LOW INCOME HOUSING TAX CREDIT (LIHTC) PROGRAM

2017 Qualified Allocation Plan (QAP)

Public Participation

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Notice of Public Hearing on the 2017 Draft LIHTC QAP

Delaware State Housing Authority (DSHA) is in the process of finalizing the State of Delaware's 2017 Low Income Housing Tax Credit (LIHTC) Qualified Allocation Plan (QAP). DSHA will hold a public hearing to discuss the proposed QAP on Thursday, December 8, 2016.

The hearing will be held at the Liberty Court Community Building, located at 1289 Walker Road, Dover, Delaware from 1:00 p.m. – 3:00 p.m.

Oral and written comments will be accepted until that time. Written comments may be sent to DSHA, 18 The Green, Dover, DE 19901, Attn: Ruth Ann Jones. After considering the comments received, DSHA will recommend the final QAP to the Governor for approval. Once approved, the QAP will be available to the public on DSHA's website (www.destatehousing.com). If you have any questions about the LIHTC Program, please contact Ruth Ann Jones, Housing Program Specialist by phone at (302) 739-0205, or (888) 363-8808 or via e-mail at ruthann@destatehousing.com.

2017 LIHTC QAP Public Hearing Agenda

2017 Low Income Housing Tax Credit (LIHTC)
Qualified Allocation Plan (QAP)
Public Hearing

Liberty Court, Community Building
1289 Walker Road, Dover, DE
December 8, 2016
1:00 p.m.

AGENDA

1. Welcome and Opening Remarks

2. Discussion of 2017 Draft QAP:

   - **Credits Available/Pools (Estimate)**
     - Eligible State Basis Boost
     - Scoring and Credit Amount Clarifications
   - **Definitions and Threshold Clarifications**
     - Community Revitalization Plan
     - Historic Consultant
     - Target Units
     - Site Control
     - Minimum Construction Requirements
   - **Ranking Modifications and Clarifications**
     - Cost Containment
     - Section 811
     - Leveraging
     - Promoting Balanced Housing Opportunities – New Maps
     - Energy Conservation Measures & Utility Benchmarking
       - Presentation by New Ecology Inc.
     - Access to Transit and Connectivity
     - Underwriting Criteria
     - Construction/Rehabilitation Standards
   - **HDF Supplement**
     - NHTF
     - HDF loan amounts
   - **Timetable**

3. Comments, Questions, Adjournment

PRELIMINARY 2017 DSHA LIHTC TIMELINE	
December 8, 2016	2017 QAP Public Hearing-held at Liberty Court from 1:00-4:00 p.m.
January, 2017	2017 QAP released
February 10, 2017	Deadline for pre-inspection notification if applying for 2017 preservation, rehabilitation, or conversion projects
February 17, 2017	Deadline to apply to Delaware Transit Corporation for DRAFT Memorandum of Agreement
March, 2017	Deadline to request DelDOT technical assistance for Connectivity point category
March 10, 2017	Deadline for DSHA General Contractor approval and/or updates
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 HDF-financed projects
December 15, 2017	DSHA will execute carryover allocations for selected projects on or before this date

2017 Draft QAP Public Hearing – Notes

Public hearing was held on December 8, 2016 at the Liberty Court Community Building in Dover, Delaware for the purpose of obtaining views of interested parties on the draft 2017 LIHTC QAP. Thirty-four (34) people attended. Comments included:

Question: Why was the non-profit allocation pool increased?

DSHA Response: The increase was due to a return of credits. IRS Section 42 requires the non-profit set-aside to be calculated on the total credit ceiling.

Comment: Please add a definition for Areas of Opportunity.

DSHA Response: DSHA will add the following definition for 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.

Question: Deferred developer fee on bond deals-can you please clarify the total allowable deferred amount? It appears inconsistent between sections.

DSHA Response: On a tax-exempt bond transaction, a project can earn up to $1.5 million in developer fee, but any amount in excess of $1 million must be paid from cash flow. In order to remain consistent among the 4% and 9% projects, all projects are allowed to defer up to 50% of the developer fee earned that is not paid from cash flow. So in short, if a project earns $1.5 million in developer fee, $500,000 is paid from cash flow, and $500,000 may be deferred.

DSHA will make sure all sections are consistent in this explanation.

Comment: DSHA should let developer fee on tax-exempt projects be calculated on a formula without a cap like other states such as Virginia.

DSHA Response: This calculation would be a substantial change to existing policy and is something DSHA will take into consideration during the greater QAP revision in 2018.

Comment: Leveraging points should be given to Year 15 projects that have old and new debt, less DSHA debt returned (i.e. rolled debt should not be a disadvantage).

DSHA Response: DSHA is aware that there are many Year 15 projects that have a noticeable amount of deferred debt that may be difficult to restructure and/or re-syndicate. However, this would be a substantial change to existing policy and is something DSHA will take into consideration during the greater QAP revision in 2018.

Comment: Energy Conservation Category for acquisition/rehabilitation lists different requirements for 3-story buildings versus 4-story buildings for HERS ratings. There doesn't seem to be a clear rationale for this distinction.

DSHA Response: This language will be revised to clearly state that exceptions to this requirement may be granted by the certifying energy program.

Question: For the utility benchmarking costs, would DSHA consider allowing owner's to escrow funds for this rather than adding costs to the operating budget for the required five (5) years?

DSHA Response: While this is something that could be talked through further, for 2017 DSHA would prefer these costs to be included in operations as they are fairly minimal. Estimates obtained for utility benchmarking software are an average of $16 per unit, per year with an initial startup cost of 40% of the annual cost.

Comment: Utility benchmarking language for acquisition/rehabilitation should be revised to state that units must be enrolled at construction completion.

DSHA Response: DSHA will amend the timing requirement for acquisition/rehabilitation. However, if utility benchmarking is in place prior to construction completion, it may provide very useful data for comparison purposes.

Comment: Fixtures, furniture, and equipment (FFE) cost category has been revised to require a minimum amount of $600 per unit. This puts undue costs on projects that do not require a large amount of FFE. FFE should be a maximum only, no minimum.

DSHA Response: After considering the variation of project types relating to this requirement, DSHA will amend the requirement to a minimum of $800 per unit for new construction/new creation projects and a maximum of $800 per unit for preservation projects..

Comment: Replacement reserves should not be increased for projects using carpet. There should perhaps be a threshold, such as if 75% of the units are carpeted, or an exclusion for using carpet in only the bedrooms.

