

STATE OF DELAWARE
2013 LOW INCOME HOUSING TAX CREDITS

QUALIFIED ALLOCATION PLAN

DRAFT

Delaware State Housing Authority
18 The Green
Dover, De 19901
www.destatehousing.com

Jack Markell, Governor
Matthew Denn, Lt. Governor

Anas Ben Addi, Director

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LOW INCOME HOUSING TAX CREDIT PROGRAM QUALIFIED ALLOCATION PLAN

Introduction

The Federal Low Income Housing Tax Credit 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 Qualified Allocation Plan 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 non-compliance 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 qualified allocation plan 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
- j) Preserving historic character

The Low Income Housing Tax Credit (LIHTC) 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-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, relocation expenses, 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 substantial rehabilitation is being done. The Credit Applicable Percentage for the 70% basis calculation for new and rehabilitation developments will now be a minimum of 9% until December 30, 2013.

In the case of developments receiving acquisition credits, DSHA will underwrite and allocate credits based on the applicable federal rate issued by the Treasury Department one (1) month prior to application submission and will utilize an equity factor dictated by market conditions.

Under the Housing and Economic Recovery Act (HERA) the applicable federal rate for new construction and rehabilitation competitive credits was temporarily fixed at 9%. The applicable federal rate will revert to the monthly published applicable federal rate for projects that place in service **after** December 30, 2013. 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).

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 \$6,000 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.

Minimum 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.

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

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 minimum required substantial rehabilitation (greater of \$6,000 per low-income unit or 20% of unadjusted basis) is being done 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.

30% present value

Developments are eligible for 30% present value Credit only if the date of acquisition is 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 in less than 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 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 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 15-year period.

Early disposition of a building is a recapture event unless the owner posts a satisfactory bond within six months of loan repayment and not later than four years of original issuance and the second bond does not increase or generate new tax credits. 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; (b) the taxpayer elects to be subject to the new longer statute of limitations.

The Low Income Housing Tax Credit 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 interested in applying for a Tax Credit allocation contact their tax accountant and attorney to review this program, the Internal Revenue Code (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 Low Income Housing Tax Credit 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 (TAMs) are regularly issued by the IRS. It is the sponsor'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, and/or** 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. No applications will be accepted with a state basis boost included in the tax credit calculation. 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 to 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.

DESCRIPTION OF HOUSING NEEDS AND PRIORITIES

Rental Housing Needs Update for 2013 and 2014

To coordinate its planning cycle with that of the other HUD jurisdictions in Delaware, DSHA submitted a 5-Year Consolidated Plan in 2010 covering FYs 2011 – 2015 (7/1/2010 – 6/30/2015). DSHA's next 5-Year Plan will address FYs 2016 – 2020. A new five-year statewide housing needs assessment will be conducted in 2014 to inform planning for the five-year Consolidated Plan.

Since the release of the 2008-2010 Statewide Housing Needs Assessment, data on local housing markets and housing needs have become much more accessible with new national data products, namely the American Community Survey. In addition to keeping current with these data resources, DSHA has also led or participated in several specific studies on rental housing needs, including the housing needs of extremely low-income households, people with disabilities, and preservation of multifamily assisted housing. Information on rental housing needs in Delaware from these sources are included below. Priority needs include:

- Preservation of the state's existing affordable housing properties, especially federally subsidized properties and sites in poor physical condition;
- Integrated units for people with disabilities and extremely low incomes; and
- New affordable units (either new construction or conversion of market rate units), particularly for families.

Preserving Existing Affordable Rental Housing

To expand on the analysis of preservation needs in the 2008-2012 HNA, in 2009-2010 DSHA engaged in an analysis of preservation needs and risks throughout the state's stock of assisted rental housing. The universe included all privately-owned multifamily sites with public financing or subsidies, including USDA Rural Development, Project-based Section 8, Section 202, Housing Development Fund, LIHTC, and HOME.

The study methodology was influenced by growing national initiatives around preservation data collection, risk analysis, and strategies. DSHA staff consulted with an external working group in 2010 for input on the project's direction, the risk factors used, and reviewing results. To develop the inventory used in the analysis, DSHA staff gathered national and local data and conducted a physical condition survey of all sites (approx 190 sites and 11,200 units). Risk factors reviewed included:

- **Market Conversion Risk:** nonprofit/for-profit ownership, family/elderly occupancy, physical condition, known owner interest in exiting programs, subsidy contract renewal/use restriction expiration dates, and ratio of rents to area Fair Market Rents (FMRs)
- **Deterioration:** Physical condition, reserves, age, family/elderly occupancy

In general, findings from this analysis are that very few, if any, assisted sites in Delaware are in or near true crisis physical condition (where significant building or health code violations might make closure imminent). However, age, poor reserves and physical condition are still major concerns, and several sites are in poor physical condition and should be addressed to avoid such crises.

Market conversion risk in Delaware is very site-specific. Few sites have rents substantially below fair market rents for their area, and most are protected by multiple subsidy sources and restrictions that interact to prolong the sites' use restrictions. However, some sites in particularly good condition in particularly good market areas are at higher risk.

DSHA intends to maintain the database developed for this research and update it annually. An Excel file listing all of the sites and site fact sheets organized by county are available on DSHA's website at: <http://www.destatehousing.com/FormsAndInformation/datastats.php>

Inventory: Unduplicated Units by Type and County						
	Subsidized	LIHTC	Other Income Restricted	Market	Total Units	Total Sites
Kent	1,122	1,097	85	0	2,304	42
New Castle	1,720	1,265	18	122	3,125	36
Wilmington	1,766	834	305	124	3,033	37
Sussex	1,867	931	191	0	2,989	75
Delaware	6,475	4,127	599	246	11,451	190
<i>Units with both a subsidy and income restriction are counted under Subsidized.</i>						

Delaware's inventory of assisted multifamily rental housing includes approximately 11,500 units in 190 sites. Due to sites developed in phases listed individually in the inventory due to contract or funding differences, the actual number of sites is closer to 160. This inventory includes 6,500 subsidized units and close to 5,000 units with income restrictions. By program, Delaware has approximately 6,900 LIHTC units in 112 sites; 5,000 project-based Section 8 units in 62 sites, and 55 Rural Development-funded sites with 1,750 units.

By risk factor, 15 sites in Delaware had most recent REAC scores below 80, an indicator of physical and financial issues. 52 sites had low reserves, defined as less than \$500 per unit or \$50,000 total. 82 sites had an adjusted age of greater than 15 years – meaning more than 15 years since a major rehabilitation or construction. Finally, DSHA also conducted a detailed survey on the physical condition of sites. Scores below 60% were considered to be low/poor condition. 56 sites with 3,681 units had scores below 60%.

Risk: Sites and Units by Key Risk Factors								
	REACs <80		Low Reserves		Adjusted Age >15 years		Physical Condition Score <60%	
	Sites	Units	Sites	Units	Sites	Units	Sites	Units
Kent	2	182	11	369	23	1,236	10	450
New Castle	8	835	10	592	19	1,812	13	1,334
Wilmington	4	164	7	494	11	1,166	9	1,057
Sussex	1	40	24	763	29	1,157	24	840
Delaware	15	1,221	52	2,218	82	5,371	56	3,681
<i>Low reserves defined as per unit reserves of <\$500 or total reserves less than \$50,000.</i>								

A review of expiration dates suggest that the issue of expiring subsidy contracts and use restrictions will remain a major challenge to the state's affordable housing industry for the foreseeable future and the continued preservation of existing sites will be an ongoing need. In the table below, sites are organized by earliest expiration date: Rural Development prepayment eligibility dates; HUD HAP contract renewal dates; LIHTC use restriction dates. For LIHTC sites, this is the end of the initial 15-year use restriction. For project-based Section 8 sites and LIHTC, the LIHTC date is used. With dates updated in May 2012, over the next 10 years, approximately 25% of the state's assisted properties will be eligible for some sort of exit or renewal.

Risk: Sites and Units by Earliest Expiration Date								
	<12/31/12		1/1/13 – 12/31/17		1/1/18 – 12/31/22		1/1/23 – on	
	Sites	Units	Sites	Units	Sites	Units	Sites	Units
Kent	18	855	13	735	3	202	8	512
New Castle	10	689	7	708	10	875	9	853
Wilmington	5	357	8	800	13	995	11	881
Sussex	23	926	18	657	16	789	18	617
Delaware	56	2,827	46	2,900	42	2,861	46	2,863
% of Stock	29%	25%	24%	25%	22%	25%	24%	25%

At-risk Households

At-risk households and cost burden among renter households remain primary rental housing needs. Statewide, approximately 32,000 renter households have annual income below \$35,000 and are cost-burdened, paying more than 30% of their income for housing (2005-2009 American Community Survey). CHAS data released by HUD further break out cost burden for renter households by HUD AMI categories.

Cost-burdened Renter Households by AMI (paying more than 30% of income for housing)					
	0-30% AMI	30-50% AMI	50-80% AMI	>80% AMI	Total
Kent	2,290	1,745	1,600	770	6,405
New Castle	9,935	7,830	5,165	570	23,500
Wilmington	3,590	2,375	1,075	110	7,150
Sussex	2,030	1,760	1,320	590	5,700
Delaware	14,255	11,335	8,085	1,930	35,605

Source: HUD, 2005-2009 CHAS. Wilmington numbers are included in NCCo total.

