



# Downtown Development District Grant

## Overview

The Downtown Development District Act was created to leverage state resources in a limited number of designated areas in Delaware's cities and towns to: spur private investment in commercial business districts and other neighborhoods; improve the commercial vitality of our cities and towns; and, help build a stable community of long-term residents in our downtowns and other neighborhoods.

State and local incentives are available to businesses and district investors who invest in real property within the Downtown Development District (District) boundaries:

- **Downtown Development District Grant (District Grant):**  
Eligibility for the District Grant is based on Qualified Real Property Investments (QRPI) made to commercial, industrial, residential, and mixed-use buildings or facilities located within the boundaries of a District. Qualified District Investors making a QRPI are entitled to a District Grant in an amount up to 20 percent of the QRPI in excess of the Minimum Qualified Investment Threshold of \$25,000.
- **Historic Preservation Tax Credits:**  
The Act allocates 30 percent of the State's yearly allocation of Historic Preservation Tax Credits to be reserved for projects within a District.
- **State Incentives:**  
State agencies will offer incentives to facilitate the revitalization of a District. In addition, there will be a review of agency programs to determine how they can be modified to further support a District as well as identified projects in a District Plan.
- **Municipal Incentives:**  
Each municipality will implement incentives specific to the designated District within its jurisdiction and to the identified projects in the District Plan. Examples of municipal incentives include, but are not limited to:
  - reduction or waiver in fees or taxes,
  - permit process reform,
  - special zoning districts or
  - exemptions from local ordinances
  - façade improvement grants



## Grant Summary

- Eligibility for the District Grant is based on QRPIs made to commercial, industrial, residential, and mixed-use buildings or facilities located within the boundaries of a District and in conformance with District Plan.
- To qualify for the District Grant, a Qualified District Investor must meet a Minimum Qualified Investment Threshold of \$25,000.
- Qualified District Investors making QRPIs are entitled to a District Grant in an amount of 20 percent of the QRPI in excess of the Minimum Qualified Investment Threshold up to \$500,000 per building or facility. District Grants in excess of \$500,000 will be calculated at a lower rate up to an additional \$500,000 for a maximum District Grant of \$1,000,000.
- The District Grant is limited to \$1,000,000 per building or facility within a five-consecutive-year period starting with the year in which a grant was first awarded or reserved.

### *Investment Range for District Grants up to \$1,000,000*

Investment Range	Grant Amount
\$2,525,000 - \$3,500,000	\$500,000
\$3,500,501 - \$4,500,000	\$528,000
\$4,500,001 - \$5,500,000	\$557,000
\$5,500,001 - \$6,500,000	\$585,000
\$6,500,001 - \$7,500,000	\$614,000
\$7,500,001 - \$8