DSHA Response: The additional replacement reserve requirement for carpeting is a result of the high volume of carpeting replacements in units. The additional reserve ensures that funding is always available to cover this cost. However, this is something DSHA will take into consideration during the greater QAP revision in 2018.

Comment: Passive House is not a good option for Delaware and adds extremely high costs to a project.

DSHA Response: We understand that Passive House does require additional education, effort, and cost. For those reasons, DSHA is including Passive House as one of several optional choices for projects seeking additional points and energy efficiency measures for new construction projects.

Comment: The statement that waiver requests will not be considered prior to application or allocation of tax credits should be revised to state such for only 9% projects.

DSHA Response: DSHA not allowing waiver request consideration prior to award ensures a level playing field for all projects.

Comment: The QAP appears biased against rural communities by not providing enough point categories that are attainable for rural projects.

DSHA Response: The QAP is designed to target various areas of the state and also achieve the housing goals of the state. In 2016, two of the four projects awarded LIHTCs were located in rural areas.

Comment: The change for special populations targeting requiring projects receiving rental assistance to target 5% or 5 units, whichever is greater, is unfair to smaller subsidized projects. Please revise back to original requirement of 5% or 3 units, whichever is greater.

DSHA Response: This change aligns with DSHA's goals to target special populations, which are more likely to consist of extremely-low income households that are in need of project-based rental assistance.

Question: Cost containment measures benchmark costs have increased, but have the energy measures been included in this increase?

DSHA Response: The benchmark costs have increased only as a result of the data received from recent projects that have been cost certified. DSHA has not updated the cost numbers in several years.

Comment: DSHA should allow a higher amount per unit for relocation costs, specifically on small projects.

DSHA Response: Relocation costs are ineligible for basis of tax credits, so any increase in the relocation costs may place a strain on the often times limited project sources. If smaller projects have higher relocation costs after an LIHTC award is made, DSHA may consider waivers in accordance with our standard practices.

Comment: Allowing projects in Areas of Opportunity to receive ten (10) points and a 30% state basis boost seems like too much. Existing properties not within Areas of Opportunity are at a disadvantage.

DSHA Response: Federal, state, and local data all contribute to the maps developed, demonstrating the Areas of Opportunity for creating or preserving additional affordable housing. Providing these incentives directly aligns with DSHA's priority to target these areas for additional affordable housing and the basis boost allows projects to create additional sources from equity, rather than debt.

Comment: The Historic Tax Credits definition should be amended to reflect the historic district, not the historic register.

DSHA Response: DSHA will clarify this definition.

Comment: The new Energy Conservation Measures category is great, but there is no need for the additional two (2) points for advanced measures. DSHA should just use the first three available choices to see what results are found.

DSHA Response: Through various stakeholders' input, DSHA elected to include many different options to allow applicants many choices for energy conservation measures. Attaining some of the advanced measures will require additional efforts and costs in some cases. However, all options should be considered by the applicant if desired.

Comment: Utility Benchmarking category is great, and good policy for DSHA.

<u>DSHA Response</u>: Thank you for your comment. Utility benchmarking is already a requirement of HUD and USDA properties, so it should be easily attainable for many other LIHTC projects.

Comment: The change to a maximum accumulated distribution limit of five (5) years is unclear.

<u>DSHA Response</u>: For projects that receive an annual distribution, but do not have the cash flow available to pay the full distribution amount, the distribution amount continues to accumulate, placing additional debt on projects. Limiting this distribution to a maximum of five (5) years is more realistic and allows for better debt strategies in Year 15.

Comment: Some rural and municipal electric cooperatives do not have the software capabilities to share the data needed for Utility Benchmarking, which then requires the management company to enter the data manually from utility invoices.

<u>DSHA Response</u>: Utility benchmarking is already a requirement of HUD and USDA properties, so it should be easily attainable for many other LIHTC projects. However, it is understood that obtaining this data from the cooperatives may be difficult, and hopefully such organizations will quickly amend their processes/technology to allow data sharing.

DSHA Response to Questions Received via E-mails (see below)

Question from HDC MidAtlantic: What are the DSHA-administered sources of funds which would require Davis-Bacon Wage Rates be applied to the project and what threshold (i.e. percentage of total sources, number of units, etc.) would trigger that requirement? Secondly, for buildings 4-stories or less, please confirm the project must comply with Davis-Bacon Residential Wage Rates.

<u>DSHA Response</u>: Any DSHA-administered or other <u>federal</u> sources of funds (with the exception of the new National Housing Trust Fund) may be subject to the Davis-Bacon Wage Rates. However, Davis-Bacon Wage Rates or other wage rates may be required by other local funders or municipal agencies, their sources may have different requirements.

Comment from HDC MidAtlantic: If a single project is partially located in a designated Area of Opportunity, the development should receive the maximum points for being in an Area of Opportunity, provided at least 50% of the total units in the project are/will be located inside said designated Area of Opportunity.

<u>DSHA Response</u>: Recognizing the importance of affordable housing projects in an Area of Opportunity, DSHA will allow projects to receive partial points (maximum of five (5) points) and up to a 15% state basis boost, provided that at least 50% of the units are located within an Area of Opportunity.

Comment from LNWA: The new radon testing requirement for all units prior to construction completion should be revised and clarified. Proper radon testing for new construction can only be completed once construction is complete. Additional testing of rehabbed units, where there is no penetration of the slab or foundation walls, either during construction or after completion, is an unnecessary cost.

<u>DSHA Response</u>: Thank you for pointing this out. DSHA will revise the language to read that radon testing for all units must be completed prior to occupancy. With regard to the additional testing of rehabbed units, due to previous experience with radon found in rehabilitation projects, DSHA has chosen to take the most prudent path and require the testing.

Comment from LNWA: If a rehab does not impact more than 50% of the existing structure, the fire code does not require the entire sprinkler/alarm system to be brought up to a current code for new construction. Please remove the language related to "No exception will be made for rehabilitation which will qualify for the 50% rule for grandfathering of any code" as it contradicts the Delaware State Fire Prevention Regulations.

<u>DSHA Response</u>: As stated in the QAP, 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.

Comment from LNWA: Please remove the language stating "Fire Marshal approval of all building and site plans, including alarm and sprinkler design, must be obtained prior to construction closing."

<u>DSHA Response</u>: Due to previous experience, DSHA has chosen to add this requirement as a proactive approach to ensure that all related costs are included and all approvals are obtained as early as possible to prevent unplanned design changes.

Comment from Cinnaire: Regarding the change in the minimum net equity factor (increased from $0.93 to $0.95), we strongly suggest that DSHA be willing to adjust this minimum factor downward if market factors cause the average price per credit to decrease significantly.