Extremely low-income households are most likely to be severely cost-burdened, paying more than 50% of their income for housing. These households are high risk of housing crises, are likely living paycheck to paycheck, and may also be in overcrowded or substandard conditions. Close to half (48%, 17,245) of cost-burdened renter households in Delaware are severely cost-burdened. These households are predominantly extremely low-income: 70% of severely cost-burdened households in the state (12,115) have extremely low incomes. There are an estimated 25,590 cost-burdened renter households with income below 50% of AMI in Delaware.

Waiting lists for rental assistance are another direct measure of need and demand for affordable housing. Across Delaware, approximately 25,000 households are on waiting lists for public housing, Housing Choice Vouchers, and privately-owned subsidized housing. While there may be some duplication among these lists, this is a direct indicator of the need for rental assistance in the state.

Elderly Households

Housing demand among elderly households will remain high as the demographics of the state continue to shift. Increasingly, people prefer to remain in their communities and seek opportunities to age in place. Elderly households are often downsizing to smaller homes and units. Among elderly renter households, needs are greatest among extremely low-income households. 58% of elderly renter households with extremely low income are cost-burdened.

Elderly Renter Households by AMI

	0-30% AMI		30-50% AMI		50-80% AMI		>80% AMI		Total	
	Elderly Renter HHs	Cost-burdened								
Kent	605	359	740	485	520	280	585	140	2,450	1,264
New Castle	3,785	2,135	1,890	1,185	1,350	530	1,530	290	8,555	4,140
Sussex	735	470	745	390	525	270	705	114	2,710	1,244
Delaware	5,125	2,964	3,375	2,060	2,395	1,080	2,820	544	13,715	6,648

Source: HUD, 2005-2009 CHAS

NOTE: High margins of error can be a limitation to the major sources of data on local housing needs (HUD’s CHAS Data and the American Community Survey data used to develop it). Smaller geographies and subpopulations (for example, the County-level totals of elderly households by income level and cost burden in the above table) should be approached with caution as margins of error become especially high in estimates below 1,000.

Rental Housing Needs

While the Great Recession ended in mid-2009, Delawareans, like the rest of the country, are still slowly recovering. In July 2012, unemployment in Delaware was 6.8% (8.3% U.S.) – 30,000 Delawareans unemployed and actively looking for work.¹ As described in the state’s Annual Economic Report for 2010, “After a typical recession, it takes several years of expansion for the total number of jobs in the economy to exceed its previous peak. In the current case, it will take longer.”² The state lost 30,600 jobs from December 2007 – December 2009.

The recession and subsequent slow recovery led to dramatic drops in household growth, the key driver of housing demand. This has combined with overbuilding left over from the mid-2000s to further slow the housing market’s recovery. However, overbuilding focused mostly on single family housing and units for owner-occupancy, and renter household growth has, as a part of overall household growth, been strong. Many households have reverted from ownership to renting or are choosing to postpone purchasing a home. Nationally, the 2000s marked the highest decade-long growth in renter households in the last 60 years. Middle-aged households (35-44) and married-couple households, both typically the strongest demographics for homeownership, have both grown as a portion of renter households. From 2000 to 2010, renter households made up 30% of household growth in Delaware.

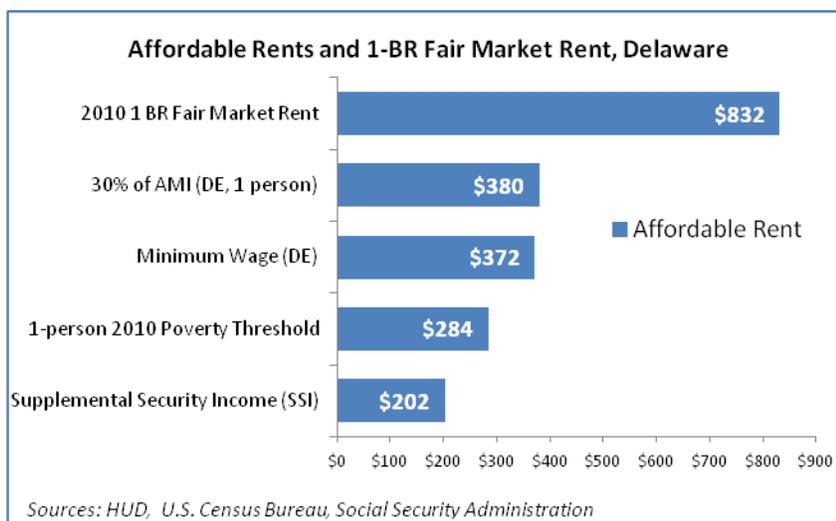
¹ Delaware Monthly Labor Review, July 2012. Delaware Department of Labor. <http://www.delawareworks.com/oolmi/Information/Publications/MonthlyLaborReview.aspx>

² Delaware Annual Economic Report, 2010. Delaware Department of Labor. <http://www.delawareworks.com/oolmi/Information/Publications/DelawareAnnualEconomicReport.aspx> . I may be able to update these closer to the event.

With lower-income occupations earliest and most likely to face the loss of income and employment in a recession and downturn, rental demand – and needs - among low-income households have grown. The tighter rental market with increasing demand has also pushed rents up. Median gross rent in Delaware rose 49% from 2000 to 2010.

In this same time period, median family income in the state rose only 24%.

The most severe rental housing needs are for households with extremely low incomes (0-30% AMI), but these households will likely need rental assistance to afford LIHTC units. For households with income from 30-50% of AMI, renter mismatch is often a



challenge. Many affordable units in the market are typically occupied by higher-income households. Even though there may appear to be sufficient units for households at 50% of AMI, many of these units are occupied by higher-income households.

Finally, as the population continues to shift towards older and smaller households, there should be continued demand for smaller units in more dense neighborhoods within walking distance to services and amenities.

People with Disabilities

The 2010 American Community Survey estimated there are approximately 108,500 Delawareans with disabilities, or 12.3% of the population. The older population is much more likely to have a disability, particularly disabilities that require assistance with daily activities. From 2010 to 2040, the population over 65 is projected to increase almost 120%, compared to about 10% for other age groups. As the population ages, the percentage of the population as well as the number of people with disabilities will increase substantially.

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 (in 2010, \$22,280 for a single person under 65) 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.

Nationally, HUD issues a bi-annual report on Worst Case Housing Needs, a term developed to identify the most vulnerable households most in need of housing assistance. "Worst case needs" are defined as

renter households with very low incomes (50% of AMI) with no rental assistance and severe housing problems. “Severe housing problems” include inadequate kitchen or plumbing, overcrowding or severe cost burden (over 50% of income on housing costs). For the 2012 report *Community and Choice: Housing Needs for People with Disabilities in Delaware*, a state-level estimate of worst case housing needs was developed using a mix of national and local data. This exercise developed an estimate of approximately 4,600 households in Delaware with worst-case housing needs and a nonelderly member with a disability.

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, particularly the Delaware Psychiatric Center. 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.

By the terms of the Settlement Agreement, an integrated unit means no more than two persons living together in a unit (with a roommate of their choice) and no more than 20% of the units in an apartment complex leased to persons with a disability. Integrated units and independent settings are preferred as the least restrictive setting whenever appropriate. 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.

Delaware Local Data	
Population	Need
Intellectual/Developmental Disabilities	150 - at-risk due to aging caregivers
Substance Abuse/Mental Health	882 - in need of stable housing (nursing home, corrections facility, other institution, unknown, or homeless)
Elderly or Adults with Physical Disabilities	300 - Diversions and transitions from LTC facilities
	100 - Transitions from DHSS LTC Facilities
	250 – Other DSAAPD Referrals <i>Likely all (650) fully accessible units</i>
People with HIV/AIDS	250 on TBRA waiting list
Total	1,932
<i>Source: Community and Choice: Housing Needs of People with Disabilities in Delaware, 2012</i>	

The above table suggests a total need for rental assistance for approximately 1,950 individuals or households. These individuals are highly likely to be precariously housed, cost-burdened and in need of rental assistance, or doubled-up with family or friends when they would prefer to and could live independently. The estimated need from LTC facilities suggests a need for at least 650 either assisted accessible units or market-rate or income-restricted accessible units with tenant-based rental assistance.

In September 2007, Mullin & Lonergan Associates, a consulting firm based in Pittsburgh, Pennsylvania, completed a five-year statewide housing needs assessment for DSHA. The study, which covers the years 2008-2012, will be used to guide DSHA's planning and resource allocation. Following is an overview of rental housing needs.

Existing Households and Existing Housing

In summary, the greatest need for affordable housing remains in the existing housing stock, in three core areas: substandard housing; at risk households living in precarious circumstances; and, preservation of affordability and federal subsidies in existing sites.

1. Substandard Housing

At least 12,949 units, or 3.4% of the State's housing inventory, are estimated to be in substandard condition, meaning that a unit is deficient in at least two structural systems and is in need of substantial rehabilitation in order to make it structurally sound, safe and habitable. Of these, 4,814 are rental units or 5.8% of the State's occupied rental inventory.

Further, 4,031 of the state's 13,615 assisted rental units are estimated to be in need of rehabilitation. This is estimated as 50% of the stock that is 20 years or older. Most of these units are assumed to need only moderate rehabilitation.

