUD Actual Consumption Method	Every 3 years
Section 8, project-based projects/units	HUD Actual Consumption Method	Every 3 years
Section 202 projects – PRAC or SPRAC	HUD Actual Consumption Method	Every 3 years
HOME projects or units	HUD Actual Consumption Method	Every 3 years
Section 811	HUD Actual Consumption Method	Every 3 years
Section 8, Housing Choice Voucher units, or HOPWA vouchers	PHA Utility Allowance Schedule	Annually
State Rental Assistance Vouchers (SRAP)	PHA Utility Allowance Schedule	Annually
LIHTC Only (no subsidies)	Choice of Any Utility Allowance Method	Annually, with exception to the HUD Actual Consumption Method

2. Notice

A building owner/applicant using a Utility Company Estimate, the HUD Utility Schedule Model, or an Energy Consumption Model must submit copies of the utility estimates to DSHA and make the estimates available to all tenants in the building at the beginning of the ninety (90)-day period before the utility allowances can be used in determining the gross rent of rent-restricted units.

If using the HUD Actual Consumption Utility Method, notice requirements are in accordance with HUD Notice H-2015-04, Methodology for Completing a Multifamily Housing Utility Analysis.

3. Utility Rates

For the Energy Consumption Model, rates must be no older than the rates in place sixty (60) days prior to the beginning of the ninety (90)-day notice period.

4. Utility Allowance Estimate Costs

The building owner/applicant must pay for all costs incurred in obtaining the estimates and providing the estimates to DSHA and the residents. The Energy Consumption Method is an eligible project cost.

5. Record Retention

The building owner/applicant must retain any utility consumption estimates and supporting data as part of the taxpayer's records for the compliance period.

6. Changes in Utility Allowances

An owner/applicant may choose to change the utility allowance calculation after the credits have been placed in service. If, at any time during the building's compliance and extended use period, the applicable utility allowance for units changes, the new utility allowance must be used to compute gross rents of the units due ninety (90) days after the change (the ninety (90)-day period).

K. DSHA Funds

1. Please see the DSHA Funding Supplement for additional underwriting criteria if utilizing the HDF, ARHP, NHTF, or state HOME funds.

Attachment 2 – 2017 Difficult Development Areas for Delaware

Statutorily mandated designation of Difficult Development Areas (DDA) and Qualified Census Tracts (QCT) for Section 42 of the Internal Revenue Code of 1986 states:

The United States Department of Housing and Urban Development (HUD) makes new DDA designations annually and makes QCT designations due to changes in Section 42 of the Code. In determining a DDA, HUD compared incomes with housing costs based on 2000 Census Data.

The following zip code areas and counties have been identified as DDAs for the State of Delaware:

Local DDAs			State DDAs
Kent County	New Castle County	Sussex County	
None	19701	19951	None
	19707	19958	
	19730	19970	
	19734		
	19803		

Maps demonstrating the expanded DDAs for the State of Delaware are available at the following link:

<http://delaware.maps.arcgis.com/apps/webappviewer/index.html?id=e93dabfce6af4a94870111a1489bb1b0>

Under Section 42 of the Code, developments located in DDAs are allowed to increase their eligible basis up to 130% with DSHA approval only.

DSHA reserves the right to release new DDA data upon release from HUD.

Attachment 3 – Qualified Census Tracts

New legislation signed into law in December 2000 expanded the definition of QCTs to include those Census tracts in which there exists a poverty rate of 25% or greater.

The following are QCTs:

Location	Census Tract
Wilmington	6.01
	6.02
	9
	16
	19.02
	21
	22
	23
	26
	29
	30.02
Newark	144.02
	145.01
	145.02
South of Wilmington	154
	155.02
Kent County	413
	414
Sussex County	504.06

Maps demonstrating the expanded QCTs for the State of Delaware are available at the following link:

<http://delaware.maps.arcgis.com/apps/webappviewer/index.html?id=e93dabfce6af4a94870111a1489bb1b0>

DSHA reserves the right to release new QCT data upon release from HUD.

Attachment 4 – Promoting Fair Housing Choice Opportunities

DSHA maps that include all defined areas are available under Fair Housing Maps at the following link:

<http://delaware.maps.arcgis.com/apps/webappviewer/index.html?id=e93dabfce6af4a94870111a1489bb1b0>

Attachment 5 – Promoting Access to Transit

DSHA maps that include all defined areas are available under Transit Maps at the following link:

<http://delaware.maps.arcgis.com/apps/webappviewer/index.html?id=e93dabfce6af4a94870111a1489bb1b0>

Attachment 6 – State Strategies for Policies and Spending

Delaware State Strategies for Policies can be found at the following link:

<http://stateplanning.delaware.gov/strategies/maps.shtml>

NOTE: The Delaware Strategy Maps are not property specific for properties that appear to border more than one type of growth area. If property location is not clear, DSHA will make the final determination.

Attachment 7 – Eligible Basis Limits

Area	0 Bedroom Unit	1 Bedroom Unit	2 Bedroom Unit	3 Bedroom Unit	4 Bedroom Unit
Sussex County	\$140,107	\$160,615	\$195,305	\$252,662	\$277,344
Kent County Dover	\$140,107	\$160,615	\$195,305	\$252,662	\$277,344
New Castle County City of Wilmington	\$140,107	\$160,615	\$195,305	\$252,662	\$277,344

These limits are 240% of the basic HUD 234 limits for elevator units under the HOME Program, effective as of 01/01/2016.

DSHA reserves the right to release new eligible basis limits data upon release from HUD.

Attachment 8 – Application Checklist

Delaware State Housing Authority
Low Income Housing Tax Credit (LIHTC) Program
2017 Application Checklist

After completion and finalization of the web-based Application, please print a copy of the Application along with a copy of the electronic confirmation that the Application was accepted.

The following exhibits must accompany the LIHTC Application. Those exhibits marked with an asterisk (*) may be omitted at the time of application and the application will still be considered a complete package for competitive purposes only. Please note, however, DSHA requires submission of applicable exhibits listed below before making a tax credit allocation. Please be sure each exhibit is labeled with the appropriate number.

Exhibit #	Title/Description
<i>Development Team</i>	
<input type="checkbox"/> Exhibit 1*	Articles of Incorporation, Limited Liability Company Agreement, By-laws, Partnership Agreements, and Tax Status
<input type="checkbox"/> Exhibit 2	Nonprofit Status Documentation of Section 501 (c)(3) or (4) status, which states exempt purposes including the fostering of low-income housing, charitable purpose.
<input type="checkbox"/> Exhibit 3	Verification of General Partner Ownership (for nonprofits only) Through written agreement.
<input type="checkbox"/> Exhibit 4	Joint Venture Agreement or Consultant Agreement (if applicable) Applicant(s) must submit an agreement to DSHA outlining the current and long-term roles, terms, fees, and other conditions of the partners to the agreement. An unqualified legal opinion must be submitted with the application that states the joint venture meets the requirements of Section 42 and DSHA as it relates to being considered eligible to compete in the Nonprofit Pool.
<input type="checkbox"/> Exhibit 5	Background and Experience of Board Officers and Staff Resumes and/or lists of officers are required.
<input type="checkbox"/> Exhibit 6	Resolution (for nonprofits only) Documentation of Applicant's governing body approving the tax credit application and/or loan request must be submitted.
<input type="checkbox"/> Exhibit 7	Developer Experience Complete the Real Estate Owned/Developed Schedule by listing all previous multi-family housing development experience including that of any principals of the organization. For each development, include the name, number of units, type of financing and whether subsidized (type of subsidy) or unsubsidized. Please use the DSHA Real Estate Development Schedule attachment in the Application.
<input type="checkbox"/> Exhibit 8	Audited Financial Statements Current Audited Financial Statement for the Developer(s) and/or General Partner (Managing Member) - If the ownership entity is an existing organization, the most recent and prior year's audited financial statements must be included. The audited financial statements must clearly indicate all owners of any entity(s) and their

	<p>respective financial investment in the entity(s), as applicable.</p> <p>NOTE: For Tax-Exempt applicants not seeking HDF or HOME funds, the most recent and prior year’s financial statement must be included.</p>
<input type="checkbox"/>	<p>Exhibit 9 Resumes of Surveyor, Architect, Marketing Agents, General Contractor, and Other Members of the Development Team</p> <p>Include the General Contractor if they are chosen at application. If the General Contractor is a Joint Venture General Contractor, an agreement must be submitted to DSHA outlining the current and long-term roles, terms, fees, and other conditions of the partners to the agreement.</p>
<input type="checkbox"/>	<p>Exhibit 10 Management Agent Qualification Application</p> <p>Include all required attachments (i.e., management plan, the most recent and prior year’s financial statements, and a copy of the marketing plan explaining in detail the procedures to be utilized in renting up the units).</p> <p>NOTE: All management agents must meet DSHA’s management agent requirements. All management staff must attend Fair Housing training every two years at minimum. Documentation of the nature and frequency of fair housing training for management staff must be included in the Management Agent Qualification Application as part of the additional attachments.</p>
<input type="checkbox"/>	<p>Exhibit 11 Affirmative Fair Housing Marketing Plan</p> <p>See Attachment 16 – Fair Housing Certification should be included with this exhibit.</p>
<input type="checkbox"/>	<p>Exhibit 12 IRS Form 8821, Tax Information Authorization</p>
<p><i>Other Minimum Threshold Information</i></p>	
<input type="checkbox"/>	<p>Exhibit 13 Utility Availability - Please include the following with this exhibit:</p> <ul style="list-style-type: none"> A. Verification of adequate sewer and water capacity, gas, electric, and storm water; B. Proof from utility company that the building has not been occupied for at least three years, if applicable; and C. Written verification of utility allowance method for all tenant-paid utility costs from Public Housing Authority, RD, local utility company estimates, or Energy Consumption Engineer.
<input type="checkbox"/>	<p>Exhibit 14 Zoning - Please include the following with this exhibit:</p> <ul style="list-style-type: none"> 1. Verification of zoning classification, re-zoning, or variance application request; 2. Census Tract Verification; and 3. State Strategies for State Policies and Spending verification.
<input type="checkbox"/>	<p>Exhibit 15 Minimum Square Footage and Bedroom Mix</p> <p>Preliminary plans of adequate detail to verify that units satisfy minimum square footage requirements, bedroom size, and mix.</p> <p><i>For City of Wilmington applications, per Code of Ordinances as adopted, City of Wilmington definition of Single Room Occupancy (SRO) / Efficiency is as follows:</i></p> <p>1208.4 Efficiency dwelling units. An efficiency unit shall conform to the requirements of the code except as modified herein:</p> <ul style="list-style-type: none"> 1. Every dwelling unit shall contain at least 150 square feet of floor space for the first occupant thereof, regardless of age, the floor space to be calculated on the basis of total habitable room area, exclusive of stairways;

2. In every dwelling unit of two or more rooms, every room occupied for sleeping purposes by one occupant shall contain at least 70 square feet of floor space, and every room occupied for sleeping purposes by more than one occupant shall contain at least 50 square feet of floor space for each occupant thereof;
3. The unit shall be provided with a separate closet; and
4. The unit shall be provided with a kitchen sink, cooking appliance and refrigeration facilities, each having a clear working space of not less than 30 inches (762 mm) in front. Light and ventilation conforming to this code shall be provided.

Exhibit 16 Independent Market Study

Document of sufficient scope to determine if Low Income Tax Credit Housing is in demand and is feasible for the proposed location. Market study must include, but not necessarily be limited to, the information noted in the attached Market Study Requirements. Additionally, the market study shall clearly indicate distances to services, including, but not limited to, retail/commercial facilities, employment, daycare and public transportation. List and describe separately how each of these services that the development has access to improves the quality of life for the residents.

DSHA must pre-approve the preparer of every market study. Minimum requirements for the preparer are also noted in the Market Study Requirements.

Exhibit 17 Site Control

Site control can be demonstrated by recorded deed, recorded long term lease, municipal or county disposition and development agreement, an option to purchase or lease, or a purchase contract. The sales agreement or lease agreement and all pertinent terms therein must be submitted at the time of application. DSHA reserves the right to determine if a development is ineligible to compete for tax credits if site control documentation is amended after application submission.

Exhibit 18 Phase I Environmental Audit and Phase I Environmental Site Assessment

All developments require a Phase I Environmental Site Assessment (ASTM E1527-13). The report shall be accompanied by a certification from the applicant stating that any issues raised in the environmental site assessment have been reviewed and budgeted accordingly in the development budget.

Developments with existing structures on the property require both a Phase I Environmental Site Assessment and a Phase I Environmental Audit that addresses all structures on site and the existing materials/conditions of the structures (must include tests results for lead in water, lead-based paint, asbestos, radon, and PCBs etc.).

Only the executive summary of the Phase I Environmental Audit report shall be submitted in the hard copy application; however, the full report shall be submitted with the electronic application. Cost estimates for any remediation work shall be provided and included in the executive summary and in the development budget.

Applicant must also complete the “Environmental Review Checklist” provided in the LIHTC QAP Attachments, Attachment 12.

NOTE: Where there are any environmental remediation costs identified in the Environmental Site Assessment, Environmental Audit, CNA, or other application

	document and such costs were not included in the projected environmental cost line items, any additional costs to remediate the environmental items shall be paid from the Developer Fee and will not be allowed from contingency.
<input type="checkbox"/>	<p>Exhibit 19 Letter of Support from Local Public Housing Authority A letter of support from the local public housing authority that indicates that local public housing waiting lists and/or Section 8 existing waiting lists will be used when marketing the property.</p>
Ranking and Additional Information	
<input type="checkbox"/>	<p>Exhibit 20 Increase in Compliance Period Documentation and statement from the proposed owner of the compliance and extended use periods that will be chosen by the owner for the property and agreement that owner waives their rights to re-syndicate, transfer or sell for the period chosen.</p>
<input type="checkbox"/>	<p>Exhibit 21 Conversion to Homeownership A detailed marketing plan must be submitted which includes a statement from the applicant that the Declaration of Restrictive Covenants shall reflect the following: a right of first refusal is granted by the owner to the residents; units must be offered at the fair market value at the time of the original residents initial occupancy of the unit; and, the applicant will agree to total costs per unit subject to the limits of Section 221 (d)(3)(ii).</p> <p>A detailed marketing plan, projections on maintenance, tenant reserve funds, homeownership training, continued affordability, sales price calculation, and lease/purchase agreements including rules and regulations, etc. must also be included with the application. The plan will be evaluated for feasibility and compliance with all regulations (Section 42, Fair Housing, and all other funding sources requirements). All syndication documents must reflect the conversion.</p>
<input type="checkbox"/>	<p>Exhibit 22 Balanced Income Weighted Targeting Documentation of the median income and operating income tabs on the LIHTC Application Part II – Pro Forma. NOTE: The operating income tab of the Pro Forma should clearly note the percentage of units at various income levels, including the minimum 5% of all units or three (3) units (five (5) units for subsidized projects), whichever is greater, for special populations.</p>
<input type="checkbox"/>	<p>Exhibit 23 Per Unit Cost Reduction – Documentation of calculation of total cost per unit. Please attach any Supplier Diversity Plan to this Exhibit that is used by any member of the Development Team (Applicant, General Contractor, Developer, Management Company, etc.), if applicable. The plan can include, but is not limited to, any marketing, outreach, or other effort utilized that supports the plan.</p>
<input type="checkbox"/>	<p>Exhibit 24 Integrated Housing for Special Populations QAP Attachment 20 – Targeting Owner/Management Certification and Integrated Special Needs Targeting Plan should be completed and included in this exhibit. If points are requested for increasing target units to 10%, documentation on the additional number of units should be included in this exhibit. Information on additional target units should also be provided in detail in the Targeting Plan. Certification for Intention to Participate in the Section 811 Program must be included in this exhibit.</p>
<input type="checkbox"/>	<p>Exhibit 25 Fair Housing and ADA Units Documentation by the architect through preliminary plans and/or specification of new</p>

amenities and ADA units claimed for points. Details covering costs of upgrades must also be included.

Accessible units should be marketed and rented to households that need the accessible features. When accessible units are not occupied by households that need the accessible features, a lease addendum for the non-disabled household will be required for the non-disabled household to transfer to the next available non-accessible unit (of comparable or smaller size) when a household that needs the accessible features applies and is accepted to the development. Documentation of lease addendum should be included in this exhibit.

Exhibit 26 Verification of Local Government Contribution (if applicable)
Documentation of approved written financial support by commitment letter or other documentation (i.e. executed grant agreement, award letter, etc.) from the municipality or local government (including CDBG or HOME funds) detailing the dollar amount of the waiver or contribution that financially reduces the development and/or operating cost of the developments over a five (5)-year period (i.e., tax abatement, waiver of fees, donation of land, etc.).

Exhibit 27 Details of Leveraging
Please describe, in detail, the calculations on how DSHA-controlled funds, including tax credits, HOME funds, NHTF funds, and HDF funds are used to leverage other permanent funding sources.

Exhibit 28 Promoting Balanced Housing Opportunities
Documentation of address of property and 2010 Census tract number. DSHA will make final determination if property is located in Distressed, Stable, or Area of Opportunity.

Exhibit 29 Historic Preservation
Documentation that individual property, (including all buildings in the development) is listed on National Historic Register. If applicant is seeking state historic tax credits, documentation must be provided from the State Historic Preservation Office that all buildings in the development are eligible to receive state credits and that state credits will be available by conversion.

Exhibit 30 Preservation/Rehabilitation

A. Tax Credits: any tax credit housing development which has completed its compliance period that is:

1. In need of substantial rehabilitation; or
2. At risk of losing its affordability.

B. Subsidized: any currently-occupied subsidized housing development and/or demolition/new construction of subsidized units (see definition of subsidized housing) that is:

1. In need of substantial rehabilitation; or
2. At risk of losing its affordability (within two (2) years of application).

To receive points in the preservation category for the above definitions (A or B), the applicant must meet the definition of substantial rehabilitation or submit written confirmation from the Tax Credit agency or subsidy contract administrator that the development's affordability expiration is imminent. To compete in the preservation/rehabilitation pool, the applicant must provide documentation that the development meets one of the above definitions.

To further prioritize preservation developments, points will be awarded for each of the following factors up to a maximum of ten (10) points. Each factor listed below must be supported and documented as an attachment in the application.

1. Requires hard costs that exceed \$50,000/unit. (4 points)
 - a. All hard costs will be for the building of housing units and units only.
 - b. Must be documented by the Capital Needs Assessment and proposed work must be past its 50% life cycle per DSHA's Construction Standards.
 - c. Must complete the LIHTC Web-Based Application, Cost Summary tab. The Applicant will not be eligible for points in the Preservation/Rehabilitation Pool if Attachment A is not completed.
 - d. Costs not to be included in the \$50,000/unit include, but are not limited to, all offices, community rooms/buildings, storage areas, maintenance areas, laundry facilities, all exterior work not an integral part of the building or units, all site costs, bonds, and all work not of a standard nature such as installation of awnings or solar panels.
2. Have committed federal rental assistance contracts. (3 points)
3. Property was placed in service on or before December 31, 1997. (2 points)
4. Property is non-elderly/disabled. (1 point)

Exhibit 31 Verification of New Rental Assistance or Federal Subsidy
Proof of commitment or contract for new rental assistance or subsidy contract from Rural Development, HUD or local municipality for at least 75% of the total development units.

Exhibit 32 Verification of Development Team
Documentation of the number of Low Income Housing Tax Credit Properties developed by the general partner and/or developer. Note: "General Partner/ Developer" is defined as a corporate entity, partner or owner of a multi-family development company that has been a signatory/guarantor on a Tax Credit construction loan. "Developed" is defined as having gone to permanent closing on a development with an acceptable cost certification.

Management Agent Performance

Documentation listing the Management Agent's Delaware development portfolio and a separate listing of the Management Agent's overall affordable development portfolio. Each list should include the name of property, location, type of property (senior vs. family), the number of 8823's filed in the last calendar year (and note any that are still unresolved), the REAC score (if applicable), and the vacancy loss percentage (per the Profit and Loss Statement) for the last calendar year. For any management agents that are part of the Development Team and currently do not manage any developments in Delaware, a listing of the same information will be required for their overall portfolio. DSHA reserves the right to verify the information from other state housing finance agencies.

Exhibit 33 Social Services Verification
The provision of social and support services is an integral part of any attempt to improve the quality of life of the residents of the development.

1. Services must be affordable, appropriate, available, and accessible and the service must be provided to the development's residents every calendar quarter for a total

of eight (8) hours per year. In order to receive the maximum number of points (3), at least three qualifying services must be provided, representing a total of 24 hours of qualified services provided to the development's residents.

2. The services must be distinct to qualify for the points. For example, a series of financial literacy classes, even on different topics such as budgeting/spending or understanding your credit/credit counseling, would count as one financial literacy class.
3. Services should be actively linked to the residents and not simply provided to the community at large. Services can be provided on-site or off-site.
4. If services are provided off-site, a Memorandum of Understanding (MOU) with the off-site service provider (i.e., senior center, service center, etc.) must be submitted with the application.

The MOU must stipulate a transportation plan for regularly-scheduled trips to the facility and classes, a schedule of classes, attendance proof and recordkeeping, as well as the narrative described below and any other terms, fees, and conditions of the service provider and applicant. Please include the following with this exhibit:

- a. A narrative describing the services to be provided, a curriculum for any classes, description of why the services are appropriate for the population, how the services will be publicized and marketed, expected outcomes and benefits, qualifications of the social service organizations that will be utilized at the property (including their history, capacity and experience), and contracts or commitment letters detailing costs of services from each social service provider; and
- b. Details concerning the source of funds used for social services.

NOTE: Fees may be charged to residents for social services (and not be included in the gross rent) as long as the services are OPTIONAL; however, points will not be awarded for such services.

Exhibit 34 Energy Conservation Measures

A signed Certification (Attachment #13) should be included in this exhibit. In addition, include any architectural documents that will confirm the existence of the proposed energy conservation measures.

DSHA Certification for Base Level Energy Standards and DSHA Certification for Green should be included in this exhibit (Attachment #14 and #15).

Exhibit 35 Utility Benchmarking

A signed certification (Attachment #21) should be included in this exhibit.

Exhibit 36 Access to Transit

A draft Memorandum of Agreement between the owner/sponsor and Delaware Transit Corporation (DTC) that outlines all improvements, amenities, accommodations to be made, cost of improvements, and responsibilities agreed upon by DTC should be included. All information and documentation required under the QAP for Existing Transit and Transit Ready must also be included in this exhibit.

Existing transit documentation can include mapping information from DSHA's website at the following link:

<http://delaware.maps.arcgis.com/apps/webappviewer/index.html?id=e93dabfce6af4a94870111a1489bb1b0>

NOTE: Application must be made to DTC by 02/17/2017.

