

2013
Qualified Allocation Plan (QAP)
(Changes from 2012)

Application Package for Low Income Housing Tax Credits

COVER SHEET

Net Available tax credit amount changed to estimated \$2,405,329. Clarified that both the 4% tax-exempt bond applications requesting HDF financing and 9% tax credit applications are due on 4/12/13.

Timetable changes:

The following dates were changed/added:

- 02/01/13 - Deadline for pre-inspection written notification if applying for 2013 rehabilitation credits.
- **04/12/13 - Application due date.**
- 06/21/13 - DSHA will notify sponsors of their preliminary ranking in accordance with the QAP and designated set asides outlined in the application package.
- 10/18/13 - Commitments for all financing must be submitted to DSHA.
- DSHA will make Tax Credit reservations for selected projects 30-60 days after financing commitments are received by DSHA.
- 12/15/13 - Deadline for pre-closing documents for HDF-financed projects.
- On or before 12/15/13 - DSHA will allocate Credits to selected projects.

2013 QUALIFIED ALLOCATION PLAN

Cover page

Dates changed and estimated tax credit amounts.

Pages 7

Clarified that the State Eligible Basis Boost was reserved for preservation projects, projects that target special populations and to make projects financially feasible.

Pages 8-15

Replaced the Housing Needs Information with an update for 2013 and 2014. The Housing Needs Information 2007-2012 pages 14-22 will be removed.

Page 23-26

- Clarified that applications for developments with 1-4 units will not be accepted.
- Changed dates and net available credits to approximate amount of \$2,405,329.
- **Preservation Rehabilitation Pool** – revised amount to \$1,177,829 and **the New Creation** pool to \$725,000.
- Clarified all projects that meet the definition of New Housing Creation that Elderly projects must have a rental subsidy contract for at least 50% of the newly created units if applying in this set-aside.
- Clarified that all conversion projects must meet all threshold requirements including minimum square footage and notice of inspection requirements.

Page 28-35 – Definitions

- Added an Appraisal definition.
- Clarified that all conversion projects must meet all threshold requirements including minimum square footage and notice of inspection requirements.
- Clarified that the State Eligible Basis Boost was reserved for preservation projects, projects that target special populations and to make projects financially feasible.
- Clarified that elderly new creation developments are only eligible if 50% of the development's units are subsidized. This includes developments that are mix of rehabilitation and new creation. 50% of all new units must be subsidized.
- Updated the HUD 221(d)(3) limits for maximum eligible basis purposes.
- Clarified that New Housing Creation included conversion of market rate units to affordable.
- Updated Special Needs Population. Added language that would require Applicants to comply with certain rules of the Section 811 Demonstration program should DSHA be the recipient of such funding.

Page 38 – 42 - DSHA Threshold Requirements

- Clarified that conversion projects must meet minimum square footage requirements.
- Removed public housing waiting lists from a scoring category and inserted the requirement as threshold.
- Clarified that conversion projects must notify DSHA for pre-inspections prior to application.
- Minimum point score – changed the minimum to 65 points from 70 points.

Page 42- 59 - Ranking and Points

- **Per Unit Cost Reductions** – Removed cost limit calculation based on the HUD 221(d)(3) limits and replaced the calculation with DSHA's average costs for New Construction and Rehabilitation and Acquisition projects. Provided an example on the calculation for cost savings.
- **Additional Fair Housing and Americans With Disabilities Act (ADA) Units** - Clarified that accessible units should be marketed and rented to households who need the accessible features. Also included information for Applicants to participate in listing their development and all accessible units on www.delawarehousingsearch.org. In addition, added that when accessible units are not occupied by households who 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 who needs the accessible features applies and is accepted to the development.

- **Local Government Contribution** - Clarified that HOME and CDBG were considered municipal local contributions.
- **Letter of Support** – Removed this scoring category.
- **Promoting Balanced Housing Opportunities** – Removed the non-impacted language and replaced language with Areas of Opportunity.
- **Public Housing Wait List** – Removed scoring category and replaced requirement as threshold.
- **Sites and Neighborhood – Access to Services** – clarified that Pharmacy located within a supermarket will only receive one point for supermarket. **Location** – clarified what constitutes developed land - 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 calculations. **Protecting Environmental Resources** – clarified that the 3,000 feet requirement is for noise assessments required by DSHA and the 1,000 feet is for points.
- **Access to Transit** – Clarified the Transit Friendly definition and reduced the points from 2 to 3.
- **Community Compatibility** - Clarified the Community Design category for conversion projects to include Conversion projects should adhere to the community design criteria to maintain the existing character of the surrounding neighborhood. In addition, for Conversion projects, 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 compliment 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.
- **Development and Unit Amenities** – Removed several amenities due to high cost of amenity.
- **Energy Efficiency** – Removed category as DSHA construction standards for green and energy are sufficient for meeting green and energy efficiency criteria and exceeding the minimum standards increased development costs.
- **Community Outreach** – Removed this scoring category.