Table 1: Rehabilitation Need 2008-2012

	Substandard Renter-Occupied Units	Assisted Rental Units Estimated in Need of Rehab		
		In-Sites Due to Expire by 2012	In-Sites Not Due to Expire by 2012	Subtotal
New Castle County	1,622	277	604	881
City of Wilmington	1,517	486	928	1,414
City of Newark	240	75	16	91
Kent County	528	261	186	447
City of Dover	104	218	248	466
Sussex County	1,147	374	261	635
Town of Georgetown	64	81	16	97
DELAWARE	4,814	1,772	2,259	4,031

Source: Mullin & Lonergan Associates (2007)

Note: The number of substandard renter-occupied units is based on an update, using demolitions, rehabs, and an estimate for slippage, of the housing conditions survey conducted for the 2003-2007 Housing Needs Assessment. The estimate of assisted units in need of substantial rehab is derived by multiplying assisted units > 20 years old by 50 percent.

2. At-Risk Households

24,901 renter households are considered to be “at risk” — with less than \$20,000 annual income and pay more than 30 percent of their income toward housing expenses and/or on public housing and Section 8 waiting lists. These economic conditions place households “At Risk” — often one paycheck away from homelessness. These households need either one-time rental assistance or assistance through a rent subsidy to make that existing unit more affordable. A percentage of these households are also assumed to be living in substandard or overcrowded units. New construction units are needed to accommodate these households. This need is addressed in the following section on **New Construction**.

Table 2: At-Risk Households

	Cost-burdened Renter Households		Households on Public Housing and Housing Choice Voucher Waiting Lists	Total At-Risk Households
	Annual Income < \$10,000	Annual Income \$10,000–\$19,000		
New Castle County	2,438	4,297	823	7,558
City of Wilmington*	2,282	1,682	2,319	6,283
City of Newark*	664	735	623	2,022
Kent county	798	1,012	1,058	2,868
City of Dover*	656	1,023	870	2,549
Sussex County	1,123	1,217	1,058	3,398
Town of Georgetown*	87	136	0	223
DELAWARE	8,048	10,102	6,751	24,901

Source: Mullin & Lonergan Associates, Inc. (2007) * Not included in County totals

NOTE: Waiting lists for Kent and Sussex Counties were divided in half since the total reported was not designated by county.

3. Preservation of Affordability and Federal Subsidies

There are 4,604 assisted rental units that could be lost due to conversion to market rate housing by 2012 as a result of expiration of affordability restrictions, non-renewal of a project-based Section 8 subsidy contract, or an owner’s election to prepay a mortgage. This is 33.8% of Delaware’s assisted rental housing stock. Of the potential 4,604 units, 2,022 are family units developed with federal Low-Income Housing Tax Credits (LIHTC), 209 are elderly LIHTC units, 898 are family project-based Section 8 units, and 1,150 are elderly project-based Section 8 units. An additional 325 units with subsidies and affordability restrictions through USDA Rural Development will be eligible to convert. It is estimated, however, that slightly less than ten percent of the total 4,604 will convert. Regardless, monitoring of these sites to prevent conversion or loss remains a high priority. Many sites will require financial restructuring and a fresh infusion of capital for rehabilitation to remain viable and continue as safe, decent, assisted rental housing.

Table 3: Potential Expirations 2008-2012

	Subsidized Units				Income-Restricted Units		Subtotal		Total
	Project-based Section 8		Rural Development		LIHTC				
	Family	Elderly	Family	Elderly	Family	Elderly	Family	Elderly	
New Castle County	252	15	0	0	679	0	931	15	946
City of Wilmington	239	732	0	0	150	0	389	732	1,121
City of Newark	0	150	0	0	0	0	0	150	150
Kent County	11	24	56	0	369	64	436	88	524
City of Dover	45	148	0	0	393	0	438	148	586
Sussex County	276	81	190	0	381	114	847	195	1,042
Town of	75	0	48	31	50	31	173	62	235
DELAWARE	898	1,150	294	31	2,022	209	3,214	1,390	4,604

Source: Mullin & Lonergan Associates, Inc. (2007)

Note: Sites and Units with both income restrictions (LIHTC) and subsidy (Section 8, Rural Development) are categorized under the source that is due to expire in the 2008-2012 period. For example, a site with Rural Development (due to expire 2018) and LIHTC (due to expire 2010) would be categorized under LIHTC.

As indicated in Table 4, larger sites are more concentrated in New Castle County and Wilmington, while units at risk in Sussex and Kent Counties are much more likely to be in sites with less than 50 units.

Table 4: Sites and Units at Risk by Size of Development

	> 100 Units		50-99 Units		< 50 Units	
	Sites	Units	Sites	Units	Sites	Units
New Castle County	3	450	6	441	3	55
City of Wilmington*	5	759	5	287	2	75
City of Newark*	1	150	0	0	0	0
Kent County	0	0	4	297	8	227
City of Dover*	1	148	4	304	4	134
Sussex County	1	100	5	305	19	637
Town of Georgetown*	0	0	2	125	4	110
DELAWARE	11	1,607	26	1,759	40	1,238

Source: Mullin & Lonergan Associates, Inc. (2007)

* Not included in County Totals

Of the 2,231 LIHTC units expiring from 2008-2012, 1,121 are estimated to be at high risk of conversion and an additional 380 estimated to be at moderate risk. Assessment of risk was based on presence of other funding sources, subsidies and use restrictions in the property; location; condition; and marketability as a market rate rental property.

Table 5: Low-Income Housing Tax Credit Units Expiring 2008-2012

	Low Risk	Moderate Risk	High Risk	Total
New Castle County	166	16	647	829
Kent County	352	200	274	856
Sussex County	212	164	200	576
DELAWARE	730	380	1,121	2,231

Source: Mullin & Lonergan Associates, Inc. (2007)

Although the 4,604 units at risk from 2008-2012 include 2,048 units in project-based Section 8 sites where contracts will be up for renewal from 2008 to 2012, these sites are generally at low risk for actual conversion to market rate and are considered likely to renew. A greater concern with project-based Section 8 sites is their physical condition, often the result of financial issues. HUD Real Estate Assessment Center (REAC) scores and financial reserves are two measures of the general condition and financial stability of a site. These conditions may put a site at risk for subsidy loss via enforcement and corrective action from HUD even if the actual contract renewal date is not immediately pending. These sites and units are considered to be at highest risk.

Table 6: REAC Scores by Financial Reserves, 2007

	Project based Section 8 Units with REAC Scores below 70
Reserves > \$1,500/unit	262*
Reserves < \$1,500/unit	180
Reserves Unknown	180
Total	622

*144 units in this category are in the process of preservation and rehabilitation.

New Construction

New construction of rental housing to meet demand created by new household growth and to relieve the conditions of “At Risk” renter households who are cost burdened, residing in overcrowded or substandard units, or on assisted housing waiting lists. From 2008-2012, 1,489 units are needed either through new construction or the substantial rehabilitation of vacant, dilapidated buildings; an average of approximately 300 units a year. Some important findings regarding the need for new rental units, and a table presenting the needs in detail, follow:

- The majority of this need, 1,132 units, are for extremely low income households (incomes below 30% of HUD Area Median Income). It is essentially impossible to create housing affordable to these households without deep rental subsidies.
- Approximately 150 new assisted units are needed for the elderly age 55 and over.
- Looking at all income ranges for new construction demand, the greatest need is in New Castle County with 784 units, followed by Kent County with 486 units, and Sussex County with 219 units.
- There is minimal projected new construction demand for households in the income ranges most likely to be served by the LIHTC program (31-50% and 51-60% of Area Median Income). There is estimated to be new demand for 241 units of rental housing for these income ranges.

Table 7: Rental Housing Demand Based on New Household Growth (2008 to 2012) and Existing At-Risk Households

	Total	Extremely Low Income (<30%)	Low Income Housing Tax Credit (51-60%)		Other Low Income (61-80%)	
		<i>Existing At Risk</i>	<i>General Age 18-54</i>	<i>Elderly Age 55 and over</i>	<i>General Age 18-54</i>	<i>Elderly Age 55 and over</i>
New Castle County	283	283	0	0	0	0
City of Wilmington	377	280	52	41	0	4
City of Newark	124	124	0	0	0	0
Kent County	318	160	62	20	57	19
City of Dover	168	80	40	17	20	11
Sussex County	156	156	0	0	0	0
Town of Georgetown	63	49	7	2	5	0
<i>Subtotal</i>	1,489	1,132	161	80	82	34
Total	1,489	1,132	241		116	

Source: Mullin & Lonergan Associates, Inc. (2007)

Summary

Table 8: Summary of Rental Housing Needs

	Existing Housing Stock				New Construction							
	Substandard Rental Housing	Assisted Housing in Need of Rehab		Assisted Units at Risk of Expiration 2009-2012	Extremely Low (0-30%)	Very Low (30-50%)		LIHTC (51-60%)		Other (61-80%)		Total New Construction
		<i>In-Sites Not Due to Expire by 2012</i>	<i>In-Sites Due to Expire by 2012</i>		Existing At-Risk	18-54	55+	18-54	55+	18-54	55+	
New Castle	1,622	604	277	946	283	<i>No new demand based on new household growth from 2009-2012 projected for this category.</i>		0	0	0	0	283
Wilmington	1,517	928	486	1,121	280			52	41	0	4	377
Newark	240	16	75	150	124			0	0	0	0	124
Kent	528	186	261	524	160			62	20	57	19	318
Dover	104	248	218	586	80			40	17	20	11	168
Sussex	1,147	261	374	1,042	156			0	0	0	0	156
Georgetown	64	16	81	235	49			7	2	5	0	63
DELAWARE	4,814	2,259	1,772	4,604	1,132			161	80	82	34	1,489

NOTE: The needs presented under the Existing Housing Stock—Assisted Housing in Need of Rehab and Assisted Units at Risk of Expiration categories correlate with this Qualified Allocation Plan’s Preservation Expiration Activity. The needs presented under the Existing Housing Stock—Substandard Rental Housing category correlate with Conversion activity.