Exhibit 37 Community Compatibility and Connectivity

A narrative of the proposed development that details the design and outlines how the development is compatible with the surrounding community and enhances the visual character of the surrounding area, and fosters creativity. That includes, but is not limited to the following:

- How the development design is consistent with the architecture/character of the local area, or the project’s visual character respects and makes a positive contribution to the surrounding community;
- The aesthetic amenities, such as trim, materials, and color that enhances the exterior quality and interest of the project;
- Detail to design and planning, including full height brick, stone, articulations in the facades, bay windows, and/or detail at the eaves and cornices;
- New and existing setbacks are consistent with surrounding developments. Building heights and bulk, as seen from the street, should be respected;
- Developments should have a variety of bedroom sizes that include one, two, and/or three bedrooms. A mix of bedroom size promotes opportunities for various household sizes in a community; and
- The building should not look strange or out of place in the community where it is located.

For conversion projects, provide a narrative that details how the design maintains the existing character of the surrounding neighborhood. In addition, innovative upgrades that considerably enhance the visual appeal of the existing building and site are expected to qualify in this category. Examples of upgrades to the project’s design include, but are not limited to, the following:

- Landscaping in excess of community requirements;
- Roof pitches that complement surrounding flat roofs;
- Color schemes that highlight architectural details such as rosettes, dentils, and trim in contrasting colors for historic buildings;
- Sidewalk coverings such as canopies over entries, freestanding awnings, and building-supported awnings that can be applied in a manner to enhance the visual appeal of the building;
- Minimize the impact of parking spaces by placing them to the rear of the building where possible or incorporating decorative elements or landscaping elements to soften the visual impact; and
- To the extent possible, developments with a variety of bedroom sizes that include one, two and/or three bedrooms. A mix of bedroom size promotes opportunities for various household sizes in communities.

Document through a sitemap that sidewalks and other all-weather pathways are independent of the street or highway edge and connect to adjoining neighborhoods or other trail systems, and provides proof of technical assistance communication with DelDOT. Unimproved dirt pathways and pathways covered with organic materials such as bark or mulch do not qualify as an “all-weather” pathway. Documentation from DelDOT that confirms connectivity should also be included. Notice to DelDOT must be made by the applicant before **3/15/2017**.

Exhibit 38 Development and Unit Amenities

Documentation by the architect through preliminary plans and/or specification of new amenities claimed for points. Details covering costs of upgrades must also be included.

<input type="checkbox"/>	Exhibit 39 Certification for Community Revitalization Refer to QAP Attachment 17.
<input type="checkbox"/>	Exhibit 40 Certification for Downtown Development Districts Refer to QAP Attachment 18.
<i>Acquisition/Rehabilitation/Construction/Property Information</i>	
<input type="checkbox"/>	Exhibit 41 Current Operating Budget (if applicable)
<input type="checkbox"/>	Exhibit 42 Improvements Documentation of all rehabilitation/improvements done to the property in the previous ten (10) years, if applicable. Please include with this exhibit the Rehabilitation Checklist (QAP Attachment #11) and the Environmental Review Checklist (QAP Attachment #12).
<input type="checkbox"/>	Exhibit 43 Relocation Description of relocation plans and cost, if applicable. In addition, documentation of preliminary income certifications for residents residing in occupied units demonstrating that they are tax credit income eligible or a certified letter from said residents indicating their willingness to be relocated is required for units that will be counted as tax credit eligible. Verifications/certifications of current resident's income must be included with the application.
<input type="checkbox"/>	Exhibit 44 Capital Needs Assessment (CNA) Must be completed by a licensed architect and include an energy audit completed by a certified energy rater. The CNA should also include the DSHA Rehabilitation Checklist. NOTE: For USDA projects, all applicants must utilize the USDA, Rural Development CNA Tool and CNA process. DSHA will accept the Rural Development CNA.
<input type="checkbox"/>	Exhibit 45 Detailed Preliminary Plot Plan
<input type="checkbox"/>	Exhibit 46 Architect's/Artist's Rendering of Site and Proposed Development
<input type="checkbox"/>	Exhibit 47 Location Map
<input type="checkbox"/>	Exhibit 48 Photograph of Property
<input type="checkbox"/>	Exhibit 49 Verification of Flood Plain and Wetlands Status and Other Unusual Site Features or Notice of Non-Applicability
<i>Leveraging and Financing Information</i>	
<input type="checkbox"/>	Exhibit 50 DSHA's Proposed Cash Flow Pro Forma Provide printed version from web-based application.
<input type="checkbox"/>	Exhibit 51 Details of Debt Financing At time of tax credit application, proof must be provided that construction and permanent financing requests have been made. Applicants must provide letters from the lending/funding entities, which include items, such as the date of request, amount of financing, interest rate, term and a statement that the development is eligible for financing under the lender's requirements. Financing commitment letters from all funding entities are due by 10/20/2017 . The Applicant must submit documentation with the commitments that outline the position

of each funding source. Developments that have funding commitments at the time of application, need only submit the commitment letters and documentation outlining the position of each funding source.

For public and private financing subsidies, written letters of interest, letters of intent, or proof of application must be provided (i.e. USDA Rural Development, HOME, HOPE VI, Section 202, Federal Home Loan Bank funding, local municipalities, foundations, etc.). The documentation provided will be used to determine financial feasibility.

Exhibit 52 Summary Appraised Land Value/Opinion of Project Value

A Summary Appraisal Report, from a qualified professional appraiser, of the unimproved land value. For all projects, the acquisition price must meet the following standards:

- a. For an arm's length transaction, the maximum acquisition price must be the lesser of the contract price or the "as is" appraised value of the property;
- b. For a related party transaction where the property was acquired less than two years before the application date, the maximum acquisition price may not exceed the lesser of the 'as is' appraised value of the property, or the original acquisition price plus carrying costs acceptable to DSHA; and
- c. For a related party transaction where the property was acquired two or more years before the application date, the maximum acquisition price may not exceed the "as is" appraised value of the property.

Prior to allocation, a property appraisal and, if applicable, a copy of the settlement sheet will be required.

Appraisers are required to contact DSHA for a list of comparable LIHTC properties, which are to be included as comparables within the property appraisal report.

NOTE: The Summary Appraisal Report and the Property Appraisal should not be more than six (6) months old at time of application submission.

Exhibit 53 Details of Equity Financing

Provide written description of syndication details (letter of interest) and copy of agreement, award letter of grant, etc.

Exhibit 54 Preservation Developments, (includes Section 8, RD Section 515 Multi-Family Program, and Rural Development's 514-516 Farm Labor Housing)

Provide proof that an application for rental assistance, as well as capital assistance has been made and received by Rural Development or HUD.

Exhibit 55 Federally-Assisted Distressed Property

Summary of how the property qualifies as a distressed federally-assisted property, if applicable.

Exhibit 56 Ten-Year Rule

A sworn statement from the applicant and/or a tax opinion that property has not transferred ownership within the last ten (10) years and is eligible for acquisition credits, if applicable.

Exhibit 57 Developer Blank Points Work Sheet

Developers should score themselves on the attached form. (Must also be completed by tax-exempt bond properties)

Other



Exhibit 58 Government Jurisdiction

Names and addresses of the following individuals in whose district/jurisdiction the development is to be located: State Senator, State Representative, and Chief Executive Officer.

Attachment 9 – Market Study Requirements Checklist

Low Income Housing Tax Credit (LIHTC) Program

Market Study Requirements Checklist

A market study of the population to be served by a Tax Credit-assisted Development must include recent data about employment, demographic, and housing trends for the defined market area.

While the below checklist outlines the study's requirements, a market study is not complete unless it also includes an analysis of the data. The data and analysis must clearly document sufficient demand in the market to support the proposed property without negatively impacting the concentration of existing tax credit developments and other affordable housing developments within the same market area. The study must identify any data sources, assumptions, estimates, projections, and models used in the analysis.

DSHA must pre-approve the preparer of every market study. DSHA requires the market study be conducted within six (6) months of the date of application submission.

Market Study Requirements

- Description of Proposed Property**
Describe the proposed property and the expected target population, which should be defined by presenting a demographic profile in terms of age, income, household composition, and current living situation. This description should also identify all proposed rent and amenities to be offered within the proposed property. Describe how the characteristics of the proposed property-including unit mix, rent levels, proximity to services, and amenities-will meet the needs of the target market. Provide verification that property is located in an incorporated area or unincorporated area.

- Site Evaluation**
Evaluate the proposed site with regard to: physical features of the site and adjacent parcels; accessibility to markets, services, employment, and educational institutions; and compatibility of surrounding neighborhoods and land uses.

The market study shall provide, under a separate exhibit, a map indicating the name(s) and distances of the features listed below:

Map Features:

- Supermarket (min. sq. ft. of 10,000 with a broad supply of sufficient food to maintain daily food consumption)
- Public Schools (family sites only)
- Library
- Licensed Child Care Center (family sites only)
- Usable Park Space
- Bank
- Walk-in Medical Facility or Hospital
- Post Office
- Laundry/Dry Cleaner
- Pharmacy

- Community or Civic Center (must be accessible to residents)
- Retail Facilities
- Bus Line(s)
- Town Centers
- Market Rate Rental Housing
- Other Low-Income Housing
- Community Facilities (place of worship, police or fire station, community gardens, cultural arts facility)

The exhibit shall include detail describing the proposed site and its proximity to major roads, the economic mix of the area, as defined by Census data, and employment opportunities.

Define Market Area

Using geographic, demographic, and mobility factors, define the geographic area from which the majority (typically 60% to 90%) of potential residents of the proposed property are likely to move. The market study must provide a detailed analysis of the income levels of the potential residents for the proposed property.

Market Area Characteristics

Demographic Trends

Information to include: population by age cohorts, household formation rates by age of head of household, household income distributions by age of household, owner/renter ratios by age of head of household, and the likelihood of presence of children by age of household. This information is to determine household composition (age, income, and presence of children) and housing demand for ownership and rental units.

Economic Trends

Information to include: number of jobs by various occupational categories; major employers, number of jobs, salary ranges and location, median household incomes; and economic development activities.

Housing Supply

Information to include: number of owner and rental units by cost (value or rent) and quality; for sale housing and rental vacancy rates; and estimate of owner and rental unit needs for current year and next three (3) years. The market study should demonstrate the overall vacancy rate in the area of the proposed project (for all projects – should not exceed 15%) and the vacancy rates for affordable housing properties in the area (should not exceed 10%).

Market Area's Competitive/Comparable Housing Analysis

The market study should identify and consider existing, as well as planned competition, that is within or proximate to the defined market area. Analysis should be based upon the specifics of the proposed property, such as target population, rent levels, and bedroom mix, with any other type of housing the analyst deems competitive within the defined market area. This analysis should compare how existing sites meet the market demand and how these sites will be impacted by the proposed property. The analysis should include:

- Property name, address and age;

- Number of units by unit types (efficiency, one, two bedroom, etc.);
- Monthly gross rent by unit type;
- Units size;
- Monthly rent per square foot;
- Vacancy rates;
- Five-year rent increase history;
- Services and amenities included in rent;
- Subsidized units or income-restricted units (federally or state-assisted);
- Occupancy levels, turnover and extent of waiting list; and
- Development amenities.

Market Demand/Needs Analysis

Evaluate the need for the proposed property within the defined market area by determining the eligible population that would potentially be willing to move into the proposed site. Existing and proposed competition identified in the competitive analysis must also be deducted from the available net demand, to arrive at an un-accommodated demand pool, which the proposed site must penetrate.

- The study should clearly describe the methodology and assumptions utilized to demonstrate that the market is deep enough to support the proposed property. It is important that the assumptions, particularly those regarding target populations and income levels, be consistent with the proposed property and the specific market being targeted.
- The study should provide a summary of market-related strengths and/or weaknesses that may influence the project's marketability. This includes projecting and explaining any future changes in the housing stock in the area and identifying any risks, such as competitive projects also in the pipeline or declining populations.
- The study should include the following:
 - Demand from New Rental Households: Determine new units in the primary market area based on projected rental household growth. The projected population must be limited to the target group, age, and appropriate income. Demand for each target group must be shown separately;
 - Demand from Existing Households: The sum of demand from rental household growth and demand from all components of existing households will constitute Total Demand;
 - Cost Over-Burdened Rental Households: Must identify households, if any, within the age group, income group and renters targeted for the proposed development. 'Cost Over-Burdened' is defined by DSHA as households paying more than 35% of gross income (40% if elderly) for gross rent. Analysts are encouraged to be conservative in this regard;
 - Households in substandard housing (i.e. overcrowded and/or lack of plumbing): Must be age and income group appropriate. Analysts must use their knowledge of the market area and the proposed development to determine if demand from this source is realistic. Analysts are encouraged to be conservative in this regard;
 - Elderly homeowners likely to convert to rental housing: This component may not comprise more than 20% of total demand. The analyst must provide a narrative describing how these numbers were derived. Analysts are encouraged to be

conservative in this regard; and

- Existing qualifying tenants likely to remain after renovation: This component of demand applies only to existing developments undergoing rehabilitation.

The study should provide an opinion on the market feasibility including long-term performance of the property given housing and demographic trends and economic factors.

Net Demand Methodology

Demand, Supply, Net Demand, and Total Absorption Period should be indicated in the following format:

INCOME RESTRICTIONS					
	<i>Up to 40% (min. income to max. income)</i>	<i>Up to 50% (min. income to max. income)</i>	<i>Up to 60% (min. income to max. income)</i>	<i>Market Rate (min. income to max. income)</i>	<i>Project Total (min. income to max. income)</i>
New Rental Households					
Existing Households-Overburdened					
Existing Households-Substandard Housing					
Elderly Households – Likely to Convert to Rental Housing					
Existing Qualifying Tenants to Remain After Renovations					
TOTAL DEMAND					
Less (-)					
Supply (includes directly comparable vacant units completed or in pipeline in market area)					
NET DEMAND					
Proposed Units					
Capture Rate					
Absorption Rates					

NOTE: Market analysts are required to use net demand in calculating capture rate and the absorption period. Net demand should be determined by subtracting the supply of vacant comparable units in the market area, completed or in the pipeline, from total demand.

Absorption Analysis

The market study must provide a time schedule for absorption for the proposed property by

analyzing and discussing the characteristics and depth of the target market which justify the estimated rate of absorption. Turnover potential of competitive existing sites must be included in this analysis. The market study must define and justify the absorption rate and absorption period for the proposed property, and should include a description of the methodology used for the calculation.

Capture Rate

The market study must provide a capture rate for the proposed project overall, as well as capture rates for each targeted income level and bedroom count. The rent burden (rent plus utility allowance, if any) may not exceed 30% of gross income, and the overall capture rate for a project must not exceed 10%.

Certification

The market analyst must include a signed statement by the preparer that:

1. He or she is an independent, third party professional with no financial interest in the development other than in the practice of his or her profession;
2. He or she has the requisite knowledge to proceed with the study;
3. He or she has personally inspected the subject property and the comparable properties analyzed in the report;
4. He or she has conducted the study in accordance with Standards 4 and 5 of the Uniform Standards of Professional Appraisal Practice (USPAP);
5. He or she certifies that the Market Study was conducted in accordance with DSHA requirements; and
6. Attests to the ability of the market to support the proposed housing units based upon market conditions.

NOTE: ANY RELATIONSHIP BETWEEN THE PREPARER AND THE PROPERTY SPONSOR/APPLICANT MUST BE DISCLOSED.

Attachment 10 – 2017 Minimum Construction/Rehabilitation Standards

Delaware State Housing Authority

Low Income Housing Tax Credit (LIHTC) Program

2017 Minimum Construction/Rehabilitation Standards

The Delaware State Housing Authority ("DSHA") and DSHA staff have specifically relied on the representations contained in the documents provided by the Developer, Borrower and their respective professionals, including but not limited to, their architects, contractors, engineers, surveyors and attorneys (collectively "Developer"). The Developer is responsible for complying with DSHA's minimum construction and rehabilitation standards along with all rules, ordinances, and laws of all legal entities and authorities having jurisdiction over the development, and the construction and/or alteration of the development, whether or not such requirements are specifically addressed in the plans and specifications or by DSHA's review.

The architectural team shall review all state and federal design requirements and/or building codes for their proposed development to determine which standard(s) shall apply to their project.

Applicable Standards

The standards will provide the technical requirements and certain amendments to the technical requirements.

A. Local Building Codes

Each county has adopted the following building codes (with supplements):

Kent County	New Castle County	Sussex County
2012 International Building Code	2015 International Building Code	2012 International Residential Code (for single-family home construction)
2012 International Residential Code	2015 International Residential Code	2012 International Building Code (for multi-family and commercial construction projects)
	2015 International Mechanical Code	
	2015 International Fuel Gas Code	
	2015 International Plumbing Code	
	2012 International Energy Conservation Code	
<p>ICC/ANSI A117.1-2009, as amended has been adopted and used by <u>all three counties in Delaware</u>. Its use within a governmental jurisdiction is intended to be accomplished through adoption by reference in accordance with proceedings establishing the jurisdiction's laws.</p>		

B. Americans with Disabilities Act of 1990 – 28 CFR 35 for Title II, The Fair Housing Act – 24 CFR Part 100

All projects are required by law to meet the handicap-accessibility standards outlined in the Americans with Disabilities Act (ADA). The law provides that failure to design and construct certain public accommodations to include certain features of accessible design will be regarded as unlawful discrimination. ADA Legislation was passed in July 1990 and became effective on July 26, 1992. Title III deals with non-discrimination on the basis of disability by public accommodations and in commercial

facilities. Public accommodations include all new construction effective January 26, 1993 and impact any rental office, model unit, public bathroom, building entrances, or any other public or common use area. Existing public accommodations must be retrofitted or altered beginning January 26, 1992, unless a financial or administrative burden exists. The ADA guidelines do not impact residential units, since these are covered under Fair Housing and Section 504 laws.

Please refer to the following links for additional details:

<http://www.ADA.gov> and <http://www.usdoj.gov/crt/housing/titl8.htm>

C. Architectural Accessibility Act (AAA)

Chapter 73, Title 29, Delaware Code, Purpose, construction, it is the purpose of this chapter to enable handicapped members of society to make use of public facilities with the maximum of safety and independence by providing for the implementation of standards or the elimination of architectural barriers.

D. Architectural Accessibility Board (AAB)

The Board shall have the following duties and responsibilities: Promulgate rules and regulations which shall contain standards for the design and construction of facilities covered by this chapter to assure that such facilities covered by this chapter are safely accessible to and usable by handicapped persons. Such standards shall be adopted by a majority vote of the Board following public hearings and shall take into account the requirements and standards recommended by the American National Standards Institute (ANSI) and the Building Code Officials and Code Administrators (BOCA) and any amendments thereto, and standards and requirements set out in applicable guidelines of the federal government; provided, that until such time as the regulations containing standards as required by this paragraph are formally adopted by the Board, the standards contained in subsections (1) through (n) of subchapter 6917 {repealed} of this title shall remain in force and effect and shall be applied by the Board.

E. Architectural Accessibility Standards

The purpose of the document is to implement Section 7306 (a) (1) Title 29, Chapter 73, Delaware Code, the Architectural Accessibility Act, which requires the Architectural Accessibility Board to promulgate rules and regulations which shall contain standards for the design and construction of facilities covered by the Act to assure that such facilities are safely accessible to and usable by handicapped persons.

All projects are required by law to meet the handicap accessibility standards as outlined in the Delaware State Accessibility Standards. The design and construction guidelines are enforced by state and/or local building code officials. Compliance with these guidelines is mandatory in order to receive a Certificate of Occupancy for your proposed development.

F. Architectural Barriers Act (ABA) of 1968 – 24 CFT 40, Major Provisions

Accessibility Standards for Design, Construction and Alterations of Publicly Owned Residential Structures (24 CFR Subchapter 40.4) The Architectural Barriers Act (ABA) provides that residential structures that are (1) constructed or altered by or on behalf of the United States; (2) leased in whole or in part by the United States after August 12, 1968, if constructed or altered in accordance with plans or specifications of the United States; or (3) financed in whole or in part by a grant or loan made by the United States after August 12, 1968; shall be constructed to ensure that persons with physical disabilities have access to and use of these structures. Buildings constructed with Federal funds are subject to the

ABA. All residential structures designed, constructed or altered that are covered by the ABA must comply with the accessibility requirements of the Uniform Federal Accessibility Standards (UFAS). Please note: Because UFAS does not fully address accessibility of units for persons with impaired hearing, for the 2% units that are required to be accessible for persons with hearing impairments, it is recommended that PHAs follow the 2003 edition of ICC/ANSI A117.1 Standard for Accessible and Usable Buildings and Facilities.

G. Fair Housing Amendments Act

All projects are required by law to meet the handicap-accessibility standards outlined in the Fair Housing Laws, including the Federal Fair Housing Amendments Act of 1988 (the "Act"). The law provides that failure to design and construct certain residential dwelling units to include certain features of accessible design will be regarded as unlawful discrimination.

H. Section 504 of the Rehabilitation Act of 1973, Title II of the Americans with Disability Act of 1990 (ADA), Section 504/24 CFR 8, Major Provisions

Section 504 of the Rehabilitation Act of 1973 states: "No otherwise qualified individual with a disability in the United States shall solely by reason of her or his disability be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program, service or activity receiving federal financial assistance or under any program or activity conducted by any Executive agency or by the United States Postal Service (29 U.S.C. 794)." This means that Section 504 prohibits discrimination on the basis of disability in any program or activity that receives financial assistance from any federal agency, including the U.S. Department of Housing and Urban Development (HUD) as well as in programs conducted by federal agencies including HUD.

I. Uniform Federal Accessibility Standards (UFAS)

This document sets standards for facility accessibility by physically-handicapped persons for federal and federally-funded facilities. These standards are to be applied during the design, construction, and alteration of buildings and facilities to the extent required by the Architectural Barriers Act of 1968, as amended.

The State of Delaware has not elected to adopt UFAS as the State's standard. It has elected to utilize the ICC/ANSI A117.1-2009 as adopted.

Refer to the following link: <http://www.access-board/ufas/ufas-html.htm>

J. Universal Design

Universal Design is a design concept that encourages the construction or rehabilitation of housing and elements of the living environment in a manner that makes them usable by all people, regardless of ability, without the need for adaptation or specialized design. The intent of universal design is to simplify life for everyone by making products and the building environment more usable to as many people as possible at little or no extra cost. Universal design should strive for social integration and avoidance of discrimination, stigma and dependence. By designing housing that is accessible to all there will be an increase in the availability of affordable housing for all, regardless of age or ability.

Refer to the following link: http://www.ncsu.edu/www/ncsu/design/sod5/cud/about_ud/udprinciples.htm

NOTE: Universal Design concepts do not typically reach all of the requirements of accessibility laws like Section 504 and the Fair Housing Act and that care must be taken to ensure that the requirements of all applicable laws are met in projects promoting universal design.