<u>DSHA Response</u>: DSHA recognizes the equity market may be adjusting throughout the next year. DSHA will continue to monitor the market and make adjustments if necessary.

Comments Received via E-mail

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Kevin Whittaker
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Howard Fortunato
Executive Vice President

SERVING DELAWARE SINCE 1947

December 7, 2016

RE: Public Hearing 12/8/16 Delaware State Housing Authority finalizing the State of Delaware's 2017 Low Income Housing Tax Credit (LIHTC) Qualified Allocation Plan (QAP).

The Home Builders Association of Delaware would like to commend the Delaware State Housing Authority for supporting the inclusion of the National Green Building Standard ICC/ASHRAE-700 (NGBS) in the 2017 LIHTC QAP, found in Attachment 13, "Design Architect's/Applicant's Certification".

The National Green Building Standard is a consensus based residential green building standard that has been approved by American National Standards Institute (ANSI), and has been prepared in partnership with the International Code Council (ICC) and ASHRAE. The NGBS Green certification requires independent, third-party verification to ensure that a home is built to energy efficient and energy conserving, high performing standards. This insures the home is healthier, has lower operating costs, and provides a sustainable lifestyle for its occupants.

Ian Rawhauser
Housing Development Corporation MidAtlantic
4-6 West King Street, Suite 4
Lancaster, PA 17603

SENT VIA ELECTRONIC MAIL

December 8, 2016

Cindy Deakyne
Housing Development Administrator
Delaware State Housing Authority
18 The Green
Dover, DE 19901

RE: 2017 Qualified Allocation Plan Public Comment

Dear Cindy:

HDC would like to formally submit the following comments/questions to the Authority in response to the Draft 2017 Qualified Allocation Plan:

1) We support the Authority's notion to maintain the 10 point maximum value for projects located in designated Areas of Opportunity. We also support the Authority's consideration to allow for an automatic State Discretionary Basis Boost of 130% for those projects located within an Area of Opportunity.

2) If a single project is partially located in a designated Area of Opportunity, the development should receive the maximum points for being in an Area of Opportunity. Provided at least 50% of the total units in the project are/will be located inside said designated Area of Opportunity.

3) What are the DSHA administered sources of funds which would require Davis-Bacon Wage Rates be applied to the project and what threshold (i.e. percentage of total sources, number of units, etc.) would trigger that requirement? Secondly, for buildings 4-stories or less, please confirm the project must comply with Davis-Bacon Residential Wage Rates.

Thank you for your time and consideration.

Respectfully submitted,

Ian Rawhauser, Senior Development Officer

CC: Claude Hicks, HDC MidAtlantic
Matthew Padron, HDC MidAtlantic
Rodney Lambert, Todmorden Foundation
Vernon Green, Todmorden Foundation
Ruth-Ann Jones, DSHA
Susan Eliason, DSHA

December 8, 2016

Delaware State Housing Authority
18 The Green
Dover, DE 19901

Subject: 2017 Draft QAP Comments

Good Afternoon,

Below you will find Leon N. Weiner and Associates, Inc.'s comments to the draft Qualified Allocation Plan for 2017 Low Income Housing Tax Credits in the State of Delaware. Thank you for your consideration. We are happy to clarify any questions you might have. Sincerely, LNWA, Inc.

- Page 10, Allocation Pools: Please explain why the Non-profit set aside has been increased by nearly 30%, and the Preservation and New Creation pools have fallen by 15% each. In the last allocation round approximately $1.7M in credits went to Non-Profit entities while $1.2M went to For-Profit entities. Furthermore, Non-profits are not prohibited from competing in the alternative pools. As a For-Profit developer, and the largest affordable housing Owner in the State, we view this clause as prohibitive to our business model and are strongly against this adjustment.

- Page 14, Definitions: Please provide a definition for "Area of Opportunity". We feel it is important to define this terminology given the weight applied to it throughout the document. Best practices in legal and policy documents call for capitalized terminology to be ascribed a definition.

- Page 15, Developer Fee: Please adjust bullet 3 to calculate the maximum fee for Tax-Exempt bond projects based on a formula rather than a capped amount. This provides parity for different sized projects to fill financing gaps (specifically very large projects). Our suggestion is to use the formula of the Virginia Housing Development Authority which is as follows:

    - 12% fee on the first $10M in TDC + 8% fee on the remaining TDC uncapped-ineligibles

- Page 19, Interim Income: Please clarify that an operating cash flow deficit, caused solely by funding of an approved reserve from interim income, is not considered an operating deficit and is therefore not eligible for draws from a Relocation Operating Deficit Reserve. In other words, the Relocation Operating Deficit Reserve cannot be used to fund an Interim Income source.

- Page 45, Per Unit Cost Reduction: Please clarify new "NOTE" wording. We suggest "NOTE: For this calculation, DSHA will round to the nearest percentage", or "NOTE: For this calculation, DSHA will round up or down to the nearest percentage." For example, if the actual percentage is 4.4%, the Note, as written, seems to imply that DSHA will round it up to 5%. Please clarify the intention.

- Page 48, Leveraging: Please consider the following as we feel it is a key step in recapitalizing aging Year 15 tax credit properties with accrued HDF. Preservation properties which retire the *existing, legacy* deferred HDF financing from a previous application and apply for new HDF financing, should calculate the DSHA controlled funds as the difference between the new HDF request amount less the HDF amount returned. ***For example***: A property has $2M in deferred HDF, the new financing structure pays down that balance and borrows $2.2M in new permanent HDF. The calculation of DSHA controlled HDF's should be $200k. The rolled debt shouldn't disadvantage the competitiveness of a new application. Further, DSHA gets an origination fee on the full $2.2M.

- Page 50, Preservation: Please consider adjusting the 2-point category to align with the 15-year initial compliance period. This is often when investor members are looking for an exit. This would adjust that line to December 31, 2001.

- Page 50, Preservation: Please consider giving scoring consideration to Preservation projects that retire existing HDF. An example would be: 3 points for Projects with committed rental assistance contracts, or Projects that payoff accrued HDF.

- Page 57, Energy Conservation Measures: Under "advanced energy efficiency" category, Acquisition/Rehab paragraph, please remove the language "three stories or fewer." We disagree with logic that would infer a designated HERS rating is easier to achieve on a brick building built before 1980 that is four stories tall versus three stories tall. Exterior walls and age are adequate limiting factors for this clause.

- Page 58/59, Utility Benchmarking: We would request that the developer have the option to escrow the required 5 years of costs associated with this service rather than build it into ongoing operations for a 30 year proforma model.