Special Populations

Housing for special populations was also examined in the Needs Assessment. This includes emergency housing, housing with supportive services, group homes, and other housing opportunities for populations with special needs. In most cases, the needs of these households are similar to those with extremely low incomes, but populations with special needs may require additional supportive services or accessibility. The 2008-2012 Needs Assessment drew strongly upon the needs assessment research completed during the development of the Delaware Interagency Council on Homelessness (DICH)'s 10-Year Plan to End Chronic Homelessness. Although many of these special populations have extremely low incomes, it is important to note that the needs identified below are considered to be in addition to the identified need for 1,132 new rental units affordable to extremely low income households described in the above **New Construction** section.

The Delaware Interagency Council on Homelessness 10-Year Plan identified the following needs:

- ~~294 beds of housing with onsite support services~~ chronically homeless people with substance abuse and mental health conditions
- ~~99 beds of supervised housing~~ for persons with severe and persistent mental illness
- ~~215 beds of transitional housing~~ for homeless persons with substance use disorders who are not chronically homeless
- ~~800 rental subsidies~~ for persons with mental health and substance use conditions who are leaving prison and/or are receiving outpatient services from a DSAMH provider
- ~~228 beds for young adults transitioning~~ from foster care or families with heads of households who otherwise meet chronic homelessness criteria

Broken out by county, the DICH identified needs are:

Housing Type	New Castle (# of beds)	Kent (# of beds)	Sussex (#of beds)
Permanent Housing	753	108	172
Transitional or Indefinite Length of Stay	410	152	265
Emergency/Service Centers	18	2	5

The 2008-2012 Statewide Housing Needs Assessment identified the following additional needs:

A. Persons with Disabilities

The poverty rate for persons with disabilities aged 16 to 64 was 19% in 2005, or 12,204 individuals. The lack of accessible affordable housing is an ongoing barrier to community-based living for persons with disabilities.

Physical Disabilities—As of January 2007, there were over 300 people who identified a disability on public housing waiting lists. The Minimum Data Set compiled by the Center for Medicaid and Medicare Services for the 2nd Quarter, 2007, indicated that 792 of 3,886 people living in nursing homes specify a preference to return to the community.

~~*Developmental Disabilities*—Analysis of Division of Developmental Disabilities Services (DDDS) registry data in July 2007 indicate 1,370 individuals with developmental disabilities in need of affordable rental housing, 99% of whom have income below 30% of median for the current county of residence. Nearly 55 percent~~

~~(747) of the individuals were located in New Castle County; 23 percent (309) in Kent County, and 23 percent (314) in Sussex. 117 of these individuals also have physical disabilities.~~

~~B. Persons with HIV/AIDS~~

~~25% of those responding to a survey (69 of 278) conducted by the Delaware HIV Planning Council in 2006 indicated that they needed help finding affordable housing. A similar percentage in each county (20-25%) reported having been homeless for at least one night in the prior 12 months. Tenant based rental assistance and permanent housing with supportive services are the primary needs for this population.~~

~~C. Victims of Domestic Violence~~

~~Transitional housing with supportive services is a primary need for this population, particularly for individuals with children. In 2005, 541 women and children (284 women and 237 children) required shelter.~~

~~D. Migrant & Seasonal Workers~~

~~While 5% of farms (38 farms) in Kent County hire migrant and seasonal farmworkers, there are no units of assisted seasonal or migrant farmworker housing in the county. In Sussex County, 2% of farms (24 farms) hire migrant and seasonal farmworkers, and there are 50 units of assisted migrant and seasonal farmworker housing.~~

TAX CREDIT ALLOCATIONS AND POOLS

No applications will be accepted with Developments of 4 units or less. Developments will compete only 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. Applicant tax credit requests should not exceed 10% of the approximate 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.

Non-Profit 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 non-profit organizations. Developments that compete in the Non-Profit Pool, if they do not receive an allocation, will be eligible to compete in their respective pools. If the highest ranking non-profit sponsor 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 non-profit organization.

Estimated Dollar Amounts for 2013

The estimated dollar amounts for 2013 are based on the annual tax credit authority available. 2013 forward reservations and commitments reduce Delaware's net available Tax Credit amount to approximately \$2,405,329.

- | | | |
|--|---|--------------------|
| 1. <u>Non-Profit Pool</u> | Approximate Tax Credit Authority | \$252,500 |
| All Eligible Non-Profit Organizations | | |
| 2. <u>Preservation/Rehabilitation Pool</u> | Approximate Tax Credit Authority | \$1,177,829 |
| A. Tax Credits: Any tax credit housing development, which has completed its compliance period that is in (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) (1) in need of substantial rehabilitation or (2) at risk of losing its affordability. | | |

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.
2. Have committed federal rental assistance contracts - 3 points.
3. Property was placed in service on or before December 31, 1990 – 2 points
4. Property is a family development – 1 point.

*All hard/rehabilitation costs will be for the building housing the 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 Application 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, 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 LIHTC Web-Based **Proforma** Application Tab – Cost Summary - Buildings and Units Costs (for points) is not completed.

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.

3. Chronically Homeless Set-Aside Approximate Tax Credit Authority \$250,000

In order to encourage the development of permanent supportive housing units for the chronically homeless, \$250,000 of the housing credit ceiling has been set-aside for housing serving the chronically homeless. The households served by this set-aside have extremely low incomes with high needs for supervision and on-site services. Therefore, applications must include contracts and/or commitment letters for project based housing assistance payments and/or rental assistance (either from federal, state, or sponsor-funded resources) for the duration of the affordability period. In addition, on-site services must also be documented through contracts and/or commitment letters for the affordability period.

Individuals who are chronically homeless are defined as unaccompanied adults who meet one of the following criteria:

(Priority 1)

An unaccompanied person with an income less than 30% of the AMI and is homeless, currently residing in an institution, or is living in substandard or overcrowded conditions who suffers from one or more disabling condition(s) which limit his/her ability to perform activities of daily living, including:

- Diagnosable substance abuse disorder
- Serious mental illness
- Developmental disability
- Chronic physical illness or disability

(Priority 2)

An unaccompanied person with an income less than 30% of the AMI who suffers from one or more disabling condition(s) which limit his/her ability to perform activities of daily living, including:

- Diagnosable substance abuse disorder
- Serious mental illness
- Developmental disability
- Chronic physical illness or disability

Applications that meet the definition of Priority One will be given a preference for a tax credit allocation over applications that meet the definition of Priority Two for this set-aside.

On-Site Services

Permanent supportive housing units developed with this set-aside should have staffing 24 hours a day, 365 days a year. In addition, the application must demonstrate that on-site services will be provided to residents and should include, but will not be limited to:

1. The type of services to be provided and strength of commitment to provide services for the duration of the affordability period.
2. The anticipated sources of funding for such services and clear identification, in the proforma how services will be funded and maintained during the affordability period.
3. The physical space that will be used to provide such services.
4. How the sponsor or the contracted (or equivalent relationship) supportive services provider, meets the needs of the intended population and their experience in providing services to the targeted population.

If there is insufficient demand for the Chronically Homeless Set-Aside, credits remaining in that set-aside will be redistributed to any other respective set-aside or pool at DSHA's discretion.

4. New Housing Creation Pool

Approximate Tax Credit Authority \$725,000

Conversion: 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 conversion of non-residential use to residential use. Completely vacant and/or abandoned structures are considered new creation, including HOPE VI or Choice Neighborhood applications.

A. New Construction Projects: – Newly constructed property that is created for newly restricted and/or assisted affordable housing rental units.

B. All conversion and new construction shall be non-elderly (unless 50% of elderly units are subsidized). Elderly projects must have a rental subsidy contract for at least 50% of the newly created units if applying in this set-aside. Note: All conversion projects must meet all threshold requirements including minimum square footage and notice of inspection requirements.

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: **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.

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 development on the same or a contiguous site may not be submitted until such time as the original development is substantially complete and is at least ninety (90%) rented to qualified residents. 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 results in a loss of credits, the difference in any equity will be the responsibility of the Applicant not DSHA.

DEFINITIONS

The definitions and terms used within DSHA's Qualified Allocation Plan and LIHTC application 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 application submitted.

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 any DSHA standards, will be commissioned by DSHA to determine project valuation for the site, land and building for projects financed by DSHA. Where applicable, the value of the LIHTC must be provided. Regardless of whether or not the project has received a tax abatement, the appraisal will also provide the most recent tax assessment of the property. The cost of the appraisal will be an eligible cost of the development. Appraisals will be ordered by DSHA when the preliminary rankings are released for the top ranked projects. A Summary Appraisal will still be required for application.