Page 59

- **General Information** – Revised minimum points from 65 to 70 points.

Page 60

- **Application Process** - LIHTC application due date changed to April 12, 2013. Clarified the CD application process.

Page 67

- **Placed- in-service date** – Clarified the IRS Placed in Service Requirements and DSHA Placed In Service Requirements. Revised dates for meeting the 10% test as an eligibility requirement for 2013 LIHTC applications. Changed 2012 dates to read as “2013”.
- **Carryover Agreement** – Separated requirements. Clarified when proof of ownership can occur and added at the closing and the document execution procedure.
- **Non-Compliance with Placed-In-Service Date** – Clarified that a new application will be required if credits are returned for a forward application.

Page 70

- **Compliance Monitoring Procedures** – added requirement of Affirmative Housing Marketing Plan requirement.

Page 75

- **Program Approval** - Changed approval date, newspaper ad dates, public hearing date and location.

Page 77

- **Tax-Exempt Bond Applications** - Revised this section to include two types of tax-exempt bond applications. 4% tax-exempt bond applications without DSHA financing and 4% tax-exempt bond applications with DSHA financing. Applications for both 4% and 9% tax credits will be due on the same due date of April 12, 2013. Revised minimum points to 65 for tax-exempt bond projects will be required. Process and requirements for both types of 4% applications were noted.

ATTACHMENTS TO THE QUALIFIED ALLOCATION PLAN

Page 3-7 – DSHA Underwriting Criteria

- **Operating Reserve** - Clarified that Operating reserve escrow amounts less than DSHA’s requirement must be prior approved by DSHA before application submission.
- **Equity Factor** – set at 90 cents net.
- **Relocation** – Clarified that relocation expenses include resident moving expenses, utility deposits, off-site rents, 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.
- **Legal Fees** – Added a new underwriting criteria for legal fees limits (\$150,000) for all development legal fees with exception for syndication and/or bond legal.
- **Cost Certification/Accounting** – Added new fee limit for line item of \$20,000.
- **Furniture, Fixtures and Equipment** – Added new fee limit for line item at \$600 per unit.
- **Appraisals** – Clarified that appraisals for projects with DSHA financing will 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 discretion. (Please see HDF Supplement for more information). Summary Appraisal/Opinion of Project Value will still be required at application.
- **Operating Expense Per Unit** – Revised per unit range.

Page 9

- Revised page to include updated links for Promoting Fair Housing Choices, Access to Transit State Strategies for Policies and Spending maps and links to DSHA website.

Page 10

- **Eligible Basis Limits** - Changed to reflect 2012 HUD 221(d) (3) limits (most current).

Page 12-20 Application Checklist

The Exhibit/Attachment checklist was revised and the order of Exhibits was changed to reflect the order of the QAP, from threshold requirements, ranking items, construction information and financing information. New Exhibits were also added to reflect new requirements and old Exhibits were removed as applicable.

Page 25-37 Minimum Construction Standards

- Clarified that the developer/owner may not pre-bid certain aspects of the work and require the General Contractor to use those sub-contractors.
- Clarified that grading and landscaping plan shall be provided for all projects prior to construction closing.
- Clarified that kitchen shelves shall be solid plywood at a minimum of 1/2" thickness.
- Clarified that through wall HVAC units were also known as PTAC units.

Page 46

- **Energy Efficiency Table** – Removed sample chart.

POINTS WORKSHEET

- Revised/removed Public Housing Waiting Lists, Energy Efficiency, Letter of Support, Community Meetings and revised points for Cost Limits total possible points are now 136.

2013 HOUSING DEVELOPMENT FUND SUPPLEMENT

Page 5-9 Minimum Eligibility Requirements

- Updated requirements for 9% applications and 4% applications.
- **9% applications** – Approximately \$8.2MM available.
- **4% applications** – Applications for 4% tax-exempt bonds and HDF financing will also be accepted on the same application deadline as 9% applications. Approximately \$5.5MM will be available. Applications must score a minimum of 65 points and must meet all QAP threshold requirements. If there are more than one application for 4% tax-exempt bond financing and HDF, the highest scoring applications will receive preliminary reservations. DSHA will be the bond issuer for these applications.
- The Developer/Owner may not pre-bid certain aspects of the work and require the General Contractor to use those sub-contractors.

Page 10

- **Application Process** – Revised process for CD application requirements.

Page 11

- **Appraisals** – Added Appraisal requirement for applications requesting HDF or DSHA financing. DSHA will commission the appraisal. DSHA will strive to utilize one common appraisal for all lenders and equity partners. Real estate value was defined.

Page 12

- Clarified that DSHA may require additional initial equity contribution as applicable to the financial structure of each application.