- Page 58/59, Utility Benchmarking: Please adjust timing requirement (1) for Acquisition/Rehab projects be enrolled in benchmarking to construction completion. Installation of monitoring devices/tenant during relocation could interfere with the construction schedule and cause unnecessary challenges. Furthermore, for arm's length transactions, this puts the cost burden of this requirement on either the selling entity or creates a costly predevelopment, out of pocket expense for the developer. This compliance requirement should be uniform for new construction and rehabilitation.

- Page 59-61, Access to Transit: In a situation with Existing Transit where "base requirements" are met, including DTC confirmation of service, there seems to be no added benefit for DSHA to require a Draft MOA. By reason, if base requirements are met, there should be no necessary improvements or need to shift responsibility for maintenance from DelDOT/DTC to the project owner. By forcing an owner into an MOA with DelDOT/DTC, this allows DelDOT/DTC to require additional improvements and therefore add cost when no such improvements may be necessary. The MOA creates an opportunity for DelDOT/DTC to require an owner to pay for transit improvements that would have normally been handled by and paid for out of the State's transportation budget. We strongly disagree with using scarce affordable housing resources to enhance or modify Existing Transit that meets the "base requirements".

Attachments to QAP

- Page 85, Legal Fees: The addition that "No waiver requests may be submitted for legal fees exceeding the $200,000 limit" should be removed. There may be situations outside of the owner's or developer's control that leads to legal fees exceeding $200,000. In a situation with an unrelated developer, it may not be possible for an owner to require the developer to pay the excess legal fees when it is the owner or lenders that caused the excess legal cost. It is also possible that an owner does not have additional non-project sources to cover excess legal.

- Page 86, Furniture, Fixtures and Equipment: Please adjust this requirement to only include a maximum cap. Six hundred dollars ($600) per unit FF&E expense on rehabilitation projects is frequently too high. Furthermore, the condition of the FF&E often depends on the management agent in existing properties.

- Page 118, Environmental Site Assessment: DSHA should reconsider pushing additional remediation costs to the developer when the developer is an unrelated party to the owner. The Owner should be responsible for such costs, and DSHA should allow use of contingency when a qualified environmental firm was used to provide the cost estimate and unforeseen conditions are uncovered during construction that lead to additional remediation costs.

- Page 135, Radon Testing: The new requirement that "Testing will also be required for all units prior to construction completion" needs to be revised and clarified. First, proper radon testing for new construction can only be completed once construction is complete. Testing during construction may lead to inaccurate results. Further, such testing should only be required for newly constructed units and only for units sitting at ground level. Lastly, for Acquisition/Rehab projects it is already a requirement that radon testing be included with the Phase I Environmental Audit, which is included in Exhibit 18 of the application. Additional testing of rehabbed units, where there is no penetration of the slab or foundation walls, either during construction or after completion, is an unnecessary cost.

Minimum Design

- Page 123 Sitework: If a rehab does not impact more than 50% of the existing structure, the fire code does not require the entire sprinkler/alarm system to be brought up to a current code for new construction. Please remove the language related to "No exception will be made for rehabilitation which will qualify for the 50% rule for grandfathering of any code" as it contradicts the Delaware State Fire Prevention Regulations.

- Page 123 Sitework: Please remove "Fire Marshal approval of all building and site plans, including alarm and sprinkler design, must be obtained prior to construction closing." General Contractors do not sign contracts until initial closing and fire alarm contractors and sprinkler contractors will not conduct design work until they are under contract. Fire alarm contractors are usually 3rd party subcontractors to the electrician which requires the electrician manage this work prior to being under contract. This is a prohibitive design clause which, we feel, will slow closings and add undue cost.

December 8, 2016

NCALL Comments on DSHA Draft QAP

Page 6:**Eligible Basis Boost (30%) Revised to include projects located in Areas of Opportunity**

Page 49: **Promoting Balanced Housing Opportunities**

This gives projects in Areas of Opportunity an unfair advantage over other projects. The 130% basis boost increases the amount of tax credit equity generated while there is already an existing 10-point category that can only be received by a project in an Areas of Opportunity location under Promoting Balanced Housing Opportunities Page 49. NCALL would prefer to see no eligible basis boost for Areas of Opportunity and that the point category be reduced to 5 points so that projects are encouraged to be located in Areas of Opportunity. Providing both the boost and the 10 points placing many rural communities and other areas where housing is needed or where existing affordable housing needs to be preserved at an unfair disadvantage.

Page 18: **Historic Consultant**

The historic tax credit consultant is a highly specialized professional not unlike an architect or engineer and should not be considered a development consultant as defined on page 14. The historic tax credit consultant fee should be a separate line item and not be paid from the developer fee.

Page 50: **Historic Housing**

The language in this category should be changed to include "properties that are considered by the State of Delaware Department of Historical and Cultural Affairs to be contributing properties within a National Historic Register-listed district are to be considered historic buildings and are eligible to receive historic tax credits."

Received December 8, 2016 at 4:32 p.m.

Good afternoon,

Milford Housing Development and East Coast Property Management thanks you for your continued support and dedication to the provision of housing.

The following are comments regarding the current draft of the Delaware State Housing Authority 2017 Qualified Allocation Plan (QAP).

- Target Units (pg. 38): We are advocating the removal of the additional requirement that “All developments receiving project-based rental assistance must target 5% or five (5) units, whichever is larger.” The increase in minimum units places additional undue burdens on small project-based rental assistance properties.
- Integrated Housing for Special Populations (pg. 46): Please consider reducing the minimum number of units this places additional burdens on smaller rental properties.
- Areas of Opportunity: The QAP provides 10 points for developments that are in Areas of Opportunity (AOO). Additionally, AOOs were provided with an automatic 130% boost for development. The combination of these efforts results in a compounding advantage. A reduction of the points awarded should be done with a maximum of 5 points.
- Utility Benchmarking (pg. 58): The additional category provides two points with a minimum commitment of 5 years. Please consider allowing developers to escrow for the cost in lieu of building in the operating budget.
- Cost Containment (pg. 45): Under the cost containment, the per unit average costs were increased for New Construction at a significantly higher amount than Acquisition/Rehabilitation. Have new energy conservation matters/cost to do green building been incorporated in this analysis? What is the driver for the differential?
- Preservation (pg. 50): MHDC recommends the removal of the additional preservation points for family developments. The need for preservation should not favor the family over elderly properties.
- Capacity of Development/Management Team (pg. 51): Bullet point #3 under the management company should be revised to a percentage in lieu of a standard number of 5 or more properties.
- Energy Conservation: MHDC supports the promotion of green building and applauds DSHA’s commitment to energy conservation measures. However, the additional 2 points should not be provided for advanced energy efficiency. There is inadequate data to show the efficiency of utilizing significant resources to build to the standards noted (i.e. Passive House).
- Access to Transit: Please review options to include provisions for properties with existing access to transportation. It is important to allow the Department of Transportation to fuel access to transit for reasons already stated by the development community.
- Environmental: Rural towns are at a disadvantage as they typically are developed along railroad lines.