K. Visitability Concept

Although not a requirement, it is recommended that all design construction and alterations incorporate, whenever practical and economical, the concept of Visitability in addition to the requirements under Section 504, the Architectural Barriers Act, Title II of the Americans with Disabilities Act and the Fair Housing Act. Visitability is a design concept, for very little or no additional cost, that enhances the ability of persons with disabilities to interact with their neighbors, friends and associates in the community.

Refer to the following link: www.huduser.org/publications/pubasst/strategies.html

L. Statutory/Regulatory Requirements

Some statutory and regulatory provisions overlap others. Where there is a conflict, the most stringent provision applies, including any state or local laws, regulations, and/or codes which may be more stringent than federal requirements.

General Standards

All LIHTC developments must adhere to DSHA's minimum construction standards regardless of financing source(s), including tax-exempt bond financing and DSHA amortized permanent financing. In order to meet minimum threshold requirements, the Rehabilitation Standards Checklist must be fully completed for rehabilitation projects. All units in a Development must receive the same upgrades/modifications or rehab work and be brought up to the same standards. DSHA's agreement to proceed with closing on a loan or other transaction shall not constitute in any manner whatsoever a final approval of the construction/rehabilitation of a development. In cases of conflicts between any design and/or contract documents, the more restrictive or expensive requirements will apply.

A. Minimum Square Footage for Bedroom Sizes

DSHA has established a minimum gross square footage requirement for new construction and conversion developments, as well as conversion of non-residential units to residential use that is based on bedroom size. The following gross square footage dimensions are the minimum required by bedroom:

Units (by Bedrooms)	Minimum Gross Square Footage¹⁶
Efficiencies, including Lofts <i>See note for City of Wilmington projects</i>	500 square feet
Single Room Occupancies (SRO) <i>See note for City of Wilmington projects</i>	150 square feet
One Bedroom	700 square feet

¹⁶ The minimum gross square footage is measured from the face of the exterior sheathing to the center line of the party wall (exclusive of storage and common areas). Storage and common areas are defined as areas contiguous to units but not part of the units' living area such as attached storage sheds, storage rooms, stairs and halls in common areas.

Two Bedrooms	850 square feet
Three Bedrooms	1,050 square feet
Four Bedrooms	1,300 square feet
Square footage of units <u>may not</u> be averaged to meet minimum square footage requirements.	

Bedrooms: A bedroom must have adequate light, ventilation, and egress to meet all applicable building codes and ordinances. There must be at least one window in each sleeping room, at least two electrical outlets in proper operating condition, and/or meet minimum required by applicable building code, and one door which meets all egress requirements. Square footage for bedrooms shall be determined by all applicable building codes and ordinances.

NOTE: For City of Wilmington applications, DSHA will follow the, City of Wilmington definition of SRO / Efficiency as adopted in the Code of Ordinances. An efficiency living unit shall conform to the requirements as follows:

1. Every dwelling unit shall contain at least 150 square feet of floor space for the first occupant thereof, regardless of age, the floor space to be calculated on the basis of total habitable room area, exclusive of stairways;
2. In every dwelling unit of two or more rooms, every room occupied for sleeping purposes by one occupant shall contain at least 70 square feet of floor space, and every room occupied for sleeping purposes by more than one occupant shall contain at least 50 square feet of floor space for each occupant thereof;
3. The unit shall be provided with a separate closet;
4. The unit shall be provided with a kitchen sink, cooking appliance, and refrigeration facilities, each having a clear working space of not less than 30 inches (762 mm) in front. Light and ventilation conforming to this code shall be provided; and
5. The unit shall be provided with a separate bathroom containing a water closet, lavatory and bathtub or shower.

B. Energy

Builders/contractors shall be Delaware Energy Star partners and/or builders. Notwithstanding any other energy requirements contained herein, to the greatest extent practicable, new construction and acquisition/rehabilitation projects shall install energy efficiency components, HVAC equipment, appliances, and light fixtures that are Energy Star rated.

C. Environmental Site Assessment

If the Phase I Environmental Site Assessment indicates that the site has environmental issues, the property shall submit a clear, detailed remediation plan prior to construction closing. All costs associated with the clean-up shall be fully detailed and estimated by a qualified environmental firm and will be

submitted to all parties for review. In addition, where there are any environmental remediation costs identified in the Environmental Site Assessment, Environmental Audit, Capital Needs Assessment, or other application document, and such costs were not included in the projected environmental cost line items, any additional costs to remediate the environmental items shall be paid from the developer fee and will not be allowed from contingency.

D. Architect Certification Standards and Requirements

1. The Architect, Engineer(s), Surveyor and any other consultants to the Architect must be registered in Delaware and maintain registration in Delaware until project conversion. All consultants (**no exceptions**) must have a contractual relationship to the Architect through an AIA consultant agreement.
2. All documents/specifications shall be prepared by or under the direction of an architect registered in the State of Delaware, stamped with the design professional's registration seal and accompanied by a statement signed by the professional certifying compliance with DSHA's Minimum Construction/Rehabilitation Standards.
3. Although most of the above standards are geared to new construction developments, rehabilitation of existing units must follow the same standards. DSHA requires that a comprehensive capital needs assessment shall be submitted with the application if rehabilitation work is to be performed. (Please verify actual lifespan of all components of existing structure. If not submitted/completed, the application will be considered incomplete and will not be scored.) DSHA will also complete a site inspection forty-five (45) days prior to submission of an application to assure that its standards are being met and reserves the right to require additions and/or amendments to the capital needs assessment.
4. All projects are to provide "AS-BUILTS" drawings and specifications at the end of the project. These "AS-BUILTS" are to be provided as both a paper copy and on CD. This is also applicable to the "ALTA-Survey" for permanent closing. All CDs are to be in a .dwg format.
5. The "Plans/Specifications Review Checklist" is to be used as a guide for various governmental submissions and/or approvals DSHA requires prior to loan approval.
6. Designs that do not meet current code requirements **will not be considered cause for a change order.**
7. Waiver requests from DSHA construction standards will require a \$500 waiver fee for each construction standard waiver request after tax credits are awarded or during the construction period. No waiver requests will be considered during the application process or prior to LIHTC award.

8. The first set of plans and specifications submitted should be at least 80% complete. A \$500 redesign fee (per review) will be assessed when DSHA must make multiple reviews due to, but not limited to, the following conditions:
 - a. Substantial design change;
 - b. Increase and/or decrease in the number of units;
 - c. Change of architectural team and/or;
 - d. Change in initial concept.

All fees assessed at DSHA's discretion.

E. General Contractor Requirements

All General Contractors must be pre-approved by DSHA through the General Contractor's Certification and Questionnaire process. After DSHA has approved the General Contractor, he/she will be placed on the LIHTC Approved General Contractor List.

The General Contractor must be listed on the current approved list posted on the website for the 2017 LIHTC Approved General Contractor List round by **March 10, 2017**.

The LIHTC Approved General Contractor List and General Contractor's Certification Process is located at the following link: http://www.destatehousing.com/Developers/dv_lihtc.php

NOTE: All members of the Development Team, including the General Contractor must comply with DSHA's Draw Requisition and Cost Certification Guide. The guide can be found at the following link: http://destatehousing.com/Developers/developermedia/cost_cert_guide.pdf

F. Bidding Protocol/Requirements

Developers /Applicants of LIHTC and DSHA-financed projects may choose between two (2) bidding options for General Contractors in order to arrive at construction costs for the proposed development.

Option 1

The Developer/Owner of the development may determine the General Contractor at application and shall disclose the General Contractor as part of the Development Team.

- a. The General Contractor will agree to a maximum of 7% General Requirements of construction hard costs for new construction and rehabilitation projects, including all change orders. DSHA may allow up to a maximum of 10% of construction hard costs for projects with thirty-two (32) units or less with prior written DSHA approval. This determination will be made at DSHA's sole discretion.
- b. The General Contractor will agree to a maximum of 7% Builders Overhead and Profit of construction hard costs and General Requirements for new construction and rehabilitation projects, including all change orders.

- c. There will be no increase to the Overhead and Profit or General Requirements other than what is approved by change orders during the course of the project. There will be no change orders approved solely to increase Overhead and Profit or General Requirements. At project completion, the Overhead and Profit and General Requirements percentages may not exceed the percentages submitted at application or approved at construction closing (whichever is less), but may be less than the approved percentages.
- d. DSHA shall review and approve plans and specifications for construction work prior to release for bidding.
- e. The General Contractor will obtain at least three (3) sealed bids from all subcontractors when the General Contractor is self-performing work for trade payment line items. If the General Contractor is not performing work for the trade payment line items, two (2) sealed bids are required from all subcontractors.
- f. The General Contractor will open all bids with their contracted architect, all project costs will be totaled (in a format specified by DSHA) and copies of all bids and the written results forwarded to DSHA and the Developer/Owner for approval. Subcontractor bids shall be awarded to the lowest bidder unless low bid is incomplete.
- g. If the General Contractor proposes to perform any work with his/her own employees, the General Contractor shall obtain three (3) sealed bids for the work and may not charge any more than the lowest bid for the work.
- h. If the Developer, Development Team and/or Applicant have related party and/or identity of interest subcontractor firms, they may not bid on the construction work or perform work on the development.
- i. The Developer/Owner may not pre-bid certain aspects of the work and require the General Contractor to use those subcontractors.

Option 2

Developers/Owners may also choose to add the General Contractor to the Development Team after awards of credits or approval of DSHA financing has been made by DSHA. The work must then be bid as follows:

- a. Developer/Owners shall invite all firms on DSHA's LIHTC Approved General Contractor List to bid and obtain a minimum of three (3) bids from the approved list of General Contractors that will provide bid estimates for the proposed projects;
- b. The General Contractor will agree to a maximum of 7% General Requirements of construction hard costs for new construction and rehabilitation projects, including all change orders. DSHA may allow up to a maximum of 10% of construction hard costs for projects with thirty-two (32) units or less with prior written DSHA approval. This determination will be made at DSHA's sole discretion;

- c. The General Contractor may not exceed 10% Builder's Overhead and Profit for rehabilitation projects or 8% for new construction projects as defined in the QAP, inclusive of all change orders;
- d. There will be no increase to the Overhead and Profit or General Requirements other than what is approved by change orders during the course of the project. There will be no change orders approved solely to increase Overhead and Profit or General Requirements. At project completion, the Overhead and Profit and General Requirements percentages may not exceed the percentages submitted at application or approved at construction closing (whichever is less), but may be less than the approved percentages;
- e. DSHA shall review and provide written approval of bid documents prior to release for bidding;
- f. The bids shall be sent to the architect of record in a sealed envelope, clearly marked with the project name and date stamped. Faxed or e-mailed bids shall not be accepted. The bids shall be privately opened, tallied and the results forwarded to DSHA and Developer;
- g. If the General Contractor proposes to perform any work with his/her own employees, the General Contractor shall obtain three (3) sealed bids for the work and may not charge any more than the lowest bid for the work;
- h. If the Developer, Development Team and/or Applicant have related party and/or identity of interest subcontractor firms, they may not bid on the work or perform work on the development; and
- i. The Developer/Owner may not pre-bid certain aspects of the work and require the General Contractor to use those subcontractors. No additional bidder requirements may be added to these protocols without written approval from DSHA, which may be withheld in their sole discretion (examples include, but are not limited to, additional payment and performance bond requirements, letter of credit for contractors, unrealistic timing demands, construction schedule, liquidated damage requirements, etc.)

NOTE: for any funding sources that require bidding of the construction costs (i.e. USDA, HUD), Option 2 must be followed.

In order to be considered qualified by DSHA, General Contractors must complete the DSHA Contractor's Certification and Questionnaire process and provide information on all of the required attachments and be approved by DSHA thirty (30) days prior to invitation to bid or DSHA's application deadline. Previously approved General Contractors must submit the information to DSHA for approval on an annual basis.

All fee changes are effective 01/01/2017. Tax Credit Allocations and/or HDF/HOME loans made prior to 01/01/2017 will continue to use the previous fee schedule.

G. Site Work

1. General

- a. All new construction shall be designed to obtain 100% accessible routes to all units.
- b. New construction and rehabilitation/conversion developments (includes all common areas, rental offices, playgrounds, etc.) shall comply with State Architectural Accessibility Standards, Fair Housing, and ADA. The most stringent requirements will apply.
- c. All projects with below grade habitable space (units, common space, laundry rooms) will require an assessment to determine possible water infiltration/moisture problems, which could directly affect the overall total development budget.
- d. No portable storage buildings allowed. Incorporate into building design as a maintenance area.
- e. All developments consisting of eighteen (18) residential dwelling units or more must have a site office of at least 200 square feet (exclusive of handicap toilet facility) and a maintenance room of at least 100 square feet.
- f. Any Multi-Family residential building, new construction or rehabilitation shall follow the Delaware State Fire Prevention Regulations to the fullest extent of the law. Please note Part VI, Chapter 3 for Apartment Buildings/Multi-Dwellings. No exception will be made for rehabilitation which will qualify for the 50% rule for grandfathering of any code. Entire Fire Prevention Regulations can be found at the following web page <http://www.delawarestatefiremarshal.com>. Fire Marshal approval of all building and site plans, including alarm and sprinkler design, must be obtained prior to construction closing.
- g. Contractor shall verify all existing utility connections. New connections must be included in the base bid in order to make all utilities functional (outside 5' of perimeter of building).
- h. Contractor shall make a concerted effort to separate all recyclable construction debris, materials, and waste.
- i. Project Identification (signage): Development shall provide a temporary project banner or sign of exterior grade plywood and wood frame construction, painted, with exhibit lettering by professional sign painter to architect/engineer's design and colors. The sign should list the project name, DSHA, name of owner, architect/engineer, professional subconsultants, contractor and major subcontractors. Other funding sources and/or partners may also be included. Erect on site at location established by the architect/engineer. A permanent development sign with appropriate information as approved by DSHA shall be provided by permanent loan closing.

- j. A residential guide/manual shall be provided for residents which shall explain the intent, benefits, use and maintenance of their unit features and practices.

2. ***Landscaping***

- a. Minimum landscaping budgets of \$500 per residential dwelling unit are required. This allowance is for installation of mulch beds, plantings and new trees only. Maintenance and watering of all landscaping features shall also be included in the landscaping budget. It may NOT be used for fine grading, seeding and/or straw and sod. Allowance is not be used for tree removal or trimming. This is for curb appeal and beautification of the property.
- b. All landscaped areas shall have warranted weed barriers (fabric only) installed under mulch and maintain 12” buffer between vinyl siding and grass areas around the perimeter of the structure, unless siding is at least 8" above finished grade.
- c. If irrigation system is not provided, hose bibs shall be provided on each front and rear of building with lockable boxes. Depending on building size, additional hose bibs may be required for ease of maintenance for landscape areas.
- d. All condenser units shall be landscaped to avoid mowing and trimming around unit and provided with poured concrete pad. Design shall incorporate multiple condensers on concrete pad and avoid inside corners where applicable.
- e. A grading and landscaping plan shall be provided for all projects, approved by the conservation district for the applicable municipalities or jurisdiction, prior to construction closing.
- f. Preservation of existing trees is required to the greatest extent feasible and in compliance with state and local requirements.
- g. Use of drought resistant, minimal water consumption landscaping is required.
- h. Concrete splash blocks shall be provided for all downspout locations.

3. ***Storm Water Management Ponds***

Storm water management ponds shall be designed to state standards. If a storm water management pond is designed to be wet, it shall have a perimeter fence for safety of tenants. Minimum fence material shall be post and rail with quality coated wire fence material on interior of rails (minimum height of 48” above finished floor). Make every effort to match new pond fencing with project fencing.

4. *Common Areas*

- a. Tot lots and/or a designated recreation area shall be provided. Family developments must provide a playground on site. Designated play areas and playgrounds are considered “common areas” and must be on an accessible route.
- b. Large parking lots shall include planting areas. At a minimum, all existing parking areas shall be seal coated and striped. A capital needs assessment and/or civil engineer shall assess the overall condition of existing pavement, and if any grading or other issues are present, the work that shall be required in failing areas must be included in the project.
- c. If parking area does not have a curbed sidewalk area adjacent to parking, parking bumpers doweled into pavement shall be provided to maintain safe distance between parking area and trees or lawns.
- d. All sites shall provide permanent enclosures for garbage dumpsters or trash receptacles consistent with the appearance of the dwelling units. Refuse collection areas must be on an accessible route. Install concrete filled bollards to protect walls of enclosure.

H. Wood and Plastic Materials

1. *Sheathing*

- a. Thermo ply exterior sheathing will not be allowed. All exterior wall sheathing shall be solid, 7/16” or thicker. Roof sheathing shall be plywood a minimum of 5/8” in thickness.

2. *Siding*

- a. Vinyl siding must be solid and shall be a minimum of 0.044” in thickness.
- b. Medium density overlay board is not allowed for any development.
- c. All existing exterior mortar joints shall be inspected for cracking and general deterioration and where such conditions are noted, joints shall be repointed as part of the work.

3. *Miscellaneous*

- a. Exterior grade caulking shall be used.
- b. Existing base molding shall be removed and replaced with taller dimension profile composite trim.

I. Thermal and Moisture Protection

1. *Insulation*

- a. Insulation shall meet all applicable codes for new construction and rehabilitation. Exceeding code standards is permissible if costs are reasonable.

2. *Roofing*

- a. Roofing materials, which exceed 50% of the life expectancy, shall be removed. At this time substrate shall be inspected (no second layers allowed).
- b. Asphalt shingles shall have a minimum warranty of 30 years, and meet applicable wind building codes.
- c. All roofs shall have 3” “T” edging around the perimeter, no smaller than two-foot sections, especially at corner intersections.

3. *Miscellaneous*

- a. All exterior building surfaces shall be designed to be maintenance-free.
- b. All exterior surfaces shall have house wrap installed as per manufacturer’s instructions.
- c. Vinyl siding shall have composite trim installed when within 6” of finished grade.

J. Doors and Windows

1. *Doors*

- a. Interior doors shall be six (6)-panel Masonite or better. Tops and bottoms of all interior and exterior doors must be painted.
- b. No bi-fold or bi-pass closet doors; all closets must have a hinged door. If code requires metal bi-fold door application, doors must be installed in wood frame with wood trim.
- c. Hardware shall be brushed aluminum or better, no polished brass. Grade two (2) or better, including hinges and door bumpers. All exterior hinge hardware shall be of non-rusting, quality materials.

- d. Entry doors shall have a minimum “U” value of 0.33 or below. Frame savers shall be used on all exterior applications. Exceeding DSHA standards is permissible if costs are reasonable.
- e. Entry door shall have a doorbell or knocker and peep hole (eye viewer), no polished brass.
- f. Peep/viewer to be provided for solid rear door. ADA-compliant doors shall have two viewers at required heights.
- g. Patio and/or French doors shall have integral mini-blinds built in between glazing to provide privacy.

2. *Windows*

- a. Windows shall be thermal insulated with a minimum “U” value of 0.33 or below. Exceeding DSHA standard is permissible if costs are reasonable.
- b. Slider windows will not be allowed. Single hung should be considered, local codes shall dictate.

3. *Signage*

- a. Exterior signage shall not be polished brass.
- b. Unit numbering and building identification numbers shall be provided and approved by the Fire Marshal and Post Office.
- c. Unit numbers shall also be provided on all rear doors.
- d. All emergency exit signs shall be LED.
- e. A permanent development sign with appropriate information as approved by DSHA shall be provided by permanent loan closing.

K. Finishes

1. *Flooring*

- a. Solid vinyl (plank or tile) flooring shall be used for entry areas, bathroom, dining areas, and kitchen and utility areas unless prior approval is given by DSHA. A minimum of two color fields required for solid vinyl tiles. Seal and wax, per manufacturer’s direction.

- b. Carpets for the remaining areas of the unit are optional. DSHA encourages other environmentally-friendly products as a substitution for carpet. If carpets are utilized, an additional \$150 per unit in replacement reserve funds is required. Carpets may not be installed in baths, kitchens, hallways, dining areas, or in front of exterior doors.
- c. Hardwood flooring or other materials may be utilized as approved by DSHA.
- d. Gyp-crete shall be sealed per manufacturer’s specifications.
- e. Carpet to meet minimum weight and grade standard as follows:

Carpet Element	Minimum Grade/Standard
Filament	100% Smart Strand Triexta BCF
Gauge	5/32
Pile Height	.520
Stitches Per Inch	7.50
Certified Pile Height	29.40 oz.
Total Weight	64.47 oz.
Density	2,035
Primary Backing	Woven Polypropylene
Indoor Air Quality	#GLP 1118
Flammability	Pill Test – 16 CFR-1630.4 (FF-1-70): PASS
<i>Carpet width shall be 15’ wide to minimize seams in high traffic areas. No Berber allowed. Padding is required and shall be a minimum of 6# density.</i>	

- f. Rehabilitation: contractor shall verify all substrates and/or flooring surfaces for suitability of new VCT and/or carpet installation. If homosote and/or gypcrete is present, expect to remove material prior to installation of new flooring material. All floor preparation for new flooring installation is the responsibility of the General Contractor.
- g. If common hallways are designed, no carpet is permitted. Solid vinyl flooring to be installed in common hallways with two colors required, if utilizing VCT.

2. Drywall/Paint

- a. Drywall shall be glued and screwed. Moisture-resistant drywall shall be used in all locations where plumbing penetrates walls, this includes the entire bathroom, (i.e., ceiling and walls), or comply with building code, whichever is more stringent. Mold-resistant drywall shall be used for all exterior applications and core wall

applications. Grade 4 finishes shall be provided for all drywall finishes. If ceramic tile is used, cementitious board shall be provided as underlayment.

- b. All interior paints and primers shall have low or no VOC levels.
- c. Preparation is required to obtain level 4 finishes. For rehabilitation projects, if a level 4 cannot be achieved, overlay of existing wall with 3/8 inch drywall should be used. Rehabilitation properties shall have primer similar to "Kilz" enamel or oil based type sealer/primer for application on existing drywall or approved primer to adhere to existing drywall conditions.
- d. Paint shall be an egg shell or low luster semi-gloss. Kitchens and bathrooms shall be semi-gloss. NO FLAT PAINT WILL BE ALLOWED ON WALLS. (Flat paint will be allowed for ceiling application only). Other paints must be approved by DSHA. Minimum three (3) coats - one (1) primer and two (2) finish coats. Shall meet requirements of manufacturer.

3. *Miscellaneous*

- a. Kitchen counter top shall be provided with end splash for adjacent or end walls.
- b. No self-edge counter tops. Counter tops shall be Euro edge.
- c. Shelving shall be vinyl coated wire units. Provide all intermediate supports needed.
- d. Doorstops shall be rubber disk type or half-moon type. All other types must be approved by DSHA. All stop finishes must match door hardware. The use of hinge-pin type doorstops is prohibited.