Chronically Homeless

As defined in the Chronically Homeless Set-Aside.

Code

Internal Revenue Code, 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 Consolidated Plan, local or regional redevelopment plan, neighborhood redevelopment plan as endorsed and approved by local government, or a development that is located in an Enterprise Community.

Complete Application

An application 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 Attachment to the QAP.

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.**

Consultant

Consultants can be members of the Development Team. Consultant's 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.

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, bond prepayment penalty or other penalties and land cost. The developer fee cannot exceed \$1,000,000. For identity of interest (related party) acquisitions of existing rental properties, the developer's fee is calculated at 9% of the Total Development Cost excluding developer's fee, transferred reserves, bond prepayment penalty, relocation operating deficit reserve, or other penalties and land cost, and cannot exceed \$1,000,000 (except when a rental subsidy reserve is established from additional deferred developer fee to serve Extremely Low Income residents). In addition, credits will not be allocated on: 1) developer's fees exceeding the above developer fee limits; or 2) any developer fee paid on costs exceeding the Eligible Basis Limits.

Development Team

Developments must be sponsored by an entity with a Development 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.

Eligible State Basis Boost

DSHA reserves the right to award a 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, 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. No applications will be accepted with an eligible state basis boost included in the tax credit calculation.

DSHA will determine during the ranking/underwriting process if a eligible state basis boost is needed for financial feasibility or for assisting extremely low income households.

Elderly Development

For the purposes of this Allocation Plan, 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).

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.

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 221(d) 3 HUD limits utilized under the HOME Program.

(Effective 01/01/2012) as follows:

<u>0 bedroom</u>	<u>1 Bedroom</u>	<u>2 Bedroom</u>	<u>3 bedroom</u>	<u>4 bedroom</u>
\$132,813	\$152,251	\$185,136	\$239,505	\$262,903

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-1527-05 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 application. Cost estimates for any remediation work shall be provided and included in the executive summary and in the development budget.

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.

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).

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 area median income, 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; and
- d. He or she has conducted the study in accordance with Standards 4 and 5 of the Uniform Standards of Professional Appraisal Practice (USPAP);
- 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.

New Housing Creation

The creation of newly affordable rent and income restricted units. Includes new construction and conversion of non-residential use to residential use and market rate units that convert to affordable (excludes elderly unless at least 50% of the newly created units are subsidized). Completely vacant and/or abandoned structures are new creation for the purpose of this definition, including HOPE VI or Choice Neighborhood applications.

Preservation/Rehabilitation

- A. Tax Credits: Any tax credit housing development, which has completed its compliance period that is in (1) 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) in (1) need of substantial rehabilitation or (2) at risk of losing its affordability.

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 Housing and Urban Development (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 is included in the QAP Attachments.

Qualified Non-profit Organization:

Pursuant to Section 42(h)(5)(B) of the Code, a qualified non-profit 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 non-profit 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 non-profit/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 Non-Profit Pool. DSHA further requires that the non-profit partner must maintain a 100% ownership interest in the general partner throughout the compliance period.

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 Needs Housing

Developments may market and/or target special needs populations referred to below specifically addressing the needs of the identified group. Special needs populations include individuals and families who are in need of housing and/or community based supportive services in order to remain capable of independent living in communities. Supportive services range across a wide continuum of care and will vary from person to person depending on their particular physical, psychosocial and or mental limitations. Special needs populations are:

- Persons with HIV/AIDS related illness;
- Homeless;
- Persons with mental illness;
- Persons with physical disabilities;
- Persons with intellectual disabilities/developmentally disabilities; and
- Migrant and Seasonal Farm workers.

In the event that DSHA is the recipient of an award of project-based subsidy from HUD through the Section 811 Demonstration Program funds, the owner/developer may be required to comply with certain applicable program restrictions. The Declaration of Restrictive Covenants will require that the special needs targeted units are maintained and that a corresponding number of units are marketed to and set-aside for such special needs households throughout the compliance period. Certification may be required at the time of the resident's application.

Other special needs populations identified in DSHA's needs assessment may be considered at DSHA's sole discretion.

Social Services

One or more of the following types of services to improve the quality of life of the residents of the development. The 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. 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, 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:

- 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, in DSHA's discretion, receive points for them.

Subsidized Housing

Any housing that presently has United States Housing & Urban Development (HUD), USDA Rural Housing Service (RD), HUD public housing subsidies and/or equivalent project-based rental assistance contracts. 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 safe or adequate source of heat.
9. Does not have a kitchen.
10. Has been declared unfit for the habitation by an agency or unit of government.

Critical defects include: Walls or partitions or supporting members, sills, joists, rafters, or other structural members list, lean, or buckle, are rotted, deteriorated, or damaged, with 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 weathertight.

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

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. |
| 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% new units are added (unless HUD public housing program - see definition subsidized housing). 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.

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. 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. A minimum of 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 time of application for Credit 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

Note: 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.

1. State Strategies for Policies and Spending

All applications for tax credit developments must be located in Level 1, Level 2, or Level 3 Investment Areas as defined by State Strategies for Policies and Spending. 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 as much as practical integrate 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 Family Size

The minimum family 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.¹

¹ DSHA reserves the right to waive minimum family 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.

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:

- one bedroom- 700 square feet
- two bedrooms- 850 square feet
- three bedroom -1050 square feet
- four bedroom -1300 square feet
- efficiencies -500 sq. ft. and *Single Room Occupancy* (SRO) - 100 sq. ftz

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

For City of Wilmington applications, DSHA will follow the 2003 International Building Code, City of Wilmington definition of SRO / Efficiency. An efficiency living unit shall conform to the requirements as follows:

1. *The unit shall have a living room of not less than 220 square feet (20.4 m) of floor area. An additional 100 square feet (9.3 m) of floor area shall be provided for each occupant of such unit in excess of two.*
2. *The unit shall be provided with a separate closet.*
3. *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.*
4. *The unit shall be provided with a separate bathroom containing a water closet, lavatory and bathtub or shower.*

5. 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 QAP Attachments for requirements of the Market Study.) The market study should be conducted within six 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.

2 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.

6. 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.
- 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.
- 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.

7. Site Control

Sponsors 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.**

8. 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.

9. Public Housing and Section 8 Waiting Lists

- 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.

10. 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, applications 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.

11. 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). In order to meet minimum threshold requirements, the Rehabilitation Standards Checklist (see QAP Attachments) 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.

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.

12. 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.

13. Internal Revenue Form 8821

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

14. Rehabilitation

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.

15. Minimum Point Score

All sponsor applications must score a minimum **of sixty-five (65) ~~seventy (70)~~ points** for an award of credits.

RANKING AND POINTS

Increase in the Compliance Period

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, owner may not choose to exercise its Opt-Out provision.

Years	Compliance Period	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 home ownership 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 Income Targeting

Up to 20 points will be awarded for the percentage of units targeted at different income levels. Weight will be given to units targeted at multiple income levels with emphasis on targeting units at lower income and/or poverty levels. Documentation of income targeting must be provided as an exhibit to the application.

Percent of Units	Area Median Income Rents				Market
	30%	40%	50%	60%	
50.0 or more	1	1	2	2	0
42.5 to 49.99	1	2	2	2	0
35.0 to 42.4	2	2	3	2	0
30.0 to 34.99	3	4	4	3	0
25.0 to 29.99	5	5	5	5	0
20.0 to 24.99	5	5	5	5	0
15.0 to 19.99	4	4	4	4	5
10.0 to 14.99	3	3	2	2	4
5.0 to 9.99	2	2	2	1	3

Per Unit Cost Reduction

Two to five points (2-5) will be awarded to Developers; whose per unit costs is less than DSHA’s cost containment guidelines below.

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, cost 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 and for acquisition/rehabilitation projects including preservation, conversion and tax-exempt bond properties must also meet the minimum substantial rehabilitation requirements.

Cost Guidelines

Type of Project	Per Unit Average
New Construction	\$162,511
Acquisition/Rehabilitation*	\$133,009

*Includes Conversion projects.

Projects will receive points for being below DSHA's cost guidelines by at least 5%. Projects that exceed the cost limits or are less than 5% below the limit will not receive points.

	Points
> 5% - 9.99% below cost containment	2
>10% - 14.99% below cost containment	3
>15% - 19.99% below cost containment	4
> 20% below cost containment	5

Example: Acquisition/Rehabilitation Project/Total development cost of \$6,000,000/50 (# of units) = \$120,000/unit TDC

Average Cost for Acquisition/Rehabilitation is \$133,009/unit TDC. Percentage below cost limits = 9.87% or 2 pts.