- Compliance Period: MHDC strongly encourages removal of the increase in the compliance period with no opt-out category. This puts families and affordable housing at future risk.
- Furniture Fixtures & Equipment (pg. 86): The maximum in the previous QAP was $600/unit. The current QAP increased the maximum to $800/unit and created a minimum of $600/unit. It is unclear why the minimum was imposed. For rehabilitation properties, the minimum appears to be too high. It is suggested that the minimum be removed and DSHA keep the increased maximum suggested.
- Relocation (pg. 84): The maximum of up to $3,000/unit is unchanged for relocation costs. It is requested that this maximum be increased as it creates undue hardship for smaller properties and/or properties with units concentrated in multi-level buildings.
- Accumulated Distributions (pg. 90): DSHA is proposing capping accumulated distributions to not exceed 5 years. This should be removed until further discussion is done with the development community.
- Tax Credit Allocations/Pools: The division of pools should be maintained. The pools are established based upon development goals, need for housing for each area and compliance with state strategies for policies and spending. As such, projects should compete within the appropriate pool. If more than one project within a pool is able to be funded without utilization of additional funds, this should be done. MHDC disagrees with the argument that only the first highest ranked project within a pool is funded then funds are allocated to the highest ranked project regardless of the pool. If there are inadequate funds within a pool to fund a second project, it is understood that the highest overall ranked project would be funded through tie-breaker rules.

Respectfully submitted,

Christina

Christina E. Stanley, Vice President
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Ms. Ruth Ann Jones
Delaware State Housing Authority
18 The Green
Dover, DE 19901

December 8, 2016

Dear Ms. Jones:

Thank you for the opportunity to comment on Delaware State Housing Authority's (DSHA) Draft 2017 Qualified Allocation Plan (QAP).

Given potential changes in the market that may have an impact on equity pricing, we recommend that DSHA be flexible in adjusting the DSHA Net Equity Factor. According to the latest draft of the QAP, on page 84, the minimum DSHA Net Equity Factor will be increased from $0.93 to $0.95. We strongly suggest that DSHA be willing to adjust this minimum factor downward if market factors causes the average price per credit to decrease significantly.

Sincerely,

Susan A. Frank
Senior Vice President, Business Development

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Transcript of the 2017 LIHTC QAP Public Hearing – at Liberty Court, Dover, DE - 12/8/2016

Call to Order: 1:08 pm by Cindy Deakyne
Opening Remarks and Welcome: Cindy Deakyne

DSHA Staff Attending and Participating:

Cindy Deakyne	Bob Messineo	Marlena Gibson
Ruth Ann Jones	Tricia Conley	Stephanie Griffin
Susan Eliason	Gene Mackey	Jim Loescher
Mabel Jean Hayes	Susan Moriarty	Anas Ben Addi
Karen Horton	Hillary Austin	

Purpose of Public Hearing:

Proposed changes to the 2017 QAP
2017 Credit Availability
Threshold, Ranking, and Underwriting Clarifications
2017 Funding Round Timeline
Proposed changes to the DSHA Financing Supplement

Presenting technical assistance from New Ecology: Debra Hall
Jane Willeboordse
Patrick Coleman

Deb Hall (New Ecology) – Introduced her organization, her co-workers Jane and Patrick, and presented a PowerPoint presentation for the public hearing attendees. Deb asked Jane (Architect) to do a discussion on the green certifications – what is required to earn the 3 points for certification of green. Jane did her part on the green certification requirements. (The PowerPoint slides are attached hereto.) Pat Coleman then presented the utility benchmarking slides.

Public Comment Section: 1:37 pm
Participants reminded to state their name and agency or company they represented.

Sean Kelly (Leon N. Weiner & Associates in Wilmington, DE) – My comments on the draft QAP are as follows: The allocation pools, we would like clarification on why the nonprofit set-aside has been increased by nearly 30%, when other set-asides have fallen by 15% each in the last application round, nearly $1.7 million credits went to nonprofits and $1.2 went to for-profits. As a for-profit developer and a large property owner in the State of Delaware, we feel this is prohibitive to our business model and our strongly invested. I would like to request on page 14 a definition for area of opportunity given the importance throughout the document, based on this terminology, usually capitalized terminology is ascribed a definition, we would like to be able to cross check various items that go into that definition. On page 15, the developer fee, I'm

unclear, and this is specifically for bullet 3 with the tax-exempt bond projects about the maximum deferral amount. So I would just like to understand that, as I was a little confused assuming that the maximum developer fee in a bond deal of $1.5 million, I just don't understand clearly what the maximum deferral amount is. The definition differs a little bit. That terminology surfaces again on I believe page 81 and the definition is a little bit different. My reading of it says that we can defer a maximum of a million dollars with $1.5, I want to clarify that. I brought this up at the tax exempt developer forum, we would like to see the tax exempt bond developer fee formula, excuse me, the equation based on formula, and rather than a capped amount. This really provides parity for larger deals to be able to utilize the benefit of the deferral and the additional bases. So really you could back into a number of units where that $1.5 million gives you the optimal deferral and bases adjustment, but if you have a very large project, we should be able to read that proportionally. So what I would suggest is that the Virginia Housing Development Authority has a very good formula. What they do is 12% fee on the first $10 million dollars in total development costs, and then it is an 8% fee on the remaining total development costs uncapped minus ineligibles. Page 48, the leveraging calculation, I am going to put this comment in writing, but I want to say here too because I think it's a statewide priority to look at ways in which we can recapitalize year 15 tax credit deals, pure tax credit deals without subsidy. So I would like the agency to consider the following: If preservation properties which retire existing legacy deferred HDF financing from a previous application apply for new HDF financing, you should calculate the DSHA-controlled funds as a difference between the new HDF requested amount less the HDF amount returned. I'll give you a quick example of that, so if a property has $2 million in deferred HDF and a new financing structure wants to borrow $2.2 million, the calculation of DSHA-controlled funds should be $200,000. The rolled debt shouldn't disadvantage the competitiveness of the future application. Page 50, in preservation, we would like you to consider giving scoring consideration to preservation projects that retire existing HDF. As we do think that should be a priority here. An example would be: 3 points for projects with committed rental assistance contracts or projects that payoff accrued HDF. Moving forward to energy conservation measures, so actually the presentation, I kind of wanted to walk past a question here, but on page 57 under the advanced energy efficiency category, for acquisition rehab, the language related to three stories or fewer, I'm not sure I understand the logic that would infer that a designated HERS rating is easier to achieve on a brick building built before 1980 that is four stories tall versus three stories tall. If there's a technical answer for that I'd like to know.