L. **Specialties**

1. *Toilet, Bath, and Laundry Accessories*

- a. Reduce water consumption by installing water-conserving fixtures in all units and all common space bathrooms as much as feasible.
- b. Concealed blocking is to be provided for all items such as tissue paper holders, grab bars, and medicine cabinets.
- c. One inch minimum diameter grab bars properly mounted to in-wall blocking shall be used in lieu of standard towel bar.
- d. Cultured marble tops for vanities with slide splashes when adjacent to wall-no laminated tops with drop in bowl type fixtures.

- e. One-piece bathtub unit may be selected. If space constraints will not allow, rigid fiberglass surrounds and/or ceramic tile will be used in conjunction with tub. No plastic surrounds will be allowed. Select style based on adaptability. Base trim at edge of tub shall be composite, rot proof material. If gap is present, quarter-round rot proof molding to be installed. Tub liners are acceptable with full height wall surrounds. Splash zone (full height of tub and surround) shall be protected with waterproof material (4" adjacent to tub faucet).
- f. Exhaust fans for all bathrooms shall be low speed/low noise continuous exhaust fan (hard wired), similar to Panasonic Quiet Whisper model, or single switch exhaust fan light combination that meets all applicable building codes and approved by DSHA and the architect. Sone rating < 1.0.
- g. Shower rod to be surface mounted, no tension rods allowed.
- h. 2.0 g.p.m. Showerheads.
- i. 0.5 g.p.m. Faucet aerators.

2. *Exterior Sun Control Devices*

- a. Mini blinds shall be of quality construction. Each window shall be provided with one (1) blind, i.e., twin window shall have two (2) blinds. Install center support brackets provided with blind for all blinds wider than 36". Maximum blind size shall be no wider than 42".

3. *Fire Extinguishers*

- a. Contractor shall supply rechargeable 2.5 #ABC fire extinguishers (minimum size) for each unit, or where code mandates- whichever is more stringent. All fire extinguishers shall be tagged and inspected annually.

M. Appliances

- 1. All appliances will be Energy Star with pre-wired power source.
- 2. Refrigerators shall be frost free (minimum of 15 cubic feet).
- 3. Ovens shall be self-cleaning. (Utilize U.L. listed code compliant connectors for gas stoves.) **No** glass cooktops allowed.
- 4. Exhaust fan, duct to exterior. Re-circulating charcoal filter type model may be used if approved by DSHA.

5. Back splashguard shall be wall mounted behind range. If range is located in corner, install additional splashguard on adjacent wall.
6. Washer and dryer hook-ups or laundry facilities (either in the community building or other building(s)) are required for the development. Must meet all accessibility requirements. Washer and dryer hook-ups, if chosen, shall be designed for side-by-side set up with a minimum depth of 30" (vented to exterior per code).
7. Garbage disposals are not recommended due to high maintenance. If used, disposal shall be 1/2 hp motor with a stainless steel shank. For ADA units, a lowered switch within reach range shall be provided and the location of all appliances shall meet all accessibility standards for clearances.
8. Dishwashers are to be provided. If venting on unit is located adjacent to counter top, underside of counter top edge must be laminated.

N. Kitchen and Bathroom Furnishings

1. Kitchen cabinets and vanity doors, fronts, and boxes shall be solid wood construction with concealed door hinges. No high-density laminates will be allowed. Provide, at a minimum, one drawer base for each kitchen layout. Shelves shall be solid plywood at a minimum of 1/2" thickness. Base cabinet drawers shall not be sized larger than 36" in width.
2. Provide plastic laminate on wall between wall and base cabinet for all areas adjacent to base and wall cabinets.
3. Wet wall at mop sink shall have FRP board on walls.
4. Hardware shall be provided for all cabinet drawers and doors. NO BRIGHT BRASS FINISHES.
5. Provide blocking for fully-accessible and adaptable units for both kitchen and bathrooms.

O. Fire Suppression, Plumbing, and Mechanical

1. Fire Suppression

- a. Sprinkler systems are required.
- b. All sprinkler and fire alarm systems must be designed and approved by the appropriate fire marshal **PRIOR** to construction closing.

NOTE: Scattered sites shall be determined on a case-by-case basis.

2. *Plumbing Piping*

- a. Condensate lines shall drain correctly with exterior grade and/or foundation. (Pumps shall be provided when needed.) Existing condensate lines shall be checked and free flowing if lines will be reused. Contractor to check discharge location and eliminate all pooling water.
- b. Floor drains and/or sump holes shall be provided in all basements. The floor shall be pitched to these drains or sumps and the drains or sumps shall be connected to a positive drainage system or to the exterior of the building. Sump pumps must be installed, ½ hp minimum. Sump pits shall be provided with cover.
- c. If natural gas is available for site, full gas package to be installed unless otherwise approved by DSHA (i.e. all appliances, hot water heater, and furnace). Provide hard wire Carbon Monoxide detector, per code.
- d. Existing utility connections shall be field verified to receive new equipment. Existing condensate lines shall be cleaned, tested, and discharge connections verified. (REPLACE IF NECESSARY)
- e. No polybutylene piping allowed.
- f. Use of ABS plastic in lieu of CPVC.
- g. Provide a main water supply shutoff for each building.
- h. Existing sanitary lines shall be video traced to determine viability for the rehabilitation.
- i. Existing curb stops shall be examined for viability. Inspection date of maintenance shall be provided.
- j. Contractor to verify if site has curb stops, water meters, and/or meter pits required by applicable municipalities.

3. *Plumbing Fixtures*

- a. Electric hot water heaters shall have a minimum Energy Factor of 0.92EF or better. All gas fired models shall be Energy-Star certified. Minimum warranty period is ten (10) years. Exceeding DSHA standards is permissible if costs are reasonable.
- b. Provide pans for all hot water heaters. Any heat or coil unit located in attic area shall have a pan and condensate line draining to the exterior.

- c. Tub and shower faucets shall have anti-scald protection provided. Provide ADA locations where applicable.
- d. Boilers and/or water heaters serving more than one (1) unit shall be replaced with individual units where practical, considering space and cost limitations. DSHA must be consulted before such decisions are made.

4. *HVAC System and Equipment*

- a. High efficiency HVAC units. Furnace efficiency = 90AFUE Min. SEER = 14.0 or better.
- b. No through the wall HVAC units (PTAC).
- c. Sealed combustion, direct vent furnace and water heater.
- d. Non-mercury programmable thermostats.
- e. High efficiency air filters for mechanical blower units.

P. Electrical

1. *General*

- a. All building codes shall be incorporated into each project. Any item to make project code compliant shall not be an extra or a change order. All incidentals shall be included.
- b. Electrical services shall be field verified. Service loads shall be calculated prior to any equipment upgrades and all necessary components made a part of the contract price.
- c. Contractor shall verify existing utility conditions and include into base bid of contract.
- d. ARC Fault Circuit Interrupter must be provided on all bedroom circuits or where code mandates, whichever is more stringent.
- e. Automatic openers are required for ADA compliance in community center or other public space.
- f. Security and surveillance systems are required. The security system shall be monitored by the management company and have the capability for the local police to tie into the monitoring system.

2. *Lights and Fixtures*

- a. Energy Star fluorescent lighting package, LED fixtures where available.
- b. Overhead ceiling fixture for living room/dining area in lieu of swag fixture.
- c. Overhead ceiling fixtures shall be installed in all bedrooms. Wall sconces may be installed due to existing conditions.
- d. Bathrooms shall provide minimum of one ceiling fixture and one wall fixture.
- e. Exterior fixtures shall not have brass finish. Exterior fixtures must be rated for exterior applications.
- f. Energy-Star fluorescent porch lights with photocell.
- g. Automatic light controls shall be installed in the community building to minimize energy use.
- h. Ceiling fans shall be Energy-Star Rated.

3. *Telephone/Cable*

- a. Provide one telephone and cable outlet in each bedroom and one other telephone and cable outlet in the unit. If possible, use combination box/plate.
- b. General contractor shall verify local provider for cable box requirements, electrical requirements and/or install media boxes for the same.

Q. *Miscellaneous*

1. *Safety*

- a. Elderly dwelling units shall be provided with medical emergency pull chains in at least two (2) locations that are connected to a central station. The two (2) locations will be in the master bedroom and full bathroom. The pull chains will be wired to an exterior warning device that consists of a strobe light and audible alarm.
- b. Elderly dwelling units and fully-accessible units shall have grab bars in all tub/shower units and at toilet location, per State Architectural Accessible Standards and/or federal standard, more stringent will apply.

2. *Termite Control*

- a. A termite inspection and certificate shall be provided for all rehabilitation projects prior to construction closing.
- b. Termite pre-treatment of soils is required for all new construction. Certificates shall be part of the Operation and Maintenance Manual.

3. *Radon Testing*

- a. Testing reports must be provided to DSHA at the time of 80% specifications and plans submission.
- b. Testing will also be required for all units prior to occupancy.

Attachment 11 - Rehabilitation Standards Checklist

REHABILITATION STANDARDS CHECKLIST			
<i>Must be completed by all rehabilitation projects (as Exhibit #40)</i>			
Project Name:			
Date Built:			
Date of Last Rehabilitation (if applicable):			
EXTERIORS	DETAIL/CONDITION		
ROOF	Age (Yrs)		Poor <input type="checkbox"/> Fair <input type="checkbox"/> Good <input type="checkbox"/> Excellent <input type="checkbox"/>
<i>Roof Type/Pitch/Flat</i>			
<i>Number of Layers</i>			
<i>Substrate Material</i>			
<i>Fire-rated Required?</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	
<i>Insulation Type</i>			
<i>Insulation Thickness</i>			
<i>Estimated R-Value</i>			
SIDING	Age (Yrs)		Poor <input type="checkbox"/> Fair <input type="checkbox"/> Good <input type="checkbox"/> Excellent <input type="checkbox"/>
<i>Type/Substrate</i>			
<i>Brick (if applicable)</i>	Age (Yrs)		Poor <input type="checkbox"/> Fair <input type="checkbox"/> Good <input type="checkbox"/> Excellent <input type="checkbox"/>
<i>Is re-pointing necessary?</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	
EXTERIOR DOORS/FRAMES	Age (Yrs)		Type: <input style="width: 100px;" type="text"/>
<i>Sliding doors?</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	
<i>Patio doors?</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	
<i>Hardware</i>	Age (Yrs)		Type: <input style="width: 100px;" type="text"/>
WINDOWS	Age (Yrs)		Poor <input type="checkbox"/> Fair <input type="checkbox"/> Good <input type="checkbox"/> Excellent <input type="checkbox"/>
<i>Meet egress requirements?</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	
GUTTERS/DOWNSPOUTS	Age (Yrs)		Poor <input type="checkbox"/> Fair <input type="checkbox"/> Good <input type="checkbox"/> Excellent <input type="checkbox"/>
<i>Material/Type</i>			
FASCIA/SOFFITS	Age (Yrs)		Poor <input type="checkbox"/> Fair <input type="checkbox"/> Good <input type="checkbox"/> Excellent <input type="checkbox"/>
<i>Material/Type/Substrate</i>			
SIDEWALKS	Age (Yrs)		Poor <input type="checkbox"/> Fair <input type="checkbox"/> Good <input type="checkbox"/> Excellent <input type="checkbox"/>
<i>Meets ADA compliance/ramping/curb cuts?</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	
<i>Any areas shaved?</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	
PARKING LOT*	Age (Yrs)		Poor <input type="checkbox"/> Fair <input type="checkbox"/> Good <input type="checkbox"/> Excellent <input type="checkbox"/>
<i>Curb Cuts</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	

EXTERIORS (Continued)		DETAIL/CONDITION	
<i>Spaces provided /required /grandfathered:</i>			
<i>Handicap parking provided?</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	
<i>Bumpers provided?</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	
<i>*NOTE: Any parking lot surface with either fair and/or poor conditions shall have a civil engineer complete a survey as to the remaining lifespan. If determined, contractor shall include quantity in needs assessment to replace pavement and subsurface.</i>			
LIGHTING (Exterior)	Age (Yrs)		Poor <input type="checkbox"/> Fair <input type="checkbox"/> Good <input type="checkbox"/> Excellent <input type="checkbox"/>
<i>Tied to house panel?</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	
SECURITY SYSTEM	Age (Yrs)		Poor <input type="checkbox"/> Fair <input type="checkbox"/> Good <input type="checkbox"/> Excellent <input type="checkbox"/>
PATIOS/BALCONIES	Age (Yrs)		Poor <input type="checkbox"/> Fair <input type="checkbox"/> Good <input type="checkbox"/> Excellent <input type="checkbox"/>
<i>Meet current codes?</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	
MAINTENANCE-FREE EXTERIOR	Yes <input type="checkbox"/>	No <input type="checkbox"/>	
STORM WATER MANAGEMENT	Yes <input type="checkbox"/>	No <input type="checkbox"/>	<i>Date of Last Preventative Maintenance</i>
ASBESTOS PRESENT?	Yes <input type="checkbox"/>	No <input type="checkbox"/>	<i>NESHAP Environmental Audit</i>
LEAD PAINT PRESENT?	Yes <input type="checkbox"/>	No <input type="checkbox"/>	
MOLD PRESENT?	Yes <input type="checkbox"/>	No <input type="checkbox"/>	
INTERIORS		DETAIL/CONDITION	
KITCHEN	Age (Yrs)		Poor <input type="checkbox"/> Fair <input type="checkbox"/> Good <input type="checkbox"/> Excellent <input type="checkbox"/>
<i>Cabinets</i>	Age (Yrs)		Type: <input type="text"/>
<i>Countertop</i>	Age (Yrs)		Type: <input type="text"/>
APPLIANCES			
<i>Refrigerator</i>	Age (Yrs)		Size: <input type="text"/>
<i>Frost-free?</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	
<i>Dishwasher</i>	Age (Yrs)		
<i>Stove</i>	Age (Yrs)		Gas <input type="checkbox"/> Electric <input type="checkbox"/> U.L. Gas Conn. <input type="checkbox"/>
<i>Garbage Disposal</i>	Age (Yrs)		HP: <input type="text"/>
<i>Exhaust Hood</i>	Age (Yrs)		Vented to Exterior <input type="checkbox"/> Recirculating <input type="checkbox"/>
<i>Washer</i>	Age (Yrs)		Stack <input type="checkbox"/> Side-by-Side <input type="checkbox"/>
<i>Drain provided?</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	
<i>Dryer</i>	Age (Yrs)		
<i>Vent pipe material?</i>			
<i>Adequate venting?</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	
BATHROOM			
<i>Bathtub</i>	Age (Yrs)		Poor <input type="checkbox"/> Fair <input type="checkbox"/> Good <input type="checkbox"/> Excellent <input type="checkbox"/>
<i>Tub Surround</i>	Age (Yrs)		Poor <input type="checkbox"/> Fair <input type="checkbox"/> Good <input type="checkbox"/> Excellent <input type="checkbox"/>

INTERIORS (Continued)	DETAIL/CONDITION					
<i>Anti-scald valve?</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>				
<i>Sink/Vanity</i>	Age (Yrs)		Type:			
<i>Toilet</i>	Age (Yrs)		Type:			
<i>Water-saver?</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>				
<i>ADA-Compliant?</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>				
<i>Flange Material</i>	Age (Yrs)		Poor <input type="checkbox"/>	Fair <input type="checkbox"/>	Good <input type="checkbox"/>	Excellent <input type="checkbox"/>
<i>Exhaust Fan</i>	Age (Yrs)		Poor <input type="checkbox"/>	Fair <input type="checkbox"/>	Good <input type="checkbox"/>	Excellent <input type="checkbox"/>
FLOORING						
<i>Asbestos present (in flooring or adhesive)?</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Type:			
<i>Carpeting</i>	Age (Yrs)		Poor <input type="checkbox"/>	Fair <input type="checkbox"/>	Good <input type="checkbox"/>	Excellent <input type="checkbox"/>
<i>Type</i>						
<i>Vinyl Composition</i>	Age (Yrs)		Poor <input type="checkbox"/>	Fair <input type="checkbox"/>	Good <input type="checkbox"/>	Excellent <input type="checkbox"/>
<i>Type</i>						
<i>Subflooring Material</i>	Age (Yrs)		Poor <input type="checkbox"/>	Fair <input type="checkbox"/>	Good <input type="checkbox"/>	Excellent <input type="checkbox"/>
<i>Any existing soft spots in flooring?</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>				
<i>Base Molding</i>	Age (Yrs)		Poor <input type="checkbox"/>	Fair <input type="checkbox"/>	Good <input type="checkbox"/>	Excellent <input type="checkbox"/>
WALLS	Age (Yrs)		Poor <input type="checkbox"/>	Fair <input type="checkbox"/>	Good <input type="checkbox"/>	Excellent <input type="checkbox"/>
<i>Type</i>						
<i>Asbestos present?</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>				
<i>Mold or mildew present?</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>				
CEILING	Age (Yrs)		Poor <input type="checkbox"/>	Fair <input type="checkbox"/>	Good <input type="checkbox"/>	Excellent <input type="checkbox"/>
<i>Type</i>						
<i>Textured?</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Poor <input type="checkbox"/>	Fair <input type="checkbox"/>	Good <input type="checkbox"/>	Excellent <input type="checkbox"/>
<i>Active staining present?</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>				
SMOKE DETECTORS	Age (Yrs)		Hard-wired <input type="checkbox"/>	Battery <input type="checkbox"/>		
<i>Meet current codes?</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Date of last inspection:			
SPRINKLER SYSTEM	Yes <input type="checkbox"/>	No <input type="checkbox"/>				
<i>Meet current codes?</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>				
INTERIOR DOORS/FRAMES	Age (Yrs)		Type:			
<i>Hardware</i>	Age (Yrs)		Type:			
INSULATION (Inches)	Ceiling:		Walls:		Floor:	
SHELVING	Age (Yrs)		Poor <input type="checkbox"/>	Fair <input type="checkbox"/>	Good <input type="checkbox"/>	Excellent <input type="checkbox"/>
MINI BLINDS	Age (Yrs)		Poor <input type="checkbox"/>	Fair <input type="checkbox"/>	Good <input type="checkbox"/>	Excellent <input type="checkbox"/>

INTERIORS (Continued)	DETAIL/CONDITION					
SYSTEMS						
<i>Are utilities paid by the tenants?</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	If yes, which ones?			
<i>Is there a boiler system?</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Age (Yrs)		Date of last inspection:	
<i>HVAC</i>	Age (Yrs)		Poor <input type="checkbox"/>	Fair <input type="checkbox"/>	Good <input type="checkbox"/>	Excellent <input type="checkbox"/>
<i>HVAC Type/Electrical Connection</i>	Type:		Amps:			
<i>Meets current codes?</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>				
<i>Vented to exterior?</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>				
<i>Duct System</i>	Age (Yrs)		Poor <input type="checkbox"/>	Fair <input type="checkbox"/>	Good <input type="checkbox"/>	Excellent <input type="checkbox"/>
<i>Last cleaning date/last pressure test Date:</i>						
<i>Air Conditioning</i>	Age (Yrs)		Type:			
<i>Condensation Lines</i>	Age (Yrs)		Poor <input type="checkbox"/>	Fair <input type="checkbox"/>	Good <input type="checkbox"/>	Excellent <input type="checkbox"/>
<i>Water Heater</i>	Age (Yrs)		Poor <input type="checkbox"/>	Fair <input type="checkbox"/>	Good <input type="checkbox"/>	Excellent <input type="checkbox"/>
<i>Type and Location</i>						
<i>Pan Present?</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Poor <input type="checkbox"/>	Fair <input type="checkbox"/>	Good <input type="checkbox"/>	Excellent <input type="checkbox"/>
<i>Electric Supply</i>	Age (Yrs)		Poor <input type="checkbox"/>	Fair <input type="checkbox"/>	Good <input type="checkbox"/>	Excellent <input type="checkbox"/>
<i>Type</i>	GFI:		Amperage Supply:		AMP Service:	
<i>ARC Fault Interrupter?</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Poor <input type="checkbox"/>	Fair <input type="checkbox"/>	Good <input type="checkbox"/>	Excellent <input type="checkbox"/>
<i>Last Inspection Date</i>						
PLUMBING						
<i>Water Supply Lines: Material _____</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Poor <input type="checkbox"/>	Fair <input type="checkbox"/>	Good <input type="checkbox"/>	Excellent <input type="checkbox"/>
<i>Curb Stops</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Poor <input type="checkbox"/>	Fair <input type="checkbox"/>	Good <input type="checkbox"/>	Excellent <input type="checkbox"/>
<i>Last Inspection Date:</i>						
<i>Master meter or individual meters?</i>						
<i>Shut-off Valves</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Poor <input type="checkbox"/>	Fair <input type="checkbox"/>	Good <input type="checkbox"/>	Excellent <input type="checkbox"/>
<i>Water Meters: Up to Code?</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Poor <input type="checkbox"/>	Fair <input type="checkbox"/>	Good <input type="checkbox"/>	Excellent <input type="checkbox"/>
<i>Vent Stacks: Material _____</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Poor <input type="checkbox"/>	Fair <input type="checkbox"/>	Good <input type="checkbox"/>	Excellent <input type="checkbox"/>
ELECTRIC						
<i>Underground Transmission Lines</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Poor <input type="checkbox"/>	Fair <input type="checkbox"/>	Good <input type="checkbox"/>	Excellent <input type="checkbox"/>
<i>Aboveground Transmission Lines</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Poor <input type="checkbox"/>	Fair <input type="checkbox"/>	Good <input type="checkbox"/>	Excellent <input type="checkbox"/>
<i>Meters: Last Inspected _____</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Poor <input type="checkbox"/>	Fair <input type="checkbox"/>	Good <input type="checkbox"/>	Excellent <input type="checkbox"/>
<i>Electric Panels:</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Poor <input type="checkbox"/>	Fair <input type="checkbox"/>	Good <input type="checkbox"/>	Excellent <input type="checkbox"/>
<i>Amps:</i>						
<i>Brand:</i>						