One to five points (1-5) points will be awarded to Developers, whose per unit costs are fifty percent (50%) to eighty percent (80%) of the current HUD 221 (d) (3) limits utilized under the HOME Program. The table below defines the number of points earned based on Total Development Cost (TDC) range by bedroom size. Per unit costs are determined by dividing the total fee cost (LIHTC Web Based Application Tab—Economics) by the number of units (adjusted for bedroom size). **Note: In the event the final TDC exceeds the initial TDC indicated on the application, DSHA reserves the right to withdraw the allocation of credits.**

2011 PER UNIT COST LIMITATIONS TABLE

Size	HUD 221(D)(3) Limits	0 PT. TDC:81-100% of Limits	1 PT. TDC:71-80% of Limits	3 PT. TDC:61-70% of Limits	5 PTS. TDC:50-60% of Limits
0 BR	\$128,698	\$104,245 - \$128,698	\$91,376 - \$104,245	\$78,506 - \$91,376	\$64,349 - \$78,506
1 BR	\$147,530	\$119,499 - \$147,530	\$104,746 - \$119,499	\$89,993 - \$104,746	\$73,765 - \$89,993
2 BR	\$179,398	\$145,312 - \$179,398	\$127,373 - \$145,312	\$109,433 - \$127,373	\$89,699 - \$109,433
3 BR	\$232,080	\$187,985 - \$232,080	\$164,776 - \$187,985	\$141,569 - \$164,776	\$116,040 - \$141,569
4 BR	\$254,763	\$206,538 - \$254,763	\$180,882 - \$206,358	\$154,405 - \$180,882	\$127,381 - \$155,405

Based application Tab—Economics by number of units. Adjustments for bedroom size will be made accordingly, (see example below):

Step 1: 12 1BR development cost = 12 x \$144,355 (max HUD 221 (d)(3) limit) = \$1,770,360
 Step 2: 12 2BR development cost = 12 x \$175,536 (max HUD 221 (d)(3) limit) = \$2,152,776 Total: \$3,923,136
 Step 3: \$2,780,000(TDC)/\$3,923,136 = 69% = 3 points earned

Special Needs Housing

Developments that provide permanent housing for persons with special needs are awarded five (5) points. Special needs populations are:

- Persons with HIV/AIDS related illness
- Homeless persons
- Persons with mental illness
- Persons with physical disabilities
- Persons with intellectual disabilities/developmentally disabilities
- Migrant and Seasonal Farm workers

Other special needs populations identified in DSHA's Needs Assessment may be considered at DSHA's sole discretion. In order to qualify for points in this category, 50% of the units must be made available for the special needs population. Additionally, a minimum of three (3) appropriate services must be provided free of charge to the residents. Documentation of these services and how they will be paid for must be provided.

Additional Fair Housing and Americans With Disabilities Act (ADA) Units

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.

- Property provides 10% fully accessible units 3 points
- Property provides 15% fully accessible units 4 points
- Property provides 20% fully accessible units 5 points

Accessible units should be marketed and rented to households who need the accessible features. Applicants are strongly encouraged to participate in listing their development and all accessible units on www.delawarehousingsearch.org. 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

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-year period.

- 1% - 1 point
- 2% - 2 points
- 3% - 3 points
- 4% - 4 points
- 5% - 5 points

Local Government Support

Three (3) points will be awarded for an application that receives a letter of support from the local government indicating its support of the development, and endorsing the development in the current round of competition. The letter must be from the Chief Executive Officer of the municipality, county or local government in which the development is located and must precisely reflect the development as submitted with the application without modification or qualification.

Leveraging of Non-DSHA Sources

Zero to twenty points (0-20) will be awarded for the leveraging of permanent funding sources not controlled by DSHA. DSHA controlled funds include: Housing Development Funds, Affordable Rental Housing Funds, Preservation Funds, DSHA HOME 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, local municipality HOME funds, HOPE VI, Section 202, Federal Home Loan Bank funding, local municipalities funds, foundations and other permanent sources). Tax Credit equity is not considered a permanent funding source.

Percentage of Development's permanent funding that is not a DSHA source	Points
91-100	20
81-90	18
71-80	15
61-70	12
51-60	9
36-50	7
20-35	5
0-20	0

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

Historic Housing

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, properties must already be on the National Historic Register at the time of application.

Promoting Balanced Housing Opportunities

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, additional school choices, or supportive infrastructure, **five (5) points** will be awarded to developments that are in **Areas of Opportunity**. Developments can be Preservation or New Creation.

DSHA has defined areas of the state as follows:

- **Severely Impacted** – Homeownership rate less than 50% and subsidized rental housing greater than 25%.
- **Impacted** – Areas that contain concentrations of racially, ethnically, and/or Low/Moderate Income persons.
- **Areas of Opportunity** – All areas that ~~are non-impacted~~ do not meet the above and are within a *State Strategy* area of Level 1, 2, or 3.

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

<http://www.destatehousing.com/FormsAndInformation/datastats.php>

Preservation

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.
2. Have committed federal rental assistance contracts - 3 points.
3. Property was placed in service on or before December 31, 1990 – 2 points
4. Property is a family development – 1 point.

*All hard/rehabilitation costs will be for the building housing the 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 **Proforma** 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.

Rural Development-USDA/Other Federal Rental Subsidy

Three points will be awarded to:

- Developments that are in rural areas designated by the USDA Rural Development and have received an award of new USDA rental subsidy; or other developments that have received an award of new federal rental subsidy contract (transfer of existing contracts is not considered new subsidy).
- Demolition/new construction units that have not been in service for at least one year are also eligible for the points in this category (i.e. Section 811, public housing).

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

Extremely Low Income

Three (3) points will be awarded to developments that provide an owner-financed rental subsidy for new units (a minimum of five units) that will be rented to extremely low income (ELI) residents (30% of area median income). DSHA will allow a higher developer fee if the amount of equity funds generated by the increased developer fee calculation that is in excess of DSHA's maximum developer fee limit is committed by the applicant/sponsor for setting up a DSHA held subsidy reserve. The reserve will be used to subsidize gross rents at or below 30% of area median income for the initial 15 year compliance period. The property's cash flow should be underwritten at maximum 30% of area median income rents for ELI units. Releases from the reserve will be upon evidence of cash flow deficiency. Evidence of the commitment from the owner/sponsor must be included in the application.

Applicants may request a developer fee not to exceed 5% above the maximum allowable developer amount only if the applicant commits the entire additional basis/equity generated by the additional developer fee for the rent subsidy escrow for ELI residents for the initial compliance period. The additional developer fee above the maximum limit will not be paid initially and must be deferred and paid from the project's available equity distribution. DSHA reserves the right to determine the mechanism to disburse the rent subsidy and to require the certification by the developer's CPA to insure specific tax issues and ownership structures are acceptable. In order for the developer/sponsor to receive the points, application must document that an equity investor has been secured and has satisfactorily approved the agreement for use of equity funds for a subsidy reserve. At the end of the compliance period, should ELI subsidy reserve funds remain and/or in the event the reserve is not used for its intended purposes, any funds remaining in the reserve at the end of the compliance period or sale of the property, whichever is earlier, will be distributed in accordance with the partnership agreement. Subsidized housing developments are not eligible for this ranking category.

Public Housing and Section 8 Waiting Lists

~~One (1) point will be awarded for developments that are utilizing local public housing waiting lists and/or Section 8 existing waiting lists. The application must contain a letter from the appropriate agency in order to receive this point.~~

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 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 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:

- 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.
- Qualifications of the social service organizations that will be utilized at the property or off-site, including their history, capacity and experience.
- Contracts or commitment letters detailing costs of services from each social service provider must also be attached.

Examples of services include but are not limited to:

Parenting programs;

Literacy programs;

Day care;

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, in DSHA's discretion, receive points for them.

Sites and Neighborhood Standards

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.

Access to Services (1 point for each up to a maximum of 7 points)

For New Castle County developments, the services must be within a one-half (1/2) mile radius of the project to be eligible for points. For Kent and Sussex, services must be within one and one-half (1 ½) mile radius of the project for each of the following factors to be eligible to receive the points:

- Supermarket
- 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 that is accessible to residents.

Location

Project is an infill site. **(3 points)** - A site that has 75 percent of its perimeter bordering existing developed land parcel(s) and has immediate access to existing infrastructure (roads, water, sewer, and other infrastructure). Demonstrate through site map with perimeter measurements; or

Project is contiguous to existing development. **(1 point)** - A site has at least 25 percent of the perimeter bordering existing developed land parcel(s) demonstrated through site map with perimeter measurements. The development will utilize existing sewer and water lines without extensions exceeding 1,000 feet.

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 calculations.

Protecting Environmental Resources (2 points)

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 environmental issues (i.e., superfund site, brownsfields, greyfield, arsenic or chemical, close proximity or adjacent to railroad within 1000 feet. (Note: 3,000 feet is a noise assessment requirement).
- 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.

Access to Transit

A development may be awarded 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 Delaware Transit Corporation (DTC), providers of DART First State transit services, and DSHA. An early consultation with DTC is strongly recommended to be successful. For each transit category, the application will include an executed Memorandum of Agreement (MOA) between the tax credit applicant and DTC stipulating:

- Improvements to be made (determined via consultation with DTC);
- Cost of improvements (provided by applicant's site engineer); and,
- Responsibility for maintenance.

Transit Friendly (3 2 points)

The purpose of this category is to prepare sites, outside of the current transit service area, for possible future transit service. DTC will determine, at its sole discretion, which sites qualify for this category as these sites in this category will not be served in the immediate or foreseeable future according to DTC service or business plans. A qualifying site will be deemed Transit Friendly when two or more of the following will be installed and includes DTC approval:

Examples:

- 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)

Off-site improvements or repairs may be considered eligible project cost at DSHA's discretion.