Cindy to Sean – How about you finish your list, and we will try to address a few things after you are finished.

Sean – OK. So my thoughts on that are exterior walls and the age of the building are adequate living factors for that HERS rating, and that a four story building should be held to that, that means 90 vs. 75, I'm sorry, I don't have that right in front of me. Moving forward to utility benchmarking, we would request that the developer have the option to escrow the required five years of costs associated with this service rather than build it into ongoing operations. It's a five year requirement, rather than a 30 year requirement going into the QAP, so if we are trending that thru 30 years that could create burden on the operating budget. Again, on utility benchmarking, the timing requirement for acquisition rehab projects to be enrolled should be changed to construction completion. Similar to our new construction projects. Installation of

monitoring devices, tenant relocation, that happens during the rehab has the potential to present unnecessary challenges that happen prior to closing. Furthermore, if you are working with an arm's length transaction, this puts the cost requirement to do that monitoring either on the selling entity or as a free development cost for the developer. It is, I believe, different from what is required, actually I know it is different than what is required from the construction and I think by making that change you could provide some clarity there. Moving forward to underwriting guidelines on page 86 now, furniture, fixtures and equipment, I see that we have adjusted this year to a minimum of $600 per unit. I think that this requirement should only include a maximum cap as it has in the past years. Particularly for rehabilitation projects, $600 per unit could be way too high, particularly if you have a management company investing in new furniture and things like that, so I think that should be dealt with on a case-by-case basis, but I think putting the minimum is prohibiting. Page 89, replacement reserves, we would like the agency to consider the carpet requirement for units – for carpet installed in more than 75% of the unit or alternatively exclude carpeting in bedrooms. Moving forward to minimum design standards, page 119 now, the language at the top of 119 about waiver requests should be adjusted to read, "No waiver request will be considered during the application process or prior to LIHTC award for 9% applications. For bond deals, you do need to have more of a negotiated scope than work. I'd like the agency to also consider allowing fiberglass pads, that's on page 125, this really is becoming an industry standard in single family housing and we also feel that fiberglass pads vs. concrete prevents collateral damage, particularly if you have garden apartments where you have to get large trucks and the like around the back of the building, you are tearing up the grass. Just kind of a blanket statement on Passive House, I am pro-energy efficiency. I was at a conference recently where they had implemented Passive House, obviously in PA and in OH as well, and the form stated that Passive House is increasing hard construction costs by about 30%. I think that is able to be absorbed in PA and in OH, where they have literally 10 times the tax credits we do. I think in the State of Delaware where we have the minimum small state set aside, we need to consider whether or not that policy is prudent or do we need to produce more units for people who needs them.

Cindy – Thank you Sean. Before we get into a few clarifications on the energy. Under Section 42, when the allocating agency has returned credits, that is part of the credit ceiling that the State gets, and a mandatory 10% on the credit ceiling must go to the non-profit set-aside, so we had to return credits plus our 2.7 that we received. So it's 10% on top of that, so that is the Section 42 requirement and it is a mandatory 10% of the credit ceiling so that is why that went up. I'm just going to talk a little bit about our strategy for preservation projects, which are year 15, which I meant to, include in my opening comments. We have a portfolio of year 15 projects without subsidy and with subsidy as well. Our goal for the 2018 QAP, actually during the year 2017, we plan to meet with all the owners and go over their strategies for their year 15 projects, and our debt, especially, and try to figure out well what is your plan, do you want to retire the debt, do you want to change the debt, do you want to structure the debt, do you want to re-syndicate your project, etc., so that there's a plan and we are part of that plan. At this point, we were not considering doing these for 2017, as you all may know by now, we have an RFP for a consultant to help us re-write the 2018 QAP, as well as look at our challenges on the financing, especially the year 15 projects. So we are looking to them to help us provide good suggestions and ideas and things like that. So at this point, we weren't going to prioritize the leveraging and so forth, but for projects we have like that, we certainly want you all to come in to talk to us if you are

thinking about re-syndication for next year to see if there's something we can do with our debt now if that's possible. The only thing I was wondering was if Jim or Stephanie wanted to talk about the developer fee clarification.

Stephanie Griffin – So on the 4% deals, you are allowed to earn up to $1.5 million, that doesn't necessarily mean that you always will, there might be a window between $1 million and $1.5. So anything over the million, which everybody is eligible for, at 4%, is automatically get from cash flow, so in an effort to keep the playing field level, we said that since everybody is eligible to earn up to a million, you can always defer half of that first million, right, so that doesn't change. So if you were to earn the $1.5 million, you could defer $500,000 and then another $500,000 is for cash flow. If you only earn say $900,000, then you would be able to defer $450,000, but you don't have the other cash flow. So that's kind of the language, that's where that is going. So if you do earn the $1.5 million, it kind of does look like you are deferring almost a million dollars, but they are treated sort of separately if that makes sense. Does that clear things up? (To Sean)

Sean Kelly – Yes. I think that the definition does– I think what you just said tracks the developer fee section, but not the underwriting section.

Cindy – Yeah, I wrote that down.

Sean Kelly – So if you could just take a quick look at that.

Cindy – I will, thank you very much. Now I'm going to turn it over to New Ecology's and Jane to answer some of those questions.

Jane (New Ecology) – So great questions that you looked at it that closely. And Max is it?? Thank you, he was also at this Building Science piece yesterday in Maryland. So your two points, and I'll take the second one first. Passive House, I think I actually got quoted on tape, if you are taping this, it is over the top. We understand that it is a work experiment. If you are an energy nut and wanted to go there, do it. You know and there are extra costs, there are pockets. We want people to get to Energy Star, and I'm saying that very short and silly maybe and I see you grimacing, but it is a tough and expensive way to build and may be overkill for our client. I heard that yesterday from the father of Building Science, so I think you have a lot of experience doing Energy Star and you are completely comfortable and you wanted to match part of the funding or public funding, there are some programs here, Delaware Energy Sustainable Energy is really looking at matching this LIHTC project. You know the program with monies, absolutely. The bottom line, as we put points aside and we put the product first and how it performs, let's get the buildings to a point where they are performing and then go beyond this goal of where the coat is. That's really where we are starting, with the Energy Star, so that gets the most points and it even goes further and of course cost will be an issue. As far as the three story, there is this little caveat that was brought up very acute there, three stories existing masonry buildings have a little lesser HERS score allowed, and that is pulled directly from the resident, I'm sorry, from the Enterprise Green Communities, and so this is the standard that is really recognized in renovations, it's one of the three for next year's list and they talk about these

three story buildings because there is a lot of them, we want to get them there, we want to improve them. As you get to total structures, I think that was really the basis of the question, four stories and up. It becomes a more complex holistic problem and challenge in a good way to renovate it right and have the system work and distribute the air and take care of the moisture. So that should be then modeled possibly a little different and held to a different standard. When it comes from this line, I think the question is a really good one, we should consider the input. Yes?