INTERIORS (Continued)	DETAIL/CONDITION			
<i>Service Capacity</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Poor <input type="checkbox"/>	Fair <input type="checkbox"/> Good <input type="checkbox"/> Excellent <input type="checkbox"/>
<i>Spare Breaker Capacity</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>		
<i>Site Lighting Adequate?</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>		
ANY UNITS FINISHED BELOW GRADE?	Yes <input type="checkbox"/>	No <input type="checkbox"/>		
ASBESTOS PRESENT?	Yes <input type="checkbox"/>	No <input type="checkbox"/>	<i>NESHAP Environmental Audit:</i>	
LEAD PAINT PRESENT?	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Certificate available?	Yes <input type="checkbox"/> No <input type="checkbox"/>
MOLD PRESENT?	Yes <input type="checkbox"/>	No <input type="checkbox"/>		
RADON TESTING?	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Date of inspection:	
COMMON AREAS	DETAIL/CONDITION			
INTERIOR STAIRS			Poor <input type="checkbox"/>	Fair <input type="checkbox"/> Good <input type="checkbox"/> Excellent <input type="checkbox"/>
<i>Meet code requirements?</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>		
<i>Handrail Height Continuous?</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Meet ADA?	Yes <input type="checkbox"/> No <input type="checkbox"/>
COMMON HALLWAY (Interior)	Age (Yrs)		Poor <input type="checkbox"/>	Fair <input type="checkbox"/> Good <input type="checkbox"/> Excellent <input type="checkbox"/>
<i>Fire Protection?</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Last Inspection Date:	
<i>Adequate Lighting?</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>		
<i>Walls</i>			Poor <input type="checkbox"/>	Fair <input type="checkbox"/> Good <input type="checkbox"/> Excellent <input type="checkbox"/>
ELEVATORS	Age (Yrs)		Poor <input type="checkbox"/>	Fair <input type="checkbox"/> Good <input type="checkbox"/> Excellent <input type="checkbox"/>
<i>Date of Last Inspection</i>				
Meet ADA Requirements?	Yes <input type="checkbox"/>	No <input type="checkbox"/>		
LAUNDRY ROOM	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Poor <input type="checkbox"/>	Fair <input type="checkbox"/> Good <input type="checkbox"/> Excellent <input type="checkbox"/>
<i>Heated/Cooled?</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>		
<i>ADA Accessible?</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>		
<i>ADA Machines Available?</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>		
COMMUNITY ROOM	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Poor <input type="checkbox"/>	Fair <input type="checkbox"/> Good <input type="checkbox"/> Excellent <input type="checkbox"/>
<i>Size (Square Footage):</i>				
<i>ADA Accessible?</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>		
UTILITY CONTRACTS				
<i>Cable Contract</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Provider:	
<i>Other Utility Contracts?</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Provider(s):	
DOORS/FRAMES (Exterior)	Age (Yrs)		Poor <input type="checkbox"/>	Fair <input type="checkbox"/> Good <input type="checkbox"/> Excellent <input type="checkbox"/>
<i>Type:</i>				
FOUNDATION, CRAWL, & BASEMENT	Age (Yrs)		Poor <input type="checkbox"/>	Fair <input type="checkbox"/> Good <input type="checkbox"/> Excellent <input type="checkbox"/>
<i>Standing water present?</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>		

COMMON AREAS (Continued)	DETAIL/CONDITION		
<i>Any foundation vents located below grade?</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	
<i>Access to foundation, crawl, or basement?</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Poor <input type="checkbox"/> Fair <input type="checkbox"/> Good <input type="checkbox"/> Excellent <input type="checkbox"/>
ASBESTOS PRESENT?	Yes <input type="checkbox"/>	No <input type="checkbox"/>	<i>NESHAP Environmental Audit:</i>
LEAD PAINT PRESENT?	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Certificate available? Yes <input type="checkbox"/> No <input type="checkbox"/>
MOLD PRESENT?	Yes <input type="checkbox"/>	No <input type="checkbox"/>	
MAILBOXES	Age (Yrs)		Poor <input type="checkbox"/> Fair <input type="checkbox"/> Good <input type="checkbox"/> Excellent <input type="checkbox"/>
<i>Type:</i>			
<i>Parcel boxes provided?</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	
<i>On Accessible Route?</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	
PLAYGROUND EQUIPMENT	Age (Yrs)		Poor <input type="checkbox"/> Fair <input type="checkbox"/> Good <input type="checkbox"/> Excellent <input type="checkbox"/>
<i>Type:</i>			
<i>Meets Safety Guidelines?</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	
<i>Lighting?</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	
<i>Is Playground on Accessible Route?</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	
SWIMMING POOL	Age (Yrs)		Poor <input type="checkbox"/> Fair <input type="checkbox"/> Good <input type="checkbox"/> Excellent <input type="checkbox"/>
FENCING	Age (Yrs)		Poor <input type="checkbox"/> Fair <input type="checkbox"/> Good <input type="checkbox"/> Excellent <input type="checkbox"/>
<i>Type, Material, and Height</i>			
<i>Perimeter/Partial?</i>			
DUMPSTERS			Poor <input type="checkbox"/> Fair <input type="checkbox"/> Good <input type="checkbox"/> Excellent <input type="checkbox"/>
<i>Locations:</i>			
<i>Are gates required by municipality?</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	
<i>ADA Accessible?</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	
<i>Number:</i>	Existing:		Proposed:
PROJECT SIGN	Age (Yrs)		Poor <input type="checkbox"/> Fair <input type="checkbox"/> Good <input type="checkbox"/> Excellent <input type="checkbox"/>
<i>Lighted?</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	
<i>Sign to be Replaced?</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	
<i>ADA/Fair Housing Logos?</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	
OTHER			
<i>Support Beams Material</i>			Poor <input type="checkbox"/> Fair <input type="checkbox"/> Good <input type="checkbox"/> Excellent <input type="checkbox"/>
<i>Joists</i>			Poor <input type="checkbox"/> Fair <input type="checkbox"/> Good <input type="checkbox"/> Excellent <input type="checkbox"/>
<i>Overhang provided?</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	
<i>Soffit ventilation provided per code?</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	
<i>Piers/Columns/Porches</i>	Age (Yrs)		Poor <input type="checkbox"/> Fair <input type="checkbox"/> Good <input type="checkbox"/> Excellent <input type="checkbox"/>
<i>HVAC, Adequate Venting?</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Last Inspection Date:

Life Expectancy (Years of Different Products/Items/Materials)

NOTE: Items that are beyond 50% of life expectancy shall be replaced. DSHA reserves the right to add/delete any item to the required rehabilitation.

Item	Life Expectancy (Years)	Item	Life Expectancy (Years)
APPLIANCES		FINISHES	
• Disposal	5	• Exterior paint, plaster, stucco	3-5
• Microwave ovens	5	• Interior, wall paint	3-5
• Ranges, free-standing/built-in, electric/gas	12	• Interior, door/trim paint	5-10
• Refrigerators, Standard	10	FLOORS	
BATHROOMS		• Vinyl sheet or tile	10
• Cast iron bathtub, resurface	25	• Carpeting	5
• Fiberglass bathtub and shower	10	HEATING, VENTILATION, AND AIR CONDITIONING	
• Shower doors (average quality)	5	• Air conditioning, central unit	10
• Toilet	10	• Air conditioning, window unit	5
CABINETRY		• A/C compressor	5-7
• Kitchen cabinets	10	• Rooftop air conditioners	10
• Medicine cabinets/bath vanities	10	• Furnaces, gas or oil fired	15
COUNTERTOPS		• Forced air furnaces, heat pump	10
• Laminate	10	• Unit heaters, gas or electric	10
DOORS		• Radiant heaters	10
• Screen	10	• Ductwork, plastic	15
• Interior, six-panel, Masonite	15	• Air terminals, diffusers, grilles, registers	15
• Exterior, unprotected/exposed	15	• Boilers, hot water, steam	15
• Exterior door trim	5-10		

Item	Life Expectancy (Years)
PLUMBING FIXTURES/PIPING	
• Sinks, enamel, steel	5-10
• Sinks, stainless	10
• Faucets, low quality	5
• Water heater, electric	10
• Water heater, gas	11
• Pumps, sump and well	10
ROOFING	
• Asphalt, wood shingles, and shakes	20
• Built-up roofing, asphalt	10
• Coal and tar	10
SAFETY	
• Sprinkler Systems	12
• Smoke detectors, battery, hardwire	10

Item	Life Expectancy (Years)
SHUTTERS	
• Plastic, vinyl, exterior	7-8
SIDING	
• Wood, T1-11	10
• Aluminum	20
• Vinyl	25
• Gutters, downspouts	20
WINDOWS	
• Wood casement	20
• Wood, single, double hung	15
• Aluminum casement	10
• Window screens	5

Attachment 12 - Environmental Review Checklist

Must be completed by all projects (as part of Exhibit #18).

Area of Statutory or Regulatory Compliance	References/Notes Providing Documentation, Sources, and Explanation	If Yes, Please Explain
Historic	Is property known to be in or adjacent to a historic district or on the National Register of Historical Places?	<input type="checkbox"/> Yes <input type="checkbox"/> No
	Are there, or have there been, any building on property older than 50 years?	<input type="checkbox"/> Yes <input type="checkbox"/> No
	Are there any known archaeological sites on property?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Flood Management	Is any of the property in the 100-year flood plain?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Wetlands	Are there any ponds, wetlands, streams, rivers, or coastlines on or near the property?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Coastal Zone	Is property located within a coastal management zone?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Sole Source Aquifers	Is development within 2 miles of the Delaware River and in New Castle County?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Endangered Species	Are there any endangered species on or near the site?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Wild and Scenic Rivers	Is development known to be located on a wild and scenic river?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Air Quality	Will development generate an unusual amount of traffic?	<input type="checkbox"/> Yes <input type="checkbox"/> No
	Has entrance approval been obtained from DelDOT?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Farmlands	Does development have agricultural zoning or have currently-farmed land?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Noise	Is development located within 1,000 feet of a major highway or busy roads?	<input type="checkbox"/> Yes <input type="checkbox"/> No
	Is development located within 3,000 feet of a railroad?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Airports	Is development located within 5 miles of a civilian airport or 15 miles of a military airport?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Hazardous Operations	Are there any above-ground tanks containing petroleum products or chemicals of an explosive or flammable nature near the site?	<input type="checkbox"/> Yes <input type="checkbox"/> No

Attachment 13 – Design Architect’s/Applicant’s Certification

(Certification should only be completed (included in Exhibit #34) if attempting to achieve points in the Energy Conservation Measures point category.)

DELAWARE STATE HOUSING AUTHORITY

The undersigned applicant hereby makes application to the Low Income Housing Tax Credit program with the Delaware State Housing Authority (DSHA) for a loan and/or tax credits pursuant to one (1) or more of DSHA’s housing development funding programs and certifies that **DEVELOPMENT NAME** will utilize the energy conservation measures as outlined below.

A. Comprehensive Green Certifications:

As the design architect, I hereby certify that I have either designed or will design the referenced development to include one of the following energy conservation measures and will meet the associated Requirements for Comprehensive Green Certifications:

Enterprise Green Communities 2015 certification, with the additional requirement that the 7.1 Ventilation criteria, which is mandatory for new construction and substantial rehabilitation/new creation, must be selected as one of the additional criteria for moderate rehabilitation projects;

National Green Building Standards certification, with the additional requirement that the following optional Green Building Practices must be included among the selected practices to achieve the required points:

- **Installation & Performance Verification** 705.6 for all projects
- **Building Ventilation Systems** 902.2 for New Construction and 11.902.2 for Remodeling
- **Air Sealing and Insulation** 701.4.3.2 for New Construction and 11.701.4.3.2 for Remodeling. (1) Testing Option under this mandatory measure must be selected (vs. Visual Inspection). In addition, for Remodeling projects where any existing combustion appliances or systems are retained, these items must be tested per **BPI Minimum Health and Safety Requirements**.

LEED for Homes Multifamily or Midrise Multifamily certification, Version 4, which requires a HERS index rating based on Energy Star Version 3.

Requirements for Comprehensive Green Certifications:

As the design architect, I hereby certify that the architectural documents submitted with the application meet these requirements for Comprehensive Green certifications, and that I understand the additional requirements that will apply if the project is approved. The following must be submitted at the following times:

At application:

- A preliminary checklist and narrative for how the Enterprise Green Communities, NGBS, or LEED certifications and advanced energy efficiency measures will be achieved. For any of the above certification paths selected, a design stage HERS rating should be determined and submitted with the application. This preliminary model is based upon mechanical systems and thermal envelope assumptions.

At carryover/or sixty (60) days prior to construction closing:

- A final checklist and narrative providing information on any changes since application submittal.

Upon completion of construction and prior to request of IRS Form 8609:

- Evidence of final certification by Enterprise Green Communities, LEED or NGBS.

B. Advanced Energy Efficiency Measures

As the design architect, I hereby certify that I have either designed or will design the referenced development to include the following Advanced Energy Efficiency Measures, in addition to the comprehensive green certifications noted above:

For New Construction:

- Passive House certification; or
- DOE Zero Energy Ready Home

<http://energy.gov/eere/buildings/zero-energy-ready-home>

For Acquisition/Rehabilitation:

- HERS index rating of 75 or less for each dwelling unit in buildings that are three stories or fewer, or four or five stories where each dwelling unit has its own heating, cooling and hot water system; with the exception for substantial rehabs of buildings with walls made only of brick / masonry and built before 1980, as well as moderate rehabs of buildings built before 1980, which are permitted to have a HERS Index score of 90 or less for each unit.

Requirements for Passive House and DOE submissions:

As the design architect, I hereby certify that the architectural documents submitted with the application meet these requirements for Advanced Energy Efficiency Measures, and that I understand the additional requirements that will apply if the project is approved.

Passive House

At application submit:

- Plans and specifications at a level of 50% or higher with section details at the proposed building envelope at key intersections (footings, foundations, slabs, floors, walls, windows, doors, projections/overhangs, roofs, etc.);
- A detailed narrative outlining the scope of passive house design measures. The narrative must be prepared, in coordination with the architect, by a qualified third party Certified Passive House Consultant or PHI Designer who has completed a minimum of one similar Passive House building.
- preliminary modeling analysis/output report through the Passive House Planning Package (PHPP) or DesignPH as developed by the Passive House Institute (PHI) or WUFI Passive as developed by the Passive House Institute United States (PHIUS) indicating that the preliminary data meets Passive House Criteria;
- An affidavit signed by the qualified Certified Passive House Consultant or Designer, and the architect, and the developer indicating that the project has been designed and priced to reflect compliance with the Passive House requirements.

As part of the design development drawing and specifications submit:

- A completed Passive House Planning Package (PHPP), DesignPH, or WUFI Passive modeling analysis, which includes compliance documentation by the certifying agency.

As part of the construction completion submit:

- All required rater-verified test results and inspection reports final certification documentation from the certifying agency.

DOE Zero Energy Ready Home

At application submit:

- Plans and specifications at a level of 50% or higher with section details at the proposed building envelope at key intersections (footings, foundations, slabs, floors, walls, windows, doors, projections/overhangs, roofs, etc.);
- A detailed narrative identifying the strategies that will be employed to meet the mandatory requirements outlined in the DOE Zero Energy Ready Home program specifications developed by the project's HERS rater;
- Preliminary HERS certificates for worst case modeled units;
- An affidavit signed by the HERS rater, and project architect, and the developer indicating that the project has been designed and priced to reflect compliance with the Zero Energy Ready Home requirements.

As part of the design development drawing and specification submission submit:

- HERS certificates for modeled units.

As part of the construction completion submission submit:

- All required rater-verified test results and inspection reports and final certification documentation from the certifying agency.

HERS Compliance for Acquisition/Rehabilitation

At application:

- A design stage HERS rating should be determined and submitted with the application. This preliminary model is based upon mechanical systems and thermal envelope assumptions.

At final approval of tax credits and/or 60 days before construction closing:

- Preliminary HERS scores based on modeling for all unique unit types and details for air sealing and insulation as part of the construction document set.

Upon completion of construction and prior to request of IRS Form 8609:

- Final HERS scores based on updated models that incorporate testing and verification data collected at closeout of construction.

Further, I understand that:

- Verification of the compliance with green and energy certifications may be required by DSHA at any time and throughout the development's compliance period;
- Failure to implement and maintain energy conservation systems and operational practices consistent with certifications after points are awarded and a carryover agreement is executed or

any time during the compliance period will result in a penalty against the Applicant in the subsequent LIHTC application submission. The penalty will be equal to the point(s) awarded for this category; and

- DSHA will review the architectural documents submitted with the application exhibits to confirm the existence of the proposed energy amenities and/or requirements. Confirmation from the construction contract administration architect is required with the submission and will be verified prior to closing should tax credits be awarded. Verification of the availability of all energy systems may be required by DSHA at any time and throughout the development's compliance period.

IN WITNESS WHEREOF, the architect and applicant has caused this document to be duly executed.

ARCHITECT:

Signed: _____

Date: _____

Print: _____

Acknowledged and Accepted by the APPLICANT(S)/OWNER:

Signed: _____

Date: _____

Print: _____

Signed: _____

Date: _____

Print: _____

Attachment 14 – DSHA Base Level Green Certification

Development Quality Base Level Green Standards (included in Exhibit #34)

Delaware State Housing Authority

CERTIFICATION

The undersigned applicant hereby makes application to the Low Income Housing Tax Credit program with the Delaware State Housing Authority (DSHA) for a loan and/or tax credits pursuant to one or more of the DSHA's Housing Development/HOME Programs and certifies that the following development Base Level Green Standards will be incorporated into the project design and final work product:

1. **Demolition Plan:** On projects where demolition will occur, submit a demolition plan which identifies sound practices for managing waste and hazardous materials. Specify methods which are environmentally sensitive and create less pollution. Identify opportunities for recycling;
2. **Chlorofluorocarbons (CFC):** Where new HVAC equipment is specified, there will be no use of CFC refrigerant. Where CFC refrigerant equipment is being removed, specify standards for capturing and disposal of CFC materials. For retained CFC refrigerant equipment, include a comprehensive inspection, maintenance and phase out or conversion plan;
3. **Site work:** Employ State of Delaware Standards for Soil Erosion and Sediment Control during construction. Limit area of disturbance to immediate work area. Site work anticipated in non-optimum conditions such as wet, freezing or poor drying periods must be completed with the approval and direction of the geotechnical engineer. In addition to reviewing the cost and schedule benefits of such work, the engineer must consider the potential for adverse environmental impact. Limit access to the site when vehicles or construction activity environmentally degrade the site;
4. **Landscaping:** New plantings shall utilize at least fifty (50) percent native plantings. Select native, highly suitable, drought /disease tolerant plantings suitable for the project soil and microclimate. Where there are healthy large existing trees, make considerations for preserving mature trees in the site plan. Utilize shade, windbreak and screening benefits of plantings in the project design. Protect trees during construction;
5. **Moisture and Mildew:** Correct all observed areas of mold, mildew and moisture infiltration within the building. On existing structures or environmental report will identify these areas. Identify remedies and accepted practices for treatment;
6. **Radon Gas:** For Projects located in EPA Radon Area Zone 1, install a passive radon gas reduction pipe system with vertical venting convertible to mechanical venting unless testing indicates there is no radon gas hazard as determined by EPA standard. This requirement is only for projects where radon gas poses a legitimate hazard;
7. **Water Conserving Features:** Project water fixtures and faucets conserve water. Reduce water consumption by installing water-conserving fixtures in all units and all common space bathrooms with the following specifications:
 - Toilets: WaterSense-labeled and 1.50 gpf;
 - Showerheads: WaterSense-labeled and 2.0 gpf;
 - Kitchen faucets: 2.0 gpm;
 - Bathroom faucets: WaterSense-labeled and 2.0gpf; and
 - All faucet aerators: 0.5 g.p.m.
8. **Smoking Areas:** Designate permitted smoking areas. Locate outside smoking areas at least 25 ft. away from entry air intakes and residents' windows. No smoking in building interior common areas;
9. **Large parking lots shall include planting areas;**
10. **Exhaust fans** for all bathrooms shall be low speed/low noise, continuous exhaust fan (hard wired);
11. Non-mercury programmable **thermostats; and**

12. All interior paints and primers shall have low or no VOC levels.

IN WITNESS WHEREOF, the applicant has caused this document to be duly executed in its name on this date: _____.

(Full legal name of Applicant/Owner)

(Full legal name of Architect)

Signature

Signature

Name

Name

Title

Title

Attachment 15 – DSHA Base Level Energy Certification

Development Quality Base Level Energy Standards (included in Exhibit #34)

DELAWARE STATE HOUSING AUTHORITY

CERTIFICATION

The undersigned applicant hereby makes application to the Low Income Housing Tax Credit program with the Delaware State Housing Authority (DSHA) for a loan and/or tax credits pursuant to one or more of the DSHA’s Housing Development/HOME Programs and certifies that the following development Base Level **Energy** Standards will be incorporated into the project design and final work product:

1. All appliances will be Energy Star, with pre-wired power source;
2. Energy-Star qualified heat pump, furnace, air conditioning and/or ventilation equipment, sized accordingly;
3. Non-Mercury programmable thermostats;
4. Energy-Star qualified lighting;
5. Electric hot water heating shall have a minimum Energy Factor of 0.92EF or better, gas fired models shall be Energy-Star certified;
6. Building draft stopping and air sealing scope of work to be included in the project specifications with minimum verification by visual method. Refer to the Energy Star or the Department of Energy Building America Best Practices, Volume 4;
7. Energy-Star qualified windows, or windows rated by the national Fenestration Rating Council having a U-Factor < 0.33; and
8. Energy-Star qualified doors, having a U-Factor < 0.33.

Note: Historic projects will be subject to the base standards except where state or federal renovations standards do not allow or recommend specific work task, the energy improvements compromise the historic character of the project, or the work is not cost effective or feasible.

IN WITNESS WHEREOF, the applicant has caused this document to be duly executed in its name on this _____ day of _____, _____.

(Full legal name of Applicant/Owner)

(Full legal name of Architect)

Signature

Signature

Name

Name

Title

Title

Attachment 16 – DSHA Fair Housing Certification

DELAWARE STATE HOUSING AUTHORITY FAIR HOUSING STANDARDS

CERTIFICATION

The undersigned applicant hereby makes application to the Low Income Housing Tax Credit program with the Delaware State Housing Authority (DSHA) for a loan and/or tax credits pursuant to one or more of the DSHA's Housing Development/HOME Programs or other Federal programs and certifies that the development as proposed and designed does, or will meet upon completion, all required fair housing standards including, but not limited to, the following:

1. Architectural Accessibility Standards

All projects are required by law to meet the handicap-accessibility standards as outlined in the Delaware State Accessibility Standards. The design and construction guidelines are enforced by state and/or local building code officials. Compliance with these guidelines is mandatory in order to receive a Certificate of Occupancy for your proposed development;

2. Architectural Barriers Act (ABA) of 1968/24 CFR 40 Major Provisions

Accessibility Standards for Design, Construction and Alterations of Publicly Owned Residential Structures (24 CFR Subchapter 40.4) The Architectural Barriers Act (ABA) provides that residential structures that are (1) constructed or altered by or on behalf of the United States; (2) leased in whole or in part by the United States after August 12, 1968, if constructed or altered in accordance with plans or specifications of the United States; or (3) financed in whole or in part by a grant or loan made by United States after August 12, 1968 shall be constructed to ensure that persons with physical disabilities have access to and use of these structures. Buildings constructed with Federal funds are subject to the ABA. All residential structures designed, constructed, or altered that are covered by the ABA must comply with the accessibility requirements of the Uniform Federal Accessibility Standards (UFAS). Please note: Because UFAS does not fully address accessibility of units for persons with impaired hearing, for the 2% units that are required to be accessible for persons with hearing impairments; it is recommended that PHAs follow the 2003 edition of ICC/ANSI A117.1 Standard for Accessible and Usable Buildings and Facilities;

3. Fair Housing Amendments Act

All projects are required by law to meet the handicap-accessibility standards outlined in the Fair Housing Laws, including the Federal Fair Housing Amendments Act of 1988 (the "Act"). The law provides that failure to design and construct certain residential dwelling units to include certain features of accessible design will be regarded as unlawful discrimination;

4. Section 504 of the Rehabilitation Act of 1973, Title II of the Americans with Disabilities Act of 1990 (ADA), Section 504/24 CFR 8 Major Provisions

As required under 24 CFR 92.251 (a)(3), the housing must meet the accessibility requirements of 24 CFR part 8, which implements Section 504 of the Rehabilitation Act of 1973 and covered multi-family dwellings that must also meet the design and construction requirements at 24 CFR 100.205 which implement the Fair Housing Act. As per 24 CFR 8.22 New-Construction housing facilities:

- (a) New multifamily housing projects (including public housing and Indian housing projects as required by SS 8.25) shall be designed and constructed to be readily accessible to and usable by individuals with handicaps.