Transit Accessible and Transit Ready (5 points)

The purpose of both categories is to include amenities and facilities to accommodate current or planned fixed route transit service. A site will be deemed *Transit Accessible* or *Transit Ready* where the following criteria are met.

Base Requirements:

- 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.

Transit Accessible - Off-Site Improvements:

A site will be considered *Transit Accessible* if, in addition to the base requirements, the developer clearly delineates an ADA accessible walking pathway from the site's main pedestrian access point to the nearest (see below) DTC bus stop.

- Required: The walking distance may not exceed a ¼ mile in New Castle County or a ½ mile in Kent and Sussex Counties. Walking distance must be along the ADA accessible route and cannot be calculated by assuming trespass of private property or expecting pedestrians to traverse unsuitable roadways other than local neighborhood streets.
- Required: The applicant's site engineer must identify any segments of the delineated pedestrian pathway requiring accessibility improvements e.g. unpaved trail or missing sidewalk segments or sections in need of repair. The improvement costs will be determined by applicant's site engineer.
- Optional: In cooperation with DTC, the developer may opt to improve the nearest off-site bus stop by installing, at the developer's expense, bus stop waiting pads, benches or shelters that meet DTC's specifications. The developer may also request a new off-site bus stop or suggest the relocation of an existing bus stop in order to achieve the relevant walking distance. All improvements, additions, or relocations must be preapproved by DTC.

Transit Ready - On-Site Improvements:

A site will be considered *Transit-Ready*, in addition to the base requirements, where 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, the on-site determination can be satisfied when:

- DTC and the developer reach agreement to connect the site's pedestrian access point to an existing bus stop located within immediate walking distance (700 ft maximum).
- 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. Off-site improvements or repairs may be considered eligible project cost at DSHA's discretion.

- 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
- On-site fare card outlet or distribution (where applicable)

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

<http://www.destatehousing.com/FormsAndInformation/datastats.php>

Delaware Transit Contact Information:

Wayne M. Henderson

Senior Service Development Planner

Delaware Transit Corporation/DelDOT

119 Lower Beech Street, Suite 100

Wilmington, DE 19805-4440

P: 576-6063 F: 577-8040

E: wayne.henderson@state.de.us

Community Compatibility – (New Housing Creation Only)

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 (2 point each – up to 6 points)

While design of the development need not be at an advanced stage, the conceptual design should reflect compatibility with surrounding community and enhancement of the visual character of surrounding area.

- 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.
- New and existing setbacks are consistent with surrounding development.
- Building heights and bulk, as seen from the street, should be respected.
- Uses building materials which are compatible with the neighborhood.

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.

Connectivity to Surrounding Communities (2 points each – up to 4 points)

The project is designed to relate to and encourage connectivity with the surrounding community and not create an isolated enclave.

- “Complete streets” measures are used to provide safe and congenial integration of pedestrian, bicycle and motor vehicle traffic via design features such as well-designed pedestrian and bicycle accommodations, narrow widths, and other traffic calming measures. Complete streets are designed and operated to enable safe access for all users. Pedestrians, bicyclists, motorists, and public transportation users of all ages and abilities are able to safely move along and across a complete street.
- Demonstrates through 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. Unimproved dirt pathways do not qualify as “all-weather” pathway. Consider using porous pavement to reduce water runoff.

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.

Development and Unit Amenities

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 provided 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: Security system which shall be monitored by the management company and have the capability for the local police to tie into the monitoring system (security systems for elderly developments are also encouraged);
- ~~Community Garden: Plot of land which the residents have access to have a community garden. The plot should be sized accordingly to the number of units;~~
- 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;
- Exercise and/or walking trails with permanent surface;
- ~~Exercise room with exercise equipment;~~
- ~~Recycling Facilities: Recycling shall be single stream recycling, maintain orderly collection by providing space and containers for household recycling, neat in appearance and there are monitoring procedures for continued sanitary conditions in the management plan;~~
- ~~Separate Maintenance Building/Garage with bathroom or maintenance area within the community building that is approximately 200 sq. ft or greater and meets all code requirements;~~
- ~~On site daycare (family developments only);~~
- ~~On site senior care (elderly developments only);~~
- Eat-in kitchens;
- Ceiling fans, Energy Star compliant, for 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);

- ~~Green roofs (architect must provide specifications with application);~~
- ~~Photovoltaic systems (solar panels) must designate system beneficiaries (i.e. generated cost to cover community building, site lighting, etc);~~
- WIFI for all units – Note: initial installation and equipment must be part of the project’s base construction costs. The monthly fee can be paid by operations and;
- Washer/Dryers units in elderly units.
- ~~Irrigation systems for lawn/landscape area; and~~
- ~~General Storage/Exterior storage/closet. This amenity will require a fire sprinkler system to be installed per State of Delaware Fire Marshal. Minimum of 150 CF per dwelling unit, and units must be made accessible for each accessible unit in the development;~~

Prior to application deadline, Applicants are invited to propose amenities in writing, in addition to those listed and may, in DSHA’s 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).

Energy Efficiency

~~New features that exceed the minimum energy guidelines as defined in DSHA’s Minimum Construction/Rehabilitation Standards (see table listed in the Minimum Construction/Rehabilitation Standards) will be awarded points values for each design feature that exceeds DSHA’s energy efficiency criteria for a maximum of five (5) points provided that such energy efficiency criteria effects 100% of the units. Items that are standard building practices (i.e. caulking) or required by building or rehabilitation codes will not receive points. Failure to provide the energy efficiency amenities 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.~~

Community Revitalization Plan

Two (2) points will be awarded if the development is clearly identified and is included in an approved Community Revitalization Plan. A certification from the municipality that the development is in the most recently approved Community Revitalization Plan must be submitted, citing page and number, which said page and number must be attached to the certification. See the form of certification on page 51 included in the QAP Attachments. Letters of support and/or resolutions will NOT be considered under this category.

Qualified Census Tract

One (1) point will be awarded to developments that are located within a HUD identified Qualified Census Tract.

Community Outreach

~~Two (2) points will be awarded to developments in which the sponsor is actively involved in Community Outreach and holds a community meeting within sixty days PRIOR to submitting its application.~~

~~Sponsor holds community meetings/presentations prior to application: _____ 2 points~~

~~Copy of sign in sheets, newspaper notices and details of notification methods (i.e. flyers, email and other notice methods) to existing residents and/or surrounding community must be submitted with application in order to receive points. Town, City, County, or municipality meetings are eligible as community meetings/presentations only if the proposed development is the only item on the agenda and appropriate notification to all parties has been mad~~

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.

Point System for all Sponsors
An Application Must Score a Minimum of ~~Sixty-five (65)~~ ~~Seventy (70)~~ Points
for 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. Preliminary reservations shall be awarded to applications with the highest scores and to the applications that win the tiebreakers with preliminary reservations first going to developments in the set-aside.

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.

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 the DELAWARE STATE HOUSING AUTHORITY, 18 The Green, Dover, Delaware 19901, **no later than 3:00 p.m. on April 12, 2013.** Late submissions will not be accepted. One written complete copy of the LIHTC Web-Based application with all attachments/exhibits and one electronic CD application must be submitted. All paper applications must have original signatures. **For the CD scanned application, the CD 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 Low Income Housing Tax Credits. 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. ~~If additional space is required on the questionnaires, provide supplements that are labeled in sequence and indicate the questions to which they reference.~~

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 Qualification Allocation Plan must be submitted in writing to DSHA for clarification prior to application submission 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 which tax-exempt bonds of DSHA or an issuer other than DSHA, have been issued that are still subject to the **initial** compliance period.

CURE PERIOD

DSHA retains the absolute right to determine that an application is substantially incomplete and ineligible for further review. DSHA may also choose, at its sole discretion, 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. This cure process is 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.
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 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.
4. 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.
5. 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.

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.

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, via certified mail, the 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 Qualified Allocation Plan and taking into consideration 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 Delaware State Housing Authority. An applicant may appeal DSHA's ranking decision by submitting a written request for reconsideration to the Director of DSHA no later than 15 business 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 90 days of application deadline and submission, DSHA will notify sponsors 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.

~~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 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.~~

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 an carryover allocation of Credits.

FORWARD RESERVATIONS

DSHA reserves the right, at its sole discretion, to reserve a portion of its Credits for a year subsequent to the current year to 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 compliments 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).**

PLACED-IN-SERVICE REQUIREMENTS

Placed In Service

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 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 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 months from the date of the carryover allocation, expenditures for more than 10% of the reasonably expected basis of the development. Developments, not adhering to this procedure or not meeting the above criteria will be subject to having their Credit allocation revoked.

DSHA Placed In Service Requirement

In addition, **applicants**, owners and/or any related entities, as determined by DSHA that received a preliminary reservation and/or a Carryover Allocation of **2012** Credits and have not met the 10% test, as required by DSHA, by the **2013** Tax Credit application submission deadline are ineligible to make application for **2013** Tax Credits.

Carryover Agreement Requirements

To qualify for an Allocation Carryover Agreement, owners 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 they own the property and 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 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. Otherwise, buildings will receive a 9% credit percentage until 2013 or upon Congressional amendment.