Sean Kelly – I mean Enterprise will grant waivers, I've worked with this standard, so that would be my concern that the way it's laid out in the QAP for acquisition rehab projects, there's points associated with it and it feels very limited for certain product types. So when working with the Enterprise Green, and I think it's a very good standard, and we've done it in multi-family buildings in Ohio, but they are willing to be flexible and work with you. So they are willing to look at the product type and grant a waiver because it might not be reasonable. I just feel like the way it is written in the QAP, and I'll put this in writing so maybe it's more clear, it's a limiting factor for a very specific type of building.

Jane (New Ecology) – That's a great clarification. So you know that if you were to go down this green certification path and choose Enterprise Green, because of the three, it matched your four story brick building the best, then by including this in the QAP, this exception, it doesn't allow you to work directly with the national standard who may give you some leeway on your building type. So that's a really great point Sean. Each of these three on the list, as is the Energy Star certification, is through a national body, who is the one who certifies the project and takes in the documentation. It also alleviates these very busy staff people from going out and inspecting your building. We will follow the national protocol and so therefore I think its comments for everybody. There is some little asterisk or so that says you can apply for it at inception. So great point.

Deb (New Ecology) – While Jane's an Architect, and she sees Passive House is super ambitious, I have also seen some projects at New Ecology and have worked on that are Passive House and near Passive House that have been done without a 3% premium, still some premium but some grants and are starting to move the market and are starting to move the understanding of high-performance building. So part of what we are doing here is trying to be innovative and see what is to be learned from high-performance buildings. I don't want to give up on Passive House as an element of this process.

Cindy – We do have other developers who are interested in Passive House and we are giving you a choice – you don't have to do it, but we do have a lot of interest in Passive House. It may not be appropriate for rehab, and that's why it is for new construction because obviously not something at this point that is efficient with acquisition rehab, so that's why we wanted to provide points and let you decide what you would like. Several of our architects are getting Passive House certified and they are very excited about it too. It is a choice. As far as utility benchmarking, which I know Pat is expertise at, from what we understand about the software that is required, first of all, utility benchmarking is going to align with the utility allowance regulations for properties that receive HUD funding, Section 811, USDA, you name it, you are going to be required to do something similar and the data that you get from the utility

benchmarking will be at a snap, you know your utility allowances are pretty much done for you. So it's a really good alignment and from what we understand, it's very reasonable and it's something that, although it's only for 5 years in the QAP, it may be something that every owner may want to do for as long as they have your project. One of the things that we always hear from the developers is how do you know all this energy stuff works? Well this is another way to track that and it's very reasonable, I think $16 or less, per unit, there will be a lot more software companies that are going to come online because of the HUD regulations, so there is going to be a lot more software choices in the world offered someday to make competition and try to reduce those costs, but that was fairly reasonable to us. I'm going to turn it over to Pat to talk about why we would want acquisition rehab projects to come on line a little sooner than new construction.

Pat (New Ecology) - It's pretty simple as Cindy said; one of the objectives for benchmarking is to understand what you are getting with these investments in energy efficiency. So you want to be able to see the pre and post upgrade. So maybe you need to tweak a little bit, know what that enrollment date is, but the software tools that are available today for any building and generally you can scrape all of that historic data that is already in the utility system at that point so you usually get about 12 to 18 months of historic data, and as you start to work through the upgrades you begin to see, OK, I used X amount for gas pre, what am I using now after I put in a much more efficient boiler. I hear you have problems with checkerboard tenants around which is why I think the intent of the language is to say, you don't have to demonstrate the need – the required sample size until you apps are fuller. That was the attempt, it doesn't say that.

Karen Speakman - What was the cost he said??

Cindy – At this point, it was $16 per unit and it will come out of operations.

Karen Speakman – Per year, per month??

Cindy – Per year. We thought it was still fairly reasonable for definitely being able to watch the utilities and see how all these changes to the project made a difference, plus it will help with monitoring the residents. The rest we are going to respond to in writing because there is a lot – we cannot answer all of it right away.

Sean Kelly – So just on the utility benchmarking, they have the ability to really, you know its one pot or the other pot. Can we pay for it as an escrow in the development budget vs. do we have to carry it through 30 years of operations? You know we can find a way to escrow the funds to pay for it, but we are not saying we don't want to do it.

Cindy – Well it's definitely something that we can consider, and we need to talk about it and kick it back and discuss it, but I think if you talk to your management people and if they knew what this did, the software, they would love it and want it forever. Something to think about, you know, development and management people.

Karen Speakman – Does the software do more utility stuff and rent stuff too and where to buy it?

Cindy – I'm not really sure, at this point. Thank you Sean and Leon Weiner for all the comments and we look forward to the written ones. Does anyone else have any comments?

Christina Stanley (Milford Housing Development Company) - First off, we want to make sure that rural communities, a lot of the things we have here, in particular, the areas of opportunity, transit, you know it feels like there is a little bit of bias against the rural communities. You know you have the example of most of these little towns are built with a railroad adjacent to them. Another thing I wanted to reiterate Sean's point about the benchmarking, I would like to see if you can escrow that and even from a management company stand point – you'd always like to see something that you don't have to worry about and operate. Page 38, with respect to the edit language on target units. We'd like to see that taken away "All developments receiving project-based rental assistance must target 5% or five (5) units, whichever is larger." If we're doing 5%, I think we should stay away from the 3 units that are with the not-presently assisted? Because a lot of the smaller projects – you're hurting smaller projects by having as many – increasing it 5 units doesn't make sense. Also with the integrated housing, page 46, the language is in that section as well, I just think that we're really pushing down the smaller projects are being hurt from this. I think having the threshold is important, but we have great concerns about the special populations and having a much larger percentage of those in there. With respect to cost containment, there was some discussion about Passive House and that there are much larger amounts of costs when you are doing a project. We did have questions about, if that this was one of the reasons the costs went up for green building. When you were doing the cost containment category, the new construction went up by 16%, whereas the rehab only went up by 9%. So if that was a matter of looking at a specific thing, if green building issues were taken into account? Relocation expenses, I know it is still at $3,000. I'd like to possibly look at some adjustments to allow for that max to be increased, especially when you have smaller projects and you have to have the relocation fees. Furniture, fixtures and equipment – I'd like to reiterate what Sean had brought up. I don't know that we need a minimum, increasing the maximum is always a good thing, but I don't know that, especially from the rehab project when you are trying to save some of the funds, I don't think that we need to have $600 per unit. We'll make sure we put our comments in.