- (b) Subject to paragraph (c) of this section, a minimum of five percent (5%) of the total dwelling units or at least one unit in a multifamily housing project, whichever is greater, shall be accessible for persons with mobility impairments. A unit that is on an accessible route and is adaptable and otherwise in compliance with the standards set forth in SS 8.32 is accessible for purposes of this section. An additional two percent (2%) of the units (but not less than one (1) unit) in such a project shall be accessible for person with hearing or vision impairments.

IN WITNESS WHEREOF, the applicant has caused this document to be duly executed in its name on this _____ day of _____, _____.

(Full legal name of Applicant/Owner)

(Full legal name of Architect)

Signature

Signature

Name

Name

Title

Title

Attachment 17 – Certification for Community Revitalization Plan

Certification must be submitted (included in Exhibit #38) if attempting to achieve points in the Community Revitalization Plan category.

[MUNICIPALITY LETTERHEAD]

Date

Director
Delaware State Housing Authority
18 The Green
Dover, DE 19901

Re: LIHTC Application for _____ (Development Name)

Dear Director,

I certify that the _____ (Development) is clearly identified on page number _____ of the most-recently approved Community Revitalization Plan for _____ (Municipality Name) dated _____.

Accordingly, said page _____ is attached to this certification.

Applicant Name:

Development Name:

Location of Development:

Name of Community Revitalization Plan:

Date of Community Revitalization Plan:

Name of Certifying Jurisdiction:

Name of Certifying Official:

Title of Certifying Official

Sincerely,

Attachment

Attachment 18 – Certification of Project Location in Downtown Development Districts

Certification must be submitted (included in Exhibit #38) if attempting to achieve points in the Downtown Development Districts category.

[MUNICIPALITY LETTERHEAD]

Date

Director
Delaware State Housing Authority
18 The Green
Dover, DE 19901

Re: LIHTC Application for _____ (Development Name)

Dear Director,

I certify that the _____ (Development) is clearly identified in the _____ (municipality) Downtown Development Districts on _____ (project address).

Date of Approved Downtown
Development District Plan:
Name of Certifying Jurisdiction:
Name of Certifying Official:
Title of Certifying Official

Sincerely,

Attachment 19 – Relocation Assistance Policy

DELAWARE STATE HOUSING AUTHORITY

Relocation Policy

For all developments financed with federal HOME, other federal funds, DSHA funds, or Low Income Housing Tax Credits (LIHTC) that will result in displacement or temporary displacement, the applicant/developer must comply fully with all the requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA).

HUD Handbook 1378: Tenant Assistance Relocation and Real Property Acquisition is available through the HUD Website <http://www.hud.gov/relocation>. This handbook explains all of the requirements of the URA. Although the LIHTC program is not considered Federal financial assistance, DSHA has elected to adopt the URA as a relocation assistance policy for Tax Credit and/or DSHA-financed properties that result in temporary or permanent displacement.

The URA has recently been updated effective February 5, 2005, for a complete review of the final rule, please refer to the following:

<http://a257.g.akamaitech.net/7/257/2422/01jan20051800/edocket.access.gpo.gov/2005/pdf/05-6.pdf>

In accordance with DSHA’s QAP, Developers may not displace residents for over-income purposes and DSHA strongly discourages proposals that will result in permanent displacement.

If the URA regulations are not followed, DSHA reserves the right upon final allocation of credits to decrease the cost certified relocation line item. This may result in a decrease in other DSHA funding.

Notice Examples

Attached are some examples of notice letters that must be sent for developments with existing residents that may have temporary or permanent displacement. The first letter (Attachment 1) must be sent when there is a contract of sale, and the second letter (Attachment 2) must be sent after acquisition of the property. The third letter (Attachment 3) is for prospective residents that may move into the development before the property is acquired.

NOTE: Attachments 1 and 2 have letters applicable to Section 8 and Non-Section 8 residents.

Attachment 1- (Notice to Residential Resident that they will not be Displaced)

Informs any current/potential resident of the fact that the property is under an option to a buyer who is applying for DSHA assistance and lets the resident know that if an application is approved the current/potential resident may be displaced. The notice also informs the current/potential resident that they may not qualify as a displaced person and therefore, is not eligible to receive any assistance or benefits described in the relocation policy. The Applicant/Developer must notify DSHA and send a copy of this letter and a listing of residents notified to DSHA when the letter is sent to current/potential residents.

Attachment 2- (Notice of Eligibility for Relocation Assistance Residential Resident)

This notice is to be sent when the property has been acquired. This letter (a) explains that the project was purchased and cautions the person not to move; (b) explains that the person will not be displaced; (c) explains what is to occur when the resident is temporarily displaced (i.e. approximately how long should they expect to be displaced from their current unit, how will the Applicant/Developer accommodate them with replacement housing while they are displaced, how will the Applicant assist them with any moving costs they incur from their temporary move); and, (d) explains that they will be able to move back into their unit. The Applicant/Developer must notify DSHA and send a copy of this letter, along with a list of notified residents, to DSHA when the letter is sent to current/potential residents.

Attachment 3 - (Notice to Prospective Residents)

This notice informs prospective applicants that move into the development prior to the new acquisition that they may not be entitled to relocation assistance.

Temporary Relocation Plan and Budget

1. The Applicant/Developer must submit a list of all current occupants including their name (for families, you need only list the name of the head of household and family size), address, and annual income after acquisition of the property.
2. A detailed relocation plan describing the manner in which the temporary displacement of residents will be handled must also be submitted prior to initial closing.
3. A comparison of the current rents being charged and the proposed rents for the project must be submitted to DSHA with the relocation plan. Also, for all relocation units, comparable rents must also be submitted. For comparables, the Applicant/Developer is required to assist the occupant in locating **decent, safe and sanitary housing**, (hereafter referred to as DSS, as determined by local housing codes) and must use **at least three (3) suitable, DSS replacement units as comparables**. For Section 8 developments, please note, residents cannot be relocated to units that are smaller than the units on the Housing Assistance Payment contract. For example, a single person in a three (3)-bedroom unit at a development with only three (3) and four (4)-bedroom units must be relocated to a unit with a comparable number of bedrooms.
4. Applicants/Developers should include relocation expenses in their project cost budget. As part of DSHA's mortgagor's draw process, a monthly **RELOCATION REIMBURSEMENT FORM** must be completed with each draw (**Attachment 4**). Relocation costs must be drawn on a monthly basis and must include all back-up documentation. If funds are available in operations, start-up relocation costs can be paid from operations and then reimbursed from construction proceeds, however, relocation is not an operational expense unless otherwise approved in writing by DSHA.

No advance payment of rents for relocation units will be allowed. All relocation units must be occupied within ninety (90) days of draw request. Payments for holding unoccupied relocation units for more than ninety (90) days will not be recognized as an eligible project cost by DSHA. Applicants may not receive reimbursement of relocation costs from more than two (2) sources (i.e., construction funds and/or Housing Assistance Payments). Any subsidized properties that require relocations can only request the difference between the subsidy rent and the off-site's rent (which

may be positive or negative) and other relocation costs. The relocation line item shall include expenses charged by the management firm or other approved entity for relocation. This fee cannot be charged to the development's operating funds.

5. Upon permanent closing, the Applicant/Developer must provide DSHA with a final list of all residents occupying the property (due within thirty (30) days after closing). If this list differs from the list that was originally submitted after acquisition (Refer to number 1 above), the Applicant/Developer must explain why the resident is no longer an occupant. Please be prepared to submit evidence that the resident(s) moved on their own accord and not for reasons related to DSHA program rules (i.e. income limitations).

As a useful guide, DSHA recommends that the Applicant/Developer follow DSHA's recommended relocation process found in **Attachment 5**.

Permanent Relocation

Developments that experience permanent displacements for any reason must follow all URA requirements.

Attachment 1 (Section 8 Multi-family)

NOTICE TO RESIDENTIAL RESIDENT THAT THEY WILL NOT BE DISPLACED

[Applicant Letterhead]

Dear Resident,

_____ has submitted an application to the Delaware State Housing Authority to rehabilitate the building that you occupy. If the application is approved, you will benefit from the substantial renovations that will take place. You may be relocated during these renovations. We urge you not to move anywhere at this time. This is not a notice to vacate the premises.

This is a Notice of Non-Displacement. You will not be required to move permanently as a result of the rehabilitation. This Notice guarantees you the following:

You will be able to lease and occupy your present apartment or another suitable, decent, safe and sanitary apartment in the same building/Development upon completion of the rehabilitation. Your monthly rent will remain the same or, if increased, your new rent and estimated average utility costs will not exceed 30% of the gross income of all adult members of your household. Of course, you must comply with the reasonable terms and conditions of your lease.

If you must move temporarily so that the repairs/rehabilitation can be completed, you will be reimbursed for all of your extra expenses, including the cost of moving to and from the temporarily occupied unit and any additional housing costs. The temporary unit will be decent, safe, and sanitary, and all other conditions of the temporary move will be reasonable.

Since you will have the opportunity to occupy a newly rehabilitated apartment, I urge you not to move. (If you do elect to move for your own reasons, you will not receive any relocation assistance.) We will make every effort to accommodate your needs. Because Federal and/or State assistance is involved, the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, protects you.

If you have any questions, please contact _____ at _____. Remember do not move before we have a chance to discuss your eligibility for assistance. This letter is important to you and should be retained.

Sincerely,

Attachment 2 (Non-Section 8)

**NOTICE OF ELIGIBILITY FOR RELOCATION ASSISTANCE
RESIDENTIAL RESIDENT**

[Applicant Letterhead]

Dear Resident:

_____ has been approved to rehabilitate the building that you occupy at _____.

This notice is to inform you that while the building is rehabilitated, you may be displaced. We urge you **not to move** anywhere at this time. This is **not** a notice to vacate the premises. We will be setting up interviews to start the qualification process beginning _____. You will be contacted either by phone or by mail to schedule your interview.

If you meet the criteria to qualify for a unit, you will be able to lease and occupy your present apartment or one comparable upon completion of the rehabilitation. The criteria to qualify for a unit include background checks on all adult household members. Of course, you must comply with standard lease terms and conditions.

If you meet the qualifications, after the rehabilitation your initial rent, including the estimated average utility costs, will not exceed the greater of (a) your current rent/average utility costs, or (b) 30% of your average monthly gross household income. If you must move temporarily so that the rehabilitation can be completed, suitable housing will be made available to you for the temporary period, and you will be reimbursed for all reasonable extra expenses, including all moving costs and any increase in housing costs. You can be assured that we will make every effort to accommodate your needs. Because a portion of the financing is from state or federal and/or state funding sources, you would be protected by the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended.

If you do not meet the qualifications to remain as a tenant you should continue to pay your rent because a failure to pay rent or meet your other obligations as a tenant may be cause for eviction and loss of relocation assistance. You are urged not to move or sign any agreement to purchase or lease a new unit before receiving formal notice of your eligibility for relocation assistance. If you move or are evicted before receiving such notice, you may not receive any assistance. Please contact us before making any moving plans.

If you are eligible for relocation assistance, you will be given advisory services, including referrals to replacement housing, and at least ninety (90) days advance written notice of the date you will be required to move. You would also receive a payment for moving expenses and may be eligible for financial assistance to help you rent or buy a replacement house.

No current resident or residents of _____ will be permanently displaced on the basis of failing to meet income eligibility requirements unless the resident(s) consents to permanent displacement. The resident(s) may consent to permanent displacement contingent upon receiving relocation assistance approved by the Delaware State Housing Authority.

Enclosed with this letter is what you will need to bring with you to your interview. If you should have any questions about our plans, please contact_____.

Sincerely,

Attachment 2 (Section 8 Multi-family)

**NOTICE OF ELIGIBILITY FOR RELOCATION ASSISTANCE
RESIDENTIAL RESIDENT**

[Applicant Letterhead]

Dear Resident:

On _____ we notified you that the owner of your building had applied for assistance to make extensive repairs to the building. On _____, the owner's request was approved and the repairs will begin soon.

This is a Notice of Non-Displacement. You will not be required to move permanently as a result of the rehabilitation. This Notice guarantees you the following:

1. You will be able to lease and occupy your present apartment or another suitable, decent, safe and sanitary apartment in the same building/Development upon completion of the rehabilitation. Your monthly rent will remain the same or, if increased, your new rent and estimated average utility costs will not exceed 30% of the gross income of all adult members of your household. Of course, you must comply with the reasonable terms and conditions of your lease;
2. If you must move temporarily so that the repairs/rehabilitation can be completed, you will be reimbursed for all of your extra expenses, including the cost of moving to and from the temporarily-occupied unit and any additional housing costs. The temporary unit will be decent, safe and sanitary, and all other conditions of the temporary move will be reasonable.

Since you will have the opportunity to occupy a newly-rehabilitated apartment, I urge you not to move. (If you do elect to move for your own reasons, you will not receive any relocation assistance.) We will make every effort to accommodate your needs. Because Federal and/or State assistance is involved, the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, protects you.

If you have any questions, please contact _____, _____, at _____ . Remember do not move before we have a chance to discuss your eligibility for assistance. This letter is important to you and should be retained.

Sincerely,

Attachment 3

NOTICE TO PROSPECTIVE RESIDENTS

[Applicant Letterhead]

Dear _____:

On _____ (date), I _____ (property owner or buyer) entered into an option to sell/acquire the property/unit you now propose to occupy. As part of my agreement to sell/acquire, I am to advise you of the following:

An application has been or will be submitted to the Delaware State Housing Authority (DSHA) for Low Income Housing Tax Credits to be used on the property you now propose to occupy. This notice is to advise that financial assistance available under a Relocation Assistance Policy is only for tenants that occupy units at this site at the time of the option to sell and **will not** be made available to you.

This notice is to inform you of the following information **before you enter into any lease agreement and occupy a unit at the above address:**

- You may be displaced from the property;
- You may be required to relocate temporarily; and.
- You may be subject to a rent increase.

You will not be entitled to any relocation benefits provided under DSHA's Relocation Assistance Policy. If you have to move, or your rent is increased as a result of the above option/agreement, you will not be reimbursed for any such rent increase or for any costs or expenses incurred by you in connection with the move.

Please read this notice carefully prior to signing a lease agreement and moving into this property. If you should have any questions about this notice, please contact:

(Seller/Buyer)

(Address/telephone number)

Once you have read and understood this notice, please sign the statement below if you still desire to lease the unit.

Sincerely,

Owner

I have read the Notice to Prospective Residents and understand the conditions under which I am moving into this property.

Print Name

Signature

Date

Attachment 4

RELOCATION REIMBURSEMENT FORM

Property Name _____ Month/Year _____ Draw # _____

Original Unit # Address	Temporary Relocation Unit Address	Permanent Return Unit # Address	Resident Name	Transfer Date	A* Moving Expenses	HAP Amount (If applicable)	Resident Rent or TTP	Contract Rent	Relocation Rent	B* Differences (+/-)	C* Misc. Expenses	D** Relocation Security Deposit
Totals					\$					\$	\$	\$
Total Relocation Expense Requested (Add Columns A, B, C, & D)						\$						

* Moving Expenses include packing and moving company costs. Miscellaneous include, cable/satellite costs, utilities, telephone etc. Attach all back-up documentation for these costs, including the relocation coordinator (the salary staff time cannot be the same staff allocated for management i.e. no double dipping).
 ** Column B – Difference calculation is the difference between the original resident rent and HAP amount, if applicable, and the relocation rent. This amount could be negative if resident is a Section 8 recipient.
 *** This total should equal monthly draw request.

Report Completed By _____ **Date** _____

Attachment 5

DELAWARE STATE HOUSING AUTHORITY

Relocation Procedures

Preliminary

1. A rent roll should be obtained to locate vacancies.
2. Draft first notice of displacement letter informing residents of the potential acquisition and relocation assistance and send to DSHA for approval (URA Handbook, Pgs. 2-3, 2-4, & 2-5).
3. Send residents the displacement notice letter by **certified mailing**. Copy all certified mailings for reimbursement.
4. Organize resident meeting to introduce new management company and explain relocation and answer questions.
5. Obtain bids from moving companies.
6. Locate available units off-site to use for the duration of the relocation (for those residents that will be moved off-site). The lease and security deposits should be in management's name/limited partner's name.
7. Draft second notice of displacement letter after the acquisition is complete. The letter may also inform residents of a date new management will be on site and informing them of an interview that will be scheduled. Also, mention the relocation assistance available and send to DSHA for approval.
8. Send residents second notice of displacement letter by **certified mailing**. Copy all certified mailings for reimbursement.
9. Set up vendor accounts (bank, post office, office supply, etc.).
10. Locate "comparable replacement dwellings" for residents who do not want to stay or volunteer to move off-site during the relocation. A comparable replacement dwelling performs the same function, provides the same utility, and has a comparable style of living (URA Handbook, Pg. 1-7, 2-7 & 2-8).
11. Create a relocation folder for each resident keeping all relocation correspondence including a "Site Occupant Record" in file (URA Handbook, Appendix 8).
12. Prior to relocating the resident, all relocation units, for developments that are receiving Housing Assistance Payments (HAP), must be inspected by DSHA Contract Administrator.

Once on Site

1. Set up interviews with all residents for eligibility, have vendor accounts in place. File in JP Court on any delinquent residents. Any evicted residents are not entitled to relocation assistance (URA Handbook, Pg. 1-14).
2. Upon interviews, residents should complete a new application and be explained the relocation process again. All tenant screening must be completed. When applicable, criminal background checks should be completed on all adult residents and if denied, the resident **is** entitled to relocation assistance

(URA Handbook Pg. 1-12). (Note: criminal background checks should not be completed for existing Section 8 project-based residents).

3. Moving supplies should be provided to residents upon requests. (boxes, bubble wrap, tape, etc.).

NOTE: Tenants are not required to pack or box their belongings unless they elect to move themselves.

NOTE: Residents may choose to move themselves and are still entitled to the moving estimate (URA Handbook, Pg. 2-12).

4. When turning over a building or unit for construction, terminate all utilities in management's name.
5. A "property" moving report and relocation expense report should be maintained. The reports should include date moved, location of move, and all moving expenses.
6. When issuing checks for reimbursement to residents, residents must sign acknowledgment of any money received.
7. Copies of all moving bills, utility bills (reconnect fees) and reimbursement checks should be maintained for each resident for reimbursement from construction. Send DSHA a "Claim for Actual Reasonable Moving and Related Expenses" form with all backup for each resident (URA Handbook, Appendix 16).

Residents Requiring Permanent Relocation Assistance

Residents who choose to permanently move or are not eligible due to criminal backgrounds.

1. Determine if resident is eligible (URA Handbook, Pg. 1-11).
2. Referrals to replacement dwellings must be provided to the resident (URA Handbook, Pg. 1-7 & 2-9).
3. Issue resident letter of "Eligibility for Relocation Assistance-Resident" at least ninety (90) days in advance of their **permanent** relocation (URA Handbook, Pg. 2-5 and Appendix 6).
4. Issue relocation assistance payment with the payment required by the formula provided on Pg. 3-10 of the URA Handbook. An eligible displaced person who rents a replacement dwelling for more than their current monthly rent is entitled to a payment equal to 42 times the difference in the new monthly rent. Example: The resident finds a replacement dwelling of \$500 monthly with comparable utilities and their current dwelling rent is \$450 monthly. The resident is due the difference of $\$50 \times 42 = \$2,100$ for relocation assistance in addition to moving expenses and transfer fees. Tenant must sign acknowledgment for reimbursement.

NOTE: If utilities are not comparable, the difference is subject to the same formula.

5. If resident does not want relocation assistance, have the resident sign a waiver (URA Handbook Pg. 1-25).

Attachment 20 – Target Units Certification and Integrated Special Needs Targeting Plan

Targeting Certification

WHEREAS **OWNER NAME** has applied for Low Income Housing Tax Credits (LIHTC) from the Delaware State Housing Authority (DSHA) to finance and build **Number** apartment units, known as **DEVELOPMENT NAME** in **CITY/TOWN**, Delaware; and

DSHA’s 2017 Qualified Allocation Plan (QAP) requires that each LIHTC property approved targets a minimum of five percent (5%) of the total units to special population households (the target units may float or can be designated); and

THEREFORE, **OWNER NAME** and **MANAGEMENT COMPANY** agree to the following partnership to target **Number** apartment units (the “Targeted Units”) within the **DEVELOPMENT NAME** apartment development for special population households involved in the referral process coordinated by DSHA.

OWNER NAME shall:

Agree that the **Number** Targeted Units will not be segregated within the property or in any way be distinguishable (beyond, if applicable, the presence of accessible features or assistive technology) from non-targeted units, and that the unit mix of targeted units will depend on the needs of referred households:

- Assure that the Targeted Units remain available to the Targeted households, and that the purposes and spirit of this agreement, are maintained through the compliance period;
- Assure that any special arrangements (rent adjustments, unit subsidies, special unit accommodations, arrangement for transportation services, etc.) outlined in the Targeting Plan are maintained through the compliance period;
- Assures that when target units are not occupied by special population-eligible households, a lease addendum for the non-special population-eligible household will be required for the non-special population-eligible household to transfer to the next available non-special population unit (of comparable or smaller size) when a special population-eligible household applies and is accepted to the development;
- Assure that the Referral agency will pre-screen Applicants to assure that Applicants referred to for tenancy in the Targeted Units:
 1. Have a qualifying special need, as defined by the 2017 QAP; and
 2. Have qualifying income to cover rent, utilities and reasonable living expenses;
- Assure that the Referral agency (DSHA) will refer applicants to **MANAGEMENT COMPANY** at initial rent up and in the event of vacancies, for the duration of the compliance period. Referred households must complete applications for tenancy and shall provide a certification that the household was referred to live in a Targeted Unit by the Referral agency;
- Make reasonable accommodations, when applicable as to the completion of the application and need for accessible units for the targeted units and special population served;

- Have available a list of supportive services offered by community service providers involved in the referral process available to tenants of target units, when applicable. It is understood and agreed that these services shall be available to said households on an as-needed basis, and that receipt of these or any other services shall not be a condition of tenancy; and
- Facilitate communication with **MANAGEMENT COMPANY** by designating, and maintaining in the event of staff turnover, a named individual as the primary contact on matters related to Targeted Units.

MANAGEMENT COMPANY shall:

- Screen all households referred to it by Referral Agency, DSHA, using its established screening criteria;
- Include language on Reasonable Accommodations on its application for tenancy;
- Affirmatively market to households meeting the definition of special populations as described in the Marketing Plan section of the Targeting Plan;
- Agree that the additional target units that receive points under this category must be reserved exclusively for the target special population-eligible population (unless there is an extended vacancy as referenced below);
- Agree that if the project is unable to fill a unit with the targeted population after a sixty (60) calendar day referral period, the unit may be leased to another household with income at 50% AMI or below. The next available 50% AMI unit in the Project shall be marketed to the Project's original targeted population until the project is in compliance with percentage for which it received points. The sixty (60) calendar day period at lease-up will be measured from the date upon which the project achieves 80% occupancy and at turnover will be measured from the date upon which the unit is determined ready for occupancy following move-out by the prior tenants and completion of any unit turn around cleaning, repairs, or maintenance;
- In the event there are no special population-eligible applicants due to not meeting established screening criteria, notify DSHA, and entertain requests for Reasonable Accommodations in accordance with State and Federal Fair Housing Law and the spirit of this agreement;
- Agrees that when target units are not occupied by special population-eligible households, a lease addendum for the non-special population-eligible household will be required for the non-special population-eligible household to transfer to the next available non-special population unit (of comparable or smaller size) when a non-special population-eligible household applies and is accepted to the development;
- Accept Section 8 Housing Choice vouchers or State Rental Assistance Vouchers or other rental assistance as allowable income as part of income requirement guidelines for all households; and
- Facilitate communication with supportive service or other human service agencies by designating, and maintaining in the event of staff turnover, a named individual as the primary contact on matters related to the Targeted Units.

All parties to this Agreement shall:

- Agree that **OWNER NAME** and **MANAGEMENT COMPANY** are responsible for meeting compliance requirements established by the IRS and DSHA;
- Agree that **OWNER NAME** and **MANAGEMENT COMPANY** are responsible for maintaining the property for the benefit of all the households;
- Agree that the provisions and the spirit of this agreement notwithstanding, decisions on the admittance and/or retention of households according to Fair Housing and the Delaware Landlord Tenant Code are the responsibility of **MANAGEMENT COMPANY** and **OWNER NAME**;
- Agree to adhere to the terms of the Referral, Screening, and Communications plan section of the Targeting Plan;
- Agree that tenant participation in supportive services will not be a condition of tenancy;
- Agree that in the event that disagreements or difficulties arise that they are unable to resolve through open and cooperative dialogue, they will seek assistance in resolving these conflicts from DSHA Agency and the other Department of Health and Human Services divisions; and
- Agree that the terms of the Targeting Plan for **DEVELOPMENT NAME** prepared jointly by **OWNER NAME, MANAGEMENT COMPANY** are hereby incorporated by reference.

IN WITNESS WHEREOF, the parties have executed, or caused this agreement to be executed by their duly-authorized representatives, as of the date below written.

OWNER CONTACT, TITLE

Date

OWNER NAME

PHONE NUMBER

MANAGEMENT CONTACT, TITLE

Date

MANAGEMENT COMPANY

PHONE NUMBER

Integrated Special Needs Targeting Plan

Integrated Special Needs Targeting Plan		
Name of Development:		
Address of Development:		
Total Number of Units:		
Number of Target Units:		
Number of Required Accessible Units:		
Number of Additional Fully Accessible Units:		
Contact Information	Owner	Management Agent
Organization:		
Primary Contact:		
Phone:		
E-mail:		
Street Address:		
City, State, Zip		

Targeting Plan for Special Population-Eligible Households

- I. Developments must target a minimum of five percent (5%) or three (3) units, whichever is greater, of all units for special population-eligible households referred to below specifically addressing the needs of the identified group. All developments receiving project-based rental assistance must target five percent (5%) of the total units or five (5) units, whichever is larger.
 - a. Persons with HIV/AIDS related illness;
 - b. Literally or imminently homeless;
 - c. Survivors of domestic violence;
 - d. People with disabilities (persons with mental illness; physical disabilities; or intellectual or developmental disability);
 - e. Persons exiting foster care or state-run institutions;
 - f. Veterans; and/or
 - g. Other special needs populations identified in DSHA's Needs Assessment may be considered at DSHA's sole discretion.

- II. Description of Suitability: please describe how the property will meet the needs of the targeted special needs households, including:
- a. Unit size and design features:
 - i. Attach a copy of the unit mix and rents from the Operating Income tab of the Pro Forma. Include any details for additional target units above the required five percent (5%);
 - ii. Describe any adaptability or accessibility features and/or assistive technology beyond the required minimums; and
 - iii. Describe any community space needed which will be developed as part of this property.
 - b. Site Suitability and Access to Transportation:
 - i. Describe the suitability of the site for the special populations targeted. Describe availability of accessible public transportation or other local amenities, including any such services available specifically for the targeted special populations-eligible population.
 - c. Affordability:
 - i. Describe the sustained affordability of the target units and what measures will be used to continue the affordability for the target units. Rents for target units must be affordable to households at forty percent (40%) of area median income or below.

III. Referral, Screening, and Communication Plan: DSHA is developing a unified referral system to service the State Rental Assistance Program, Section 811, and LIHTC special populations target units. Applicants shall utilize this system, which will refer pre-screened special population-eligible households from the target populations identified by the applicant.

Every property, including rehab properties (where original residents receive priority in filling rehabbed units) and properties with project-based rental assistance (where the waiting list must operate by HUD rules) will need to develop a specific plan, with responsible parties identified and processes defined. The referral, screening, and communication plan should include:

- a. Description of how referrals will be determined;
- b. Maintain contact with referrals and the management agent and offer assistance with any issues that may arise during a referral's tenancy;
- c. How reasonable accommodations or modifications will be negotiated; and
- d. How the management agent will maintain contact throughout tenancy, including how the management agent will maintain communication that will accommodate staff turnover during the compliance period.

Prepared by: _____

Applicant/Developer Name: _____ Date: _____

Section 811 Program Participation

Certification of Intent to Participate in Section 811 Program

Applicant agrees to accept, if offered by the Delaware State Housing Authority (DSHA), the assignment of Project Based Section 811 rental subsidies for **Number of One-Bedroom Units** at **Project Name** and to comply with all of the requirements of DSHA's Project Based Section 811 Demonstration program.

Applicant Signature: _____

Date: _____

Attachment 21 – Utility Benchmarking

Must be completed if seeking points in this category (as part of Exhibit #35).

The undersigned applicant hereby makes application to the Low Income Housing Tax Credit program with the Delaware State Housing Authority (DSHA) for a loan and/or tax credits pursuant to one or more of the DSHA’s housing development programs and certifies that the following development benchmarking standards will be incorporated into the project design and final work product:

1. For a minimum of five (5) years, the project will use _____, a utility benchmarking service, to track all owner-paid utility accounts and a minimum sample of tenant-paid utility accounts;
2. The utility data benchmarked will be continuously updated such that the oldest data point tracked through the service is no more than three (3) months old;
3. The sample of tenant-paid utility accounts tracked through the service will satisfy the minimum requirements established in HUD Notice H-2015-04 and is summarized in the table below:

Unit Type	# of Units in Development	# of Units to be Sampled
1 Bedrooms (for example)		
2 Bedrooms		
3 Bedrooms		

4. The property’s leasing documents and processes will incorporate appropriate tenant utility release forms that are compatible with the selected utility benchmarking service;
5. DSHA will have access to all information tracked through the utility benchmarking service annually and upon request;
6. The costs of the utility benchmarking service will be reflected in the development’s operating expenses;
7. The benchmarking service selected will:
 - a. Be a service with at least five (5) years of experience in utility data management and analysis;
 - b. Provide analytic capability and insight with regard to multi-family housing;
 - c. Enable easy analysis of the utility consumption and cost on the owner and tenant meters, both separately and together; and
 - d. Be compatible with the U.S. Environmental Protection Agency’s ENERGY STAR Portfolio Manager.

Additionally, this project will be a (check one of the following):

_____ New construction project, and will:

1. Provide evidence that the project has been enrolled in a benchmarking service upon completion of construction and prior to request of IRS Form 8609; and
2. Provide evidence that the project meets the tenant sample size requirements upon full occupancy.

_____ Acquisition/rehabilitation project, and will:

1. Provide evidence that the project has been enrolled in a benchmarking service at construction closing, with the following exception:
 - Where the project is an identity of interest acquisition of existing rental property, the applicant must provide evidence that the property has been enrolled in a benchmarking service upon submission of application for tax credits; and
2. Provide evidence that the project meets the sample size requirements to benchmark tenant-paid utility accounts upon full occupancy.

IN WITNESS WHEREOF, the applicant has caused this document to be duly executed in its name on this _____ day of _____, _____.

 (Full legal name of Applicant/Owner)

 Signature

 Name

 Title

 (Full legal name of Architect)

 Signature

 Name

 Title

Attachment 22 - DSHA Funding Supplement

This supplement shall pertain to the 2017 Delaware State Housing Authority (DSHA) Low Income Housing Tax Credit (LIHTC) application packages.

If applying for LIHTCs and a DSHA funding source, including, but not limited to, a Housing Development Fund (HDF), HOME Program, National Housing Trust Fund (NHTF), or an Affordable Rental Housing Program (ARHP) loan, please review the attached, which describes each program when used in conjunction with LIHTCs. Please note, when there is a conflict between the LIHTC program and the DSHA funding program, the most restrictive rule, regulation, and/or requirement will apply.

Any questions concerning the DSHA funding application process should be directed to the Housing Development Section, by phone at (302) 739-4263, by fax at (302) 739-2416, by mail at the Delaware State Housing Authority, 18 The Green, Dover, Delaware 19901, or by e-mail, Ruthann@destatehousing.com.

Purpose

The purpose of the HDF, HOME, NHTF, and ARHP programs is to efficiently provide, and assist others to provide, quality affordable housing opportunities and appropriate supportive services to low-, and moderate-income households.

Program Description

These programs are designed to primarily provide multi-family rental financing. Types of developments that will be considered include, but are not limited to, the acquisition and/or rehabilitation of existing housing, the adaptive reuse of non-residential buildings, and new construction.

The Project and Neighborhood Standards (attached) provide guidance as to the level of detail required to demonstrate to the State that the proposed development meets the purpose of DSHA.

Because DSHA funding programs have limited funds, the developer must demonstrate that other potential sources of funding have been explored to ensure that the DSHA funding sources are used only to the extent necessary.

Assistance Available

Funds will be available for construction loans at three percent (3%) interest and permanent loans at one percent (1%) interest. Permanent loan interest may be deferred, depending on the development's cash flow. Interest rates and repayment schedules of loans will be influenced by the income mix of the persons to be served, as well as the financial viability of the development.

2017 DSHA Fee Schedule		
Construction Financing*		
<i>ARHP/HDF Construction Loan Commitment Fee</i>	1.25% of approved loan amount	Due at construction closing
<i>ARHP/HDF Construction Loan Interest Rate</i>	3.00%	Due at monthly installments
<i>HOME/NHTF Construction Loan Commitment Fee</i>	0.00%	
<i>HOME/NHTF Construction Loan Interest Rate</i>	3.00%	Due at monthly installments
Permanent Financing*		
<i>ARHP/HDF Permanent Loan Commitment Fee</i>	1.25% of amortizing	Due 50% at construction closing and 50% at

<i>(applied to fully amortizing or interest-only permanent loans)</i>	or interest-only loan amount	permanent closing
<i>ARHP/HDF Permanent Fully Amortizing or Interest-only Permanent Loan Interest Rate</i>	5.00%	Due at monthly installments
<i>ARHP/HDF Deferred Permanent Loan Interest Rate</i>	1.00%	Deferred; accrued interest due from cash flow
<i>HOME/NHTF Permanent Loan Commitment Fee</i>	\$0.00	
<i>HOME/NHTF Deferred Permanent Loan Interest Rate</i>	0%-1%	USDA loans-Principal due in full at the end of maturity date; Non-USDA loans-Deferred accrued interest due from cash flow
<i>*Interest rates and repayment schedules of loans will be influenced by the income mix of the persons served, as well as the financial viability of the development.</i>		

Criteria for Selection

Major criteria, which shall be considered in judging the soundness of a proposal and determining its merits, are as listed below and must be addressed in the application. A development must satisfy at least one of these criteria to be funded.

1. Priority will be placed on developments benefiting very low/low/moderate-income households as defined from time to time by DSHA. (See also income limits in this application.) The period of time for which it is assured that the units will be inhabited by very low/low/moderate-income households is an important consideration in determining if this criteria is met, but in any event, shall not be less than twenty (20) years.
2. It is important to provide housing opportunities in neighborhoods where there is currently little very low/low/moderate-income housing.
3. Rehabilitation of substandard rental housing providing moderately-priced units. The applicant must assure that the units will remain available and affordable to very low/low/moderate-income households for an extended period of time.
4. DSHA promotes the use of the State Strategy Levels areas by tailoring programs based on those levels. For example, in order for a developer to apply for LIHTCs, it is a threshold requirement that proposals for newly constructing or rehabilitating affordable rental communities be located in Investment Levels 1, 2, or 3. No DSHA funding programs can be used for proposals located in Investment Level 4 areas.

Determination for Loan Approval and Amount

The following specific items will be taken into consideration when determining the merits of an application:

Key Issues:

1. Organization's past performance;
2. Community comments;
3. Demonstrated need for development;
4. Suitability of development location;
5. Cost efficiency of the development;
6. Amount of loan per unit serving very low/low/moderate-income persons;
7. Length of payback period;

8. Position of the loan and how it is secured/length of repayment;
9. Source of permanent financing (if appropriate);
10. Percentage of total development cost funded by DSHA;
11. Cash and noncash equity participation of developer;
12. Evidence that alternate sources of financing have been utilized/exhausted;
13. Evidence that housing will be provided in neighborhoods where there is little very low/low/moderate-income housing available;
14. Extent to which proposal will assist in revitalization of deteriorating neighborhood; and
15. Extent to which current DSHA loans are in good standing.

It will be the responsibility of the applicant to clearly address the above stated criteria in order to be considered for a loan. The loan application includes further explanation of what must be addressed on these points. Developments that fail to adequately address these items will not be considered for funding.

Minimum Eligibility Requirements

9% LIHTC Properties

For **9% LIHTC** properties the following will apply:

- A set-aside of approximately **\$8,250,000** will be available for applications receiving a preliminary ranking in the nine percent (9%) competitive application cycle. DSHA's determination that a property satisfies the requirements of the QAP will be based on the property meeting all of the threshold requirements and all other requirements described in the QAP to DSHA's satisfaction;
- DSHA will limit its total deferred permanent financing to \$3 million or \$50,000 per unit, whichever is less;
- DSHA funds may also be used for construction financing (if available) and construction requests may exceed maximum permanent financing limits;
- DSHA reserves the right, in all cases, to limit the amount of funds available from DSHA programs;
- For developments using LIHTCs, DSHA requires that a minimum amount of net equity raised be contributed to the development depending on current market conditions. The current minimum equity factor required may be found in the QAP Attachments. However, DSHA reserves the right to deny DSHA financing where proposed net equity to the development is below current market standards. Net equity is defined as all equity raised for the development less syndication fees imposed by the syndicator and allowances by DSHA (see Note 2 on Page 10 for LIHTC monitoring fee requirement and other allowances);
- It will be the responsibility of the developer when leasing units to very low/low/moderate-income households to ensure that the rents are approved by DSHA and that all rent increases during the period of the regulatory agreement also are so approved;
- Property owners on rental developments must agree to retain their housing as rental housing for at least twenty (20) years after permanent closing or the duration of the loan(s), whichever is longer;

- The developer will be responsible for following the U. S. Department of Housing and Urban Development's (HUD) guidelines as it relates to tenant relocation. If relocation is a part of the development, developers must contact DSHA for consultation prior to application submission. DSHA will assist the developer in receiving all necessary relocation information;
- If a developer fee pledge is to be utilized to fill a funding gap (deferred developer fee), no more than fifty percent (50%) of the developer fee may be used;
- All DSHA funding applicants must adhere to DSHA's underwriting criteria as stated in the QAP and all processes and procedures as described in the Cost Certification Guide;
- For developments involving nine percent (9%) tax credits and using DSHA financing, DSHA requires a household income mix, with rents appropriately affordable, at a minimum as follows:
 - Five (5) units rented at or below 40% of Area Median Income (AMI) at the published rent limits for 40% of median income households; and
 - 15% of units rented at or below 50% of AMI at the published rent limits for 50% of median income households; and
 - 80% of units rented at or below 60% of AMI at the published rent limits for 60% of median income households, unless otherwise approved by DSHA; and
 - Non-tax credit units will be required to be rented at or below 80% of AMI at the published rent limits for 80% of median income households, unless otherwise approved by DSHA.
- Rents should be affordable for the market area; however, when utilizing DSHA funds, rents should provide even further affordability. **Applicants must contact DSHA for comparable tax credit rents in the area of the proposed development by 3/15/17 or the application may be disqualified;**
- If DSHA elects to use DSHA HOME Program funds (referred to as "HOME" funds in this document) or NHTF funds in a development, it may be necessary to adjust development rents and income targeting to meet the requirements of the applicable program;
- Subject to NHTF funds availability, up to \$2.1 million of DSHA NHTF funds may be available for new creation developments that target extremely low-income households and require supplemental funds to cover a substantial financing gap that cannot be met by a deferral of 25% of the developer's fee;
 - DSHA may provide financing for up to eleven (11) units of NHTF funds (amounts will depend on HUD's per unit limits at the time of application). The amount of NHTF financing will not be considered in determining the maximum amount of DSHA financing available for a development;
 - All projects receiving NHTF funds must comply with all federal requirements and DSHA's NHTF Allocation Plan requirements; and

- If there are no 9% LIHTC applications which can utilize the NHTF financing, DSHA may make the funding available to 4% LIHTC applicants under the same terms and conditions.
- For USDA properties seeking subordinate DSHA funds for new construction, acquisition and rehabilitation, the following will apply:
 - In order to meet USDA requirements on the treatment of deferred debt:
 - Any DSHA permanent loan may be treated as an interest-only loan, due in monthly installments (subject to USDA approval); and
 - The applicant is responsible for obtaining approval by USDA for structuring of other development debt at the time of application. Changes in the financing structure for the development may result in an application being re-ranked.

4% Tax-Exempt Bond Properties with DSHA Financing

For 4% tax-exempt bond properties with DSHA financing, the following will apply:

- Developments proposed to be financed with tax-exempt bond financing and requesting funding from DSHA must apply to DSHA on the same deadline as DSHA requires for its annual LIHTC application round for 9% LIHTCs. Except for the differences as noted in this section, the general minimum eligibility requirements for 9% LIHTC properties also apply to all 4% LIHTC applications.

NOTE: Developments applying for 4% tax-exempt bond financing and DSHA financing are not required to compete with the 9% Tax Credit applications.

- DSHA will consider providing funding under the subsequent conditions including, but not limited to, the following:
 - A set-aside minimum of **\$6,000,000** of HDF funds will be made available for 4% tax-exempt bond applications seeking HDF funding;
 - DSHA will limit its total deferred permanent financing to \$3 million or \$50,000 per unit, whichever is less;
 - Subject to HOME funds availability, up to \$2 million of DSHA HOME funds may be available for developments with a substantial financing gap that cannot be met by a deferral of 25% of the non-cash flow developer's fee. In such instances, DSHA may determine that the project is eligible for DSHA supplemental financing in the form of HOME funds of up to \$1 million for each project. However, total deferred DSHA financing still may not exceed \$50,000 per unit:
 - Only the highest ranked 4% tax-exempt bond applicants may be eligible for the additional HOME funding;

- DSHA may provide financing for up to eleven (11) units of HOME funds (amounts will depend on HUD's per unit limits at the time of application). Applicants must first show the deferred fee as a source before requesting supplemental funding and will need to demonstrate all other funding sources have been exhausted. Applicants must contact DSHA prior to all requests for supplemental funding to determine availability and applicability. Application for supplemental funding will be made as part of the LIHTC application and approval of supplemental funding will be at DSHA's sole discretion; and
 - All projects receiving HOME funds must comply with all federal requirements, including Davis-Bacon wage rates, when applicable.
 - Applicants combining two or more developments into a single ownership entity where each property currently has DSHA soft/deferred financing in place may be eligible for additional DSHA soft/deferred financing as long as the following conditions are met:
 - If a current LIHTC development, the project(s) must be in the extended use period;
 - The current limited partner must have exited;
 - The combined properties will be operated under one common ownership;
 - The project will be limited to the lesser of \$50,000 per unit or \$3 million per property (old and new debt combined); and
 - Two (2) or more developments may or may not be contiguous.
 - DSHA reserves the right, in all cases, to limit the amount of funds available from all DSHA sources.
- For USDA properties seeking subordinate DSHA funds for new construction, acquisition and rehabilitation, the following will apply:
 - In order to meet USDA requirements on the treatment of deferred debt;
 - Any DSHA permanent loan may be treated as an interest-only loan; due in monthly installments (subject to USDA approval); and
 - The applicant is responsible for obtaining approval by USDA for structuring of other development debt at the time of application. Changes in the financing structure for the development may result in an application being re-ranked.
 - If DSHA elects to use NHTF or HOME Program funds in a development, it may be necessary to adjust development rents and target incomes to meet the requirements of the applicable program;

- Eligible projects for HOME Program funds will include:
 - Preservation projects, which include Year-15 (Y15) tax credit projects¹⁷ currently in DSHA's LIHTC portfolio; and
 - New creation, which includes new construction and conversion projects.
- Only new creation projects will be eligible for NHTF funds, which includes new construction and conversion projects; and
- Projects will receive LIHTCs on the full amount of their eligible basis only if at least 50% of the development's aggregate basis is financed with tax-exempt bonds. In the event that a tax-exempt bond property is proposed in the same area as competing LIHTC properties, the market study must provide an acceptable demand analysis.
- For developments involving LIHTCs and using DSHA financing, DSHA requires a household income mix, with rents appropriately affordable, at a minimum as follows:
 - 5% of units rented at or below 40% of AMI at the published rent limits for 40% of median income households; and
 - 5% of units rented at or below 50% of AMI at the published rent limits for 50% of median income households; and
 - 90% of units rented at or below 60% of AMI at the published rent limits for 60% of median income households, unless otherwise approved by DSHA; and
 - Non-LIHTC units will be required to be rented at 80% of AMI at the published rent limits for 80% of median income households, unless otherwise approved by DSHA.
- Rents should be affordable for the market area; however, when utilizing DSHA funds, rents should provide even further affordability. **Applicants must contact DSHA for comparable LIHTC rents in the area of the proposed development by 3/15/17 or the application may be disqualified.**
 - DSHA's goal is for all 4% tax-exempt applicants to meet threshold and as many point-scoring categories as possible. An application must score a minimum of fifty (50) points. If DSHA receives more than one 4% bond application seeking DSHA financing, the application(s) with the highest point score will be awarded a preliminary ranking over other applications.
 - DSHA's determination that a property satisfies the requirements of the QAP and will be based on the property meeting all of the threshold requirements described in the QAP.