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

Under the Housing and Economic Recovery Act (HERA) the applicable federal rate for new construction and rehabilitation competitive credits was temporarily fixed at 9%. The applicable federal rate will revert to the monthly published applicable federal rate for projects that place in service **after** December 30, 2013. 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).

Non-Compliance with Placed-In-Service Date

1. DSHA, within its sole discretion, reserves the right, based upon written documentation submitted by the Applicant sponsor, to make a determination that the failure to place a development in service is due to circumstances beyond the sponsor's control.
2. Such written documentation must:
 - a. Be submitted in writing within thirty (30) days of such sponsor's knowledge of the delay, via certified mail to: DSHA, 18 The Green, Dover, DE 19901; and
 - b. State the name of the development, the name of the Applicant sponsor, and the deadline pursuant to the Code for placing the development in service; and
 - c. Provide an explanation, supported by appropriate evidence, of (i) the due diligence performed by the Applicant sponsor in attempting to meet the deadline, (ii) the specific circumstances causing the delay, (iii) the attempted remedial measures taken by the Applicant sponsor in order to mitigate the delay, and (iv) any other pertinent information.
3. Notwithstanding any other restrictions in the "Forward Reservations" this section, or other sections of the QAP, upon such determination by DSHA that the circumstances, are in fact, beyond the Applicant's sponsor'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.
4. Any such priority will be conditioned upon:
 - a. A determination by DSHA that the development continues to be desirable in terms of meeting affordable housing needs;
 - b. The Applicant sponsor's early return of any previously allocated credits; and
 - c. Such other terms as are deemed appropriate under the circumstances by DSHA in its sole discretion.
5. Anything in the preceding section on Forward Reservations to the contrary notwithstanding, DSHA shall be authorized to make forward reservations of tax credit authority in order to encourage the Applicant sponsors of any such developments to return the credits within the year that it is determined that the Applicant sponsor will not be able to place the development in service, while awaiting the allocation from the next year.
6. The return of credits pursuant to this subsection will only be allowed one time and the development and Applicant sponsor must comply with the current Qualified Allocation Plan (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 substantial completion or certificate of occupancy or temporary certificates of occupancy, whichever occurs earlier. The substantial completion date is defined as the date DSHA acknowledges through written documentation that 100% of the units are completed and ready for occupancy or the date of the certificate of occupancy for the last completed building, whichever is earlier. 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.

Extended Use Agreement

All applicants must agree to a minimum thirty-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.

Also at such time, the Owner will need to determine if it 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 Carryover Allocation 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 Carryover Allocation 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.

COMPLIANCE MONITORING PROCEDURE

DSHA has implemented monitoring regulations for the LIHTC program as required by the IRS. DSHA will monitor all LIHTC projects for compliance with 1) minimum low-income set aside requirements, 2) rent limitations, 3) tenant income requirements, 4) record keeping 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 RHS Section 515 and tax-exempt bond financed properties.

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 20% of the development's low-income housing units, inspect the low-income certification, the documentation the owner has received to support that certification, and the rent record for the tenants in those units.

In addition, at least once every three years, DSHA will conduct on-site inspections of all the buildings in each low-income housing developments and, for at least 20% of the development's low-income units, inspect the 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 and which tenants' records are to be inspected.

DSHA may request an owner of a low-income housing development, not selected for the review in a particular year, to submit to DSHA for compliance review and annual **compliance reporting, documents** which will include, but are not limited to, the following information; 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 their development.

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

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 requires all owners to use DSHA's MITAS integral database system for providing all required tax credit data.

DSHA is required to annually report to the United States Department of Housing and Urban Development (HUD) all resident and project data for all tax credit projects that are being monitored by DSHA. DSHA will report annually the data to HUD in a format established by 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:

- a. 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
- b. 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. 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:

- a. Tenant name, social security identification numbers
- b. Family dependents and ages
- c. Gross income and asset information
- d. Sources of income
- e. 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 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.

Record keeping 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:

- a. 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);
- b. The percentage of residential rental units in the building that are low-income units;
- c. The rent charged on each residential rental unit in the building (including the source and amount of any utility allowance calculations);
- d. The low-income unit vacancies in the building(s) and information that shows when and to whom the next available unit(s) was rented;
- e. The number of occupants in each low-income unit;
- f. The annual income certification of each low-income tenant per unit;
- g. Documentation to support each low-income tenant's income certification;
- h. 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;
- i. A list of all tenants of the building(s) at initial rent-up which includes the following: name of occupant, number of persons, and annual income;
- j. 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).
- k. 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;
- l. 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;
- m. 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.

- n. If a property receives funding from the following sources; HOME funds, Housing Payment Assistance contract (HAP), Housing Development Funds (HDF), or the Low Income Housing Tax Credits (LIHTC) 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 5 years.

The records (listed above) for the first year of the Credit period must be retained for at least 6 years beyond the due date (with 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 6 years after the due date (with 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 12-month period, the project has achieved the following requirements:

- a. The project met the required minimum set-aside or any higher set aside elected by the owner;
- b. 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;
- c. The owner has received an annual income certification from each low-income tenant and documentation to support that certification;
- d. Each low-income unit in the project was rent-restricted under Section 42(g)(2);
- e. 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));
- f. 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.
- g. 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);
- h. 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;
- i. 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;
- j. 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.
- k. 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;

- l. 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;
- m. 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; and
- n. 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).

The owner must certify the above under penalty of perjury. In addition, it is a state crime punishable by fine of up to \$2,300 or up to 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 needs to 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.

DSHA shall review the Annual Project Certifications submitted as required above for compliance with the requirements of Section 42. In addition, as set forth on page 1 hereof, DSHA shall inspect at least 20% of low-income housing projects annually and shall inspect the low-income certification, the documentation the owner has received to support that certification, and the rent record for each low-income tenant in at least 20% of the low-income units in those projects.

DSHA shall determine which tenants' records are to be inspected or submitted by the owners for review. Furthermore, in connection with the inspection described in the preceding paragraph, the records to be inspected shall be chosen in a manner that will not give owners of low-income housing projects advance notice that their records for a particular year will or will not be inspected. However, DSHA may give an owner reasonable notice that an inspection will occur so that the owner may assemble records (for example, 30 days notice of inspection).

The certifications and reviews described in this section shall be made at least annually covering each year of the applicable 15-year compliance period.

Annual Site Inspection

DSHA shall have the right to perform an on-site inspection of any low-income housing project through the end of the compliance period or the extended use period, whichever is longer, of the buildings in the project. Through an on-site visit, DSHA will annually perform an inspection of the owner's record-keeping for compliance with 1) minimum low-income set aside requirements, 2) rent limitations, 3) tenant income requirements, 4) record keeping requirements, 5) annual project certification 6) physical inspection of at least 20% of the units reviewed, and 7) all extended use restrictions/agreements. 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.

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 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 60 days of the date of DSHA notification to correct the violation, unless extended by DSHA in writing.

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 \$500 per unit. This fee must be paid prior to receiving an allocation of Tax Credits; at the issuance of IRS form 8609 or the 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 fee will also be due as long as DSHA has LIHTC monitoring responsibility (after the initial 15 year compliance period has expired and during the second 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.

PROGRAM APPROVAL

In accordance with Low Income Housing Tax Credit 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 Low Income Housing Tax Credit Program Allocation Plan on January , 2013. Prior to the approval by the Governor, a notification of the public hearing on the Low Income Housing Tax Credit Program's Allocation Plan was published in The News Journal and the Delaware State News between November 19, 2012 and December 14, 2012. A public hearing will be held on December 14, 2012 at Department of Natural Resources and Environmental Control's (DNREC) auditorium at 80 Kings Highway, Dover, DE. Oral and written comments concerning the Qualified Allocation Plan were received and recorded at the hearings. Oral and written comments will be accepted until December 14, 2012 at 6:00 p.m. A transcript of the hearing is available for review at DSHA's Dover Office.

DISCLAIMER

The information contained herein is intended to provide guidance to the applicant in terms of the operations of the Qualified Allocation Plan. The information is not intended to be restrictive of DSHA with respect to the operation of the Low Income Housing Tax Credit 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 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 sub-contractors 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 specify 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.

TAX-EXEMPT BOND FINANCED DEVELOPMENTS

Tax Exempt Bond Applications – not needing 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.
- An application must score a minimum of sixty-five (65) ~~seventy (70)~~ points.

Tax-Exempt Bond Applications and DSHA financing

Developments proposed to be financed with tax-exempt bond financing and requesting funding from the Housing Development Fund 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 of **\$5,500,000** 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 projects currently in DSHA's LIHTC portfolio; and
 - New Creation which includes new construction and conversion projects.
- Projects will only 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.
- An application must score a minimum of sixty-five (65) ~~seventy (70)~~ points. If DSHA receives more than one 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.

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% 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 application 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 for a specific development and/or type of development.
- DSHA may consider subsequent financing of phased sites on a case by case basis.

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 office of any local government having jurisdiction where applicant's proposed development is located.

A non-refundable application fee of \$1,000 must accompany all applications, including application for Volume Cap credits, at the time of submission. At carryover/construction closing of the Credits, including Volume Cap Credits, an additional 1% 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 \$500 per unit compliance monitoring fee is due. All fees are non-refundable.

SEVERABILITY

If any provision of the Qualified Allocation Plan 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.