Cindy – Thank you Christina. That was a really good point about the cost containment. When we looked at the cost certifications that have come in over the last year and a half, new construction, it was mostly Wilmington projects that costs those numbers to go up and not so much the green energy, but that was a good clarification and we look forward to your written comments.

Karen Speakman (NCALL) – I only have a couple of comments to make. If you are giving eligible state basis boosts to areas of opportunity as well as giving them 10 points, that seems like a lot in my opinion. I mean that pipeline has been pushed that way, but I think a lot of existing projects and even new sites are not in those areas, so I don't know if we should be giving them both 10 points and the state basis boost. One area that wasn't changed in the QAP was about historic tax credits, you know we had that wording that we had on this, that should be changed, I don't remember exactly, it says "Building and properties should be on the National and Historic register, and they aren't on the register. They are in a historic district, so I think there are some words that need to be changed, so we'll get that to you. Energy conservation

measures, I'm OK with it now that my Architect says that he can meet these standards. I will say that the Enterprise one often has some density requirements and some other ones that make it difficult to implement in rural areas, but there's free choices, so we appreciate that. I don't think that you should be giving two (2) points for pushing the envelope to go further. I think we should learn if the building site is working well and do it well with our government- funded monies. Once those issues are worked out for Passive and other areas, then we should implement those. I think utility benchmarking is a good idea, even if it an added cost. There was something under Operating Pro Forma that I was just wondering what you were thinking it meant? Limits maximum accumulated distribution for five years. Maybe you could talk to us about that and for the fees, if we wanted to use HDF and the National Housing Trust Fund money, is there a fee for both of them with the application? Is that $1,250 or is that a $1,250 fee for both? I think that is it.

Cindy – Thank you Karen. The National Housing Trust Fund fee is $1,250, but you wouldn't pay until we actually allocated you that funding.

Karen Speakman – Right, is it $1,250 per home? Just to clarify.

Cindy – Right, right. I didn't know if Jim or Trish or Stephanie wanted to talk about the distribution.

Stephanie – I'm not sure I realized we had actually put these criteria in the QAP; we had kind of thrown it around. So I think the idea was basically like the partners are entitled to a distribution, let's say in this case it's 1%. The available cash flow to actually go towards the distribution is not available, you can't max, right? You were eligible to get $100,000, but you can't actually get that $100,000. So you're eligible to accrue that amount, so the next year, you get $50,000 in cash flow and then $50,000 does not get paid out, so then the next year it would still show that you are still eligible for your $100,000 plus the $50,000. Basically we would allow the distribution to accrue until year five, and then whenever it is that you are at year five it carries through until it's paid off. That was my understanding, I'm sorry I can't really speak to how it was written because I don't remember exactly what it said. So basically, instead of accruing indefinitely for twenty years, you never get paid out your full distribution. You would - eventually we have to put an end to as much can be carried over to be paid out. That was the intent, I believe.

Susan Eliason – And, if you've accrued it for twenty years, it creates a tax problem at re-syndication. So this is another way to think about how to make it easier for re-syndication, and not to put so many burdens on the property to appraise for all of this debt.

Stephanie – Yes, because it's a lot of debt that would then continue to accrue between any deferred loans plus any unpaid distribution.

Susan Eliason – So that was our thinking in that after five years – if it has grown every year after five years, let's stop the bleeding.

Cindy to Karen Speakman – Are you going to put that in writing too?

Karen Speakman – Yeah.

Cindy – OK.

Spencer Leech (Severn Companies) – I'm not sure how to fix this, but on the utility benchmarking, we have the same problem in VA. Some of the rural electric co-ops here in Delaware, are not yet equipped to electronically share the usage data, so the only way for us to make the utility benchmarking software work, is then to get copies of the invoices from residents and enter it manually, which is I don't know is entirely what you all want to see, but it just creates a problem. Say for example in Delaware, of the two properties that we submitted for credits this past year, one of those was in one of the co-ops that won't share electronic data yet. As I said, I don't know how to fix this, but I just wanted to point it out.

Cindy – Thank you. Cindy to Pat (New Ecology) – Do you have experience in this so far??

Pat (New Ecology) – I don't want to get too into LEEDS here, but we should definitely look into this. Basically, so the two dominate software companies that are providing benchmarking services are Wegowize and Scorecard. Both of those, basically what the software does is on behalf of the utility customer it logs into the utility system – does anybody here use these services? – There are a couple of head nods. So what the software does is the utility customer set up is an online account with your utility company, and then you go online and take a look at your bill. What the software does is you give this login credentials to the software, they login on your behalf, scrape that data, pull it into the system, store it and track it over time. So as long as the utility has that capability, generally those tools, and there are others out there, but those are the two biggies, can create that imported function and go and get the data. With this project, and I actually looked at the Delaware Electric Co-op recently, it looked like they have.

Spencer Leech (Severn) – I was thinking about in different, in Lewes, Delaware one of the little co-ops there – they don't share electronically yet.

Pat (New Ecology) – Yes, that is a challenge. Right? If it's a rural property, you've got to do it somehow, but it's a hurdle. I'd be interested in talking with you.

Cindy – Hopefully as things progress like this throughout the Country, everybody is going to have to get on board eventually. All the municipalities providing electric and the little co-ops, so hopefully in time it won't be such a pain as a manager.

Cindy – Anyone else have comments? Well, you are welcome to provide your written comments till 6:00 tonight and we definitely will take them, and you may send them to Ruthann@destatehousing.com and we really appreciate you coming out today to listen to our considerations and we are really looking forward to 2017, but definitely we'll be in touch on the 2018 QAP when we have all these Stakeholders meeting and all these great ideas that you always provide to us. Again thank you on behalf of DSHA for coming today, really appreciate it. This will conclude our public hearing today. Thank you.

(The public hearing was adjourned at 2:15 p.m.)