¹⁷ For 4% tax-exempt applications, Y15 LIHTC projects must demonstrate that the initial fifteen (15)-year compliance period requirement will be met by the proposed construction closing date.

- DSHA will be the bond issuer. DSHA's bond application must also be completed when DSHA underwriting and review has been fulfilled. Applications are available at the following link: http://destatehousing.com/Developers/dv_mfmr.php.

Other Tax-Exempt Bond Information:

- For developments seeking tax-exempt financing, DSHA may waive timelines, processing and other QAP requirements, in its discretion, to encourage and facilitate such financings. Additionally, for the purposes of the 4% LIHTCs, DSHA, upon a showing of good cause by the applicant, may waive the \$30,000 hard cost minimum requirement for substantial rehabilitation. Such a waiver shall be at the sole discretion of DSHA and shall only be granted upon a showing that the proposed rehabilitation is sufficient in terms of quality and significance, notwithstanding the fact that it does not meet the \$30,000 requirement.
- DSHA may, at its sole discretion, waive the requirement to make application for 4% Tax Credits and DSHA financing on the same deadline date as the 9% Tax Credit application round, for applicants where a special appropriation is approved by the State Legislature or new federal funding/subsidy for a specific development and/or type of development.
- DSHA may consider subsequent financing of phased sites on a case-by-case basis.

Application Process

For all DSHA funding requests (4% tax-exempt bond and 9%), DSHA LIHTC applications must be used, which are available from and must be returned to: Delaware State Housing Authority, Development Section, 18 The Green, Dover, Delaware, 19901. One complete paper copy of the LIHTC web-based application with all attachments/exhibits and one electronic (CD or flash drive) application must be submitted. All paper applications must have original signatures. For the electronic application, the CD or flash drive should be labeled with the Project Name. A Table of Contents should list the web-based application and each exhibit number and name of exhibit. **The exhibits should be scanned as separate files and labeled accordingly.**

- The applicant must complete all applicable questions and supply all documents that are requested in the application form. All documents are required, even if applicants have submitted similar documents to DSHA in the past (i.e. financial statements). Failure to do so may result in the application form being returned to the applicant for completion. Final review of the application will occur only after the application is complete and all necessary documentation is provided. DSHA reserves the right to waive certain documentation it deems not of critical importance for loan approval.
- The application is designed to be sufficiently comprehensive and precise to address all information necessary for a responsible funding decision. However, DSHA and the Council on Housing (COH) reserve the right to ask for additional information during the review process should it be deemed necessary.
- DSHA staff will be available to assist the developer in the application process. Once it is determined that an application is complete, application review, including action by the COH, will

take approximately two (2) to four (4) months, depending on the number of applications currently under review. Applicants will be notified of the date of COH review so that they may be present to answer questions that may arise during the review.

- An application fee is required at the time of submission for each different DSHA funding source (i.e. DSHA, HDF, ARHP, NHTF, and HOME). The fee structure is as follows:

DSHA Funding Source Fee Schedule		
Application Fee	\$1,250	Non-refundable, all application fees, with the exception of the HOME Program and NHTF application fee, may be financed as part of the development costs.
Commitment Fee	1.25% of the greater total approved loan amount if development has different construction and permanent loan amounts and the permanent loan is deferred.	Fee is due in full at construction closing. Such fee shall be deemed as earned by DSHA upon loan approval by COH. This fee may also be financed as part of the development costs and eligible basis. No commitment fee is due for HOME Program and NHTF funds.
Permanent Loan Fee	1.25% of a fully-amortizing or interest-only permanent loan from DSHA sources.	Payable 50% at construction closing, with remaining 50% due at permanent loan closing. This fee may also be financed as part of the development costs and is eligible for basis. No commitment fee is due for HOME Program and NHTF funds.

- Applicants will be notified in writing as to the disposition of their funding requests. In the case of funding awards, the commitment letter will enumerate the documents that will be required for the initial and final closings. Normally, initial closings can be scheduled within sixty to ninety (60-90) days of the commitment letters, assuming all necessary documents of the applicants are provided.
- Appraisals for projects with DSHA financing may be ordered by DSHA when the preliminary rankings for projects are released for the top-ranked applicants. DSHA will coordinate with other lenders, to the extent practical, to ensure consistency of valuation. The following will also apply:
 - A summary appraisal will still be required at application;
 - DSHA reserves the right to further define appraised value based on discussions with other participating lenders; and
 - DSHA may, at its sole discretion, order appraisals for non-DSHA-funded projects, in cooperation with other participating lenders.

NOTE 1: DSHA charges a non-financeable \$600 one-time, per-unit fee on all LIHTC-eligible units for performing the service of compliance monitoring. This fee must be paid prior to the LIHTC allocation. The fee is to be funded from proceeds raised from the syndication of LIHTCs to the extent the proceeds

exceed DSHA's minimum required net equity contribution for financing. Should equity raised exceed the combined: minimum equity requirement, investor legal/accounting fees, 1.50% allocation/carryover fees and monitoring fee amounts, and replacement reserves, such excess may be used to fund investor/DSHA-required operating reserves or transitional subsidy reserves upon consent of DSHA. Equity available beyond the aforementioned uses must be contributed toward the DSHA-approved project costs of the development, which would reduce the amount of DSHA financing. DSHA requires an operating reserve for subsidized developments calculated at four (4) months of operating expenses, including debt service and six (6) months for unsubsidized developments. If development is considered acquisition/rehabilitation, the operating reserve escrow is established at construction closing unless otherwise approved by DSHA.

DSHA will charge an asset management fee on all DSHA funded units for performing asset management service for the LIHTC project. Asset management services include, but are not limited to, administrative oversight of the financing requirements, management of escrow accounts and other reserves, review and approval of releases from such accounts, and any other reporting requirements specified in the financing documents. DSHA will charge **\$250** per unit for the asset management fee. Please note, any HOME or NHTF units will be excluded from this fee.

DSHA requires, **at a minimum, fifteen percent (15%) of net equity raised be contributed at construction closing.** DSHA reserves the right to request additional initial equity contribution as applicable to the financial structure of each project. If more than fifteen percent (15%) of net equity is being shown as a source during construction, documentation from the syndicator/investor with the additional amount of equity and proposed pay-ins must be included in the appropriate exhibit of the LIHTC application. Equity Letters of Interest must be fully executed and clearly demonstrate that equity construction funds are available and the balance of required equity will come in at permanent loan closing (except for any portion of the developer's fee withheld by the investor).

Equity raised from the syndication of LIHTCs may not be used to target lower-income households in the development's financing structure; however, other non-DSHA-related financial sources may be used.

NOTE 2: DSHA requires that the following documents be submitted to its offices in Dover by the date established by the COH Resolution: (1) copy of title binder and copies of all listed restrictions or easements; additionally, any new easements with accompanying legal descriptions must be submitted; (2) land survey; (3) plans/specifications; (4) subdivision plan, if applicable; (5) site plan; (6) organizational documents of the ownership entity and the general partner or managing member, as appropriate; (7) identification of all members of the development team, i.e. bonding company, insurance company, architect, engineer, surveyor, attorneys, general contractor, management agent, consultant, etc. Failure to submit all documents may result in borrower using non-project resources to meet the IRS 10% expenditure requirement. Documents must be in a settlement-ready format. Construction closing will not be scheduled until DSHA is satisfied with the completeness and accuracy of submitted documents.

NOTE 3: Payment and performance bonds are required for all construction activities. Letters of credit are not acceptable.

NOTE 4: A working capital Letter Of Credit (LOC) or cash in the amount of 2½% of the combined construction financing will be required at construction closing for the benefit of DSHA. The cash or LOC

is to be provided by the developer, sponsor, applicant, general partner and/or other entity approved by DSHA. This amount cannot be financed by any lending, equity or grant sources involved in the development nor may any portion of the development be used as security for the working capital LOC or any other LOC issued in connection with the development. However, LOC fees may be paid from construction financing sources, but not from development operational funds. The working capital will be released at permanent closing, subject to not having outstanding construction or financial issues.

NOTE 5: Developer fee is defined as follows:

- 12% of total development cost, excluding developer's fee, transferred reserves, bond prepayment penalty, or other penalties, relocation operating deficit reserve, environmental site remediation costs, assumed DSHA debt and land cost. The developer fee cannot exceed \$1,000,000;
- For identity of interest (related-party acquisitions of either land or rental acquisitions of existing rental properties, the developer's fee is calculated at 9% of the Total Development Cost, excluding acquisition, developer's fee, transferred reserves, bond prepayment penalty or other penalties, relocation operating deficit reserve, environmental site remediation costs, assumed DSHA debt, and land cost. The developer fee cannot exceed \$1,000,000;
- For tax-exempt bond projects (4% LIHTC projects), the fee cannot exceed \$1,500,000; however, any amount in excess of \$1,000,000 must be deferred and paid only from cash flow as defined by DSHA. Of the \$1,000,000 not paid from cash flow, the deferred developer fee cannot exceed \$500,000; and
- Applications from contiguous properties in the same LIHTC funding round using a combination of nine percent (9%) and four percent (4%) credits will be subject to a reduction in the developer fee, unless each application is for a development of sixty (60) units or more.

NOTE 6: Total Equity Contribution – Any equity contribution made for the benefit of the Development:

- a. In excess of the total net equity contribution and the additional equity contributions used to fund the syndicator costs, tax credit monitoring fee, the tax credit allocation fee, replacement reserve, and the operating reserve, before or after the permanent loan closing will be:
 - (i) Allocated to the payment of DSHA's loans in the order and priority set forth in the Regulatory Agreement; or
 - (ii) In the event there are insufficient funds to pay for eligible development costs (as determined by DSHA), and there are no other available monies in any of the funds, accounts or reserves related to the development, which have been previously approved for such use by DSHA and all other development-secured lenders and such eligible development costs could otherwise only be paid through the developer's fee, then at the discretion of DSHA, such excess equity contribution may be used to pay such eligible development costs. Any equity contribution remaining after paying such eligible development costs must then be allocated to the payment of the DSHA loans in the order and priority set forth in the Regulatory Agreement.
- b. In the event the equity contributions are less than the total equity contribution and the equity contributions used to fund the syndicator costs, tax credit monitoring fee, the tax credit allocation fee, and the operating reserve, before or after the permanent loan closing, then

such equity shortfall shall solely be the responsibility of the developer. No monies in any of the funds, accounts or reserves related to the development may be used to pay any such shortfall. In no case may the developer's fee exceed the developer fee approved by DSHA.

- c. In the event a payment from the total equity contribution occurs after the construction loan closing, but prior to the conversion date, such payment may only be made to the owner/borrower or affiliate with the prior consent of DSHA. Such consent will be at the sole discretion of DSHA and made only through draw requisition forms and processes as approved by DSHA.

NOTE 7: DSHA requires the draft partnership agreement be submitted at least fifteen (15) working days before construction closing or closing will automatically be postponed.

NOTE 8: Borrowers will be charged a loan closing extension fee of \$250 per day on any and all extensions requested once construction/permanent closing dates are agreed upon. Such fee may not be funded from the project's loan proceeds, equity or operating funds.

Important DSHA Administration Policies

1. DSHA will return all incomplete draws and change orders and charge a minimum \$250 fee for each draw/change order that must be reprocessed. This fee is not an eligible project cost. DSHA applications, Pro Forma, cost certification and draw forms may not be amended or altered, nor may there be additional tabs or spreadsheets attached to the DSHA forms.
2. DSHA will charge a \$500 re-inspection fee after the first two (2) inspections on a given area for each additional inspection required. This fee is not an eligible project cost and must be paid prior to re-inspection or issuance of approval to occupy the units by DSHA.
3. Waiver requests from DSHA construction standards will require a \$500 waiver fee for each construction standard waiver request after tax credits are awarded or during the construction period. No waiver requests will be considered or granted prior to application or award of credits.
4. The first set of plans and specifications submitted should be at least eighty percent (80%) complete. A \$500 redesign fee (per review) will be assessed when DSHA must make multiple reviews upon, but not limited to, the following conditions:
 - a) Substantial design change;
 - b) Increase and/or decrease in the number of units;
 - c) Change of architectural team; and/or
 - d) Change in initial concept.
5. A cost certification guide will be provided by DSHA for use by the developer and general contractor in submitting all information. The cost certification for the development must include all sources and uses of funds, including all syndication fees. The final cost certification will be due ninety (90) days after DSHA issues the "Permission to Occupy" approval(s) on the last building and must include all sources and uses, including all syndicator fees. If the final cost

certification is submitted after the deadline date, a \$5,000 penalty fee plus an additional \$500 penalty fee for each additional week that the cost certification remains outstanding will be assessed to the Applicant. The penalty fee cannot be paid from loan(s) or equity proceeds.

All fees assessed will be upon DSHA's discretion and may not be part of development costs or eligible basis.

6. Other payments, rebates, or contributions received any time after construction completion and calculated using costs included in the Total Development Costs as that term is defined by DSHA, shall be allocated to the payment of DSHA's loans in the order and priority set forth in the Regulatory Agreement. Such payments, rebates or contributions specifically include Downtown Development Districts Grant Program. However, if the potential payment, rebate, or other contribution was included as a source of construction funding, then the payment, rebate, or other contribution can be used to pay an otherwise-eligible developer fee that was previously deferred or seller-held financing.
7. All General Contractors must be pre-approved by DSHA through the General Contractor's Certification and Questionnaire process. After DSHA has approved the General Contractor, they will be placed on the LIHTC-Approved General Contractor List. The LIHTC-Approved General Contractor List and General Contractor's Certification Process is located at the following link: http://www.destatehousing.com/services/servicesmedia/contractor_questionnaire.pdf.
8. **Bidding Protocol:** Developers/Applicants of LIHTC and DSHA-financed projects may choose between two (2) bidding options for General Contractors in order to arrive at construction costs for the proposed development:

1. **Option 1**

The Developer/Owner of the development may determine the General Contractor at application and shall disclose the General Contractor as part of the Development Team.

- a. The General Contractor will agree to a maximum of seven percent (7%) General Requirements of construction hard costs for new construction and rehabilitation projects, including all change orders. DSHA may allow up to a maximum of ten percent (10%) of construction hard costs for projects with thirty-two (32) units or less with prior written DSHA approval. This determination will be made at DSHA's sole discretion.
- b. The General Contractor will agree to a maximum of seven percent (7%) Builders Overhead and Profit of construction hard costs and General Requirements for new construction and rehabilitation projects, including all change orders.
- c. There will be no increase to the Overhead and Profit or General Requirements other than what is approved by change orders during the course of the project. There will be no change orders approved solely to increase Overhead and Profit or General Requirements. At project completion, the Overhead and Profit and General Requirements percentages may not exceed the percentages submitted at application or approved at construction closing (whichever is less), but may be less than the approved percentages.

- d. DSHA shall review and approve plans and specifications for construction work prior to release for bidding.
- e. The General Contractor will obtain at least three (3) sealed bids from all subcontractors when the General Contractor is self-performing work for trade payment line items. If the General Contractor is not performing work for the trade payment line items, two (2) sealed bids are required from all subcontractors.
- f. The General Contractor will open all bids with their contracted architect, all project costs will be totaled (in a format specified by DSHA) and copies of all bids and the written results forwarded to DSHA and the Developer/Owner for approval. Subcontractor bids shall be awarded to the lowest bidder unless low bid is incomplete.
- g. If the General Contractor proposes to perform any work with his/her own employees, the General Contractor shall obtain three (3) sealed bids for the work and may not charge any more than the lowest bid for the work.
- h. If the Developer, Development Team and/or Applicant have related party and/or identity of interest subcontractor firms, they may not bid on the construction work or perform work on the development.
- i. The Developer/Owner may not pre-bid certain aspects of the work and require the General Contractor to use those subcontractors.

2. **Option 2**

Developers/Owners may also choose to add the General Contractor to the Development Team after awards of credits or approval of DSHA financing have been made by DSHA. The work must then be bid as follows:

- a. Developer/Owners shall invite all firms on DSHA's LIHTC Approved General Contractor List to bid and obtain a minimum of three (3) bids from the approved list of General Contractors that will provide bid estimates for the proposed projects;
- b. The General Contractor will agree to a maximum of seven percent (7%) General Requirements of construction hard costs for new construction and rehabilitation projects, including all change orders. DSHA may allow up to a maximum of ten percent (10%) of construction hard costs for projects with thirty-two (32) units or less with prior written DSHA approval. This determination will be made at DSHA's sole discretion;
- c. The General Contractor may not exceed ten percent (10%) Builder's Overhead and Profit for rehabilitation projects or eight percent (8%) for new construction projects as defined in the QAP, inclusive of all change orders;
- d. There will be no increase to the Overhead and Profit or General Requirements other than what is approved by change orders during the course of the project. There will be no change orders approved solely to increase Overhead and Profit or General Requirements. At project completion, the Overhead and Profit and General Requirements percentages may not exceed

- the percentages submitted at application or approved at construction closing (whichever is less), but may be less than the approved percentages;
- e. DSHA shall review and provide written approval of bid documents prior to release for bidding;
 - f. The bids shall be sent to the architect of record in a sealed envelope, clearly marked with the project name and date stamped. Faxed or e-mailed bids shall not be accepted. The bids shall be privately opened, tallied and the results forwarded to DSHA and Developer;
 - g. If the General Contractor proposes to perform any work with his/her own employees, the General Contractor shall obtain three (3) sealed bids for the work and may not charge any more than the lowest bid for the work;
 - h. If the Developer, Development Team and/or Applicant have related party and/or identity of interest subcontractor firms, they may not bid on the work or perform work on the development; and
 - i. The Developer/Owner may not pre-bid certain aspects of the work and require the General Contractor to use those subcontractors. No additional bidder requirements may be added to these protocols without written approval from DSHA which may be withheld in their sole discretion (examples include, but are not limited to, additional payment and performance bond requirements, letter of credit for contractors, unrealistic timing demands, construction schedule, liquidated damage requirements, etc.)

Note: For any funding sources that require bidding of the construction costs (i.e. USDA, HUD), then Option 2 must be followed.

Project and Neighborhood Standards

Proposed developments must meet the standards in this section.

1. The development shall be suitable from the standpoint of facilitating and furthering full compliance with the applicable provisions of Title VI of the Civil Rights Act of 1964, Title VIII of the Civil Rights Act of 1968, and Delaware Code Chapter 46, Title 6, The Equal Right to Housing provisions.
2. New Creation (conversion or new construction) of units must promote greater choice of housing opportunities and avoid undue concentration of lower-income persons in areas containing a high proportion of low-income persons or high proportion of affordable rental units. Due to the high saturation of affordable units combined with low-homeownership rates and lack of economic and educational opportunities, new creation applications for the HDF or HOME program within the Distressed Areas of DSHA's maps will only be accepted for adaptive reuse projects or projects that correspond within a DDD Plan. Note: Preservation applications will continue to be accepted.
3. The site must be free from adverse environmental conditions, natural or manmade, such as instability, flooding, septic tank backups, sewage hazards, or mud slides; harmful air pollution,

smoke or dust; excessive noise vibration or vehicular traffic; rodent or vermin infestation; or fire hazards. The neighborhood must not be one, which is seriously detrimental to family life or in which substandard dwellings, or other undesirable elements predominate, unless there is activity in progress to remedy the undesirable conditions. Phase I and Phase II environmental audits may be required.

4. The site must be adequate in size, exposure and contour to accommodate the number and type of units proposed and must conform to all local zoning ordinances/laws.
5. Adequate utilities (water, sewer, gas, and electricity) and streets will be available to the site.
6. The housing must be accessible to social, recreational, educational, commercial, and health facilities and services, as well as other municipal facilities that are at least equivalent to those typically found in neighborhoods consisting largely of unassisted, standard housing of similar market rents/sale prices.
7. Travel time and cost via public transportation or private automobile from the neighborhood to places of employment providing a range of jobs for the targeted population must not be excessive. (While it is important that elderly housing not be totally isolated from employment opportunities, this requirement need not be adhered to rigidly for such developments.)
8. Developments that require permanent or temporary relocation of current households, homeowners, and/or businesses will be considered only if HUD relocation guidelines are followed.
9. The development may not be in an area that has been identified as having special flood hazards and in which the sale of flood insurance has been made available under the National Flood Insurance Act of 1968, unless the development is covered by Flood Disaster Protection of 1973, and it meets any relevant HUD standards and local requirements.
10. The marketing survey, submitted in the application, must reflect a satisfactory unit absorption rate, as well as a demonstrated need for this development. Verification of market information must be a part of the application.
11. The repayment schedule of the HDF loan proceeds will be taken into consideration when making a determination in the approval of the loan request. Applications that show a shorter loan period, and that do not jeopardize the integrity of the development, will be given a higher priority ranking when a final decision is made.
12. It will be the responsibility of the general contractor to supply references at the time that the application is submitted. If the general contractor is not selected at the time of application submission, references must be submitted at the time of selection, and DSHA reserves the right to reject the general contractor. The general contractor must provide payment and performance bonds from an approved bonding company prior to beginning work on a development.

13. Equity Distributions:

- A limited-profit or limited-liability corporation applicant that is applying for DSHA funds or conventional permanent financing, without tax credits, will agree to limit the amount of profit/equity distributable per year to partners/equity holders to amounts not to exceed ten percent (10%) of initial investment on the development. Applicants operating on this basis will be permitted to receive a return on their initial investment in accordance with the DSHA regulatory agreement, which will be executed at the time of final closing. In the regulatory agreement, the Applicant will legally obligate itself to regulate rents, charges, rates of return, and methods of operations. Maximum accumulated distributions cannot exceed five (5) years. Initial investment is defined as total development costs less all permanent loans and grants, whether from DSHA or other sources.
- Where LIHTC is involved, the amount of annual equity distribution is limited to 1.5% of initial investment in the following instances:
 - Deferred DSHA debt;
 - Amortizing DSHA debt with an interest rate of 3% or less; and
 - Amortizing DSHA debt, regardless of interest rate, that is not current at year-end when the surplus calculation is made.
- For projects with approved debt service coverage lower than 1.20:1, or longer amortization periods (greater than thirty (30) years), the annual equity distribution will be calculated at 1% of initial investment. This will also include all tax-exempt/DSHA-financed projects.
- DSHA reserves the right to adjust profit/equity distribution at its sole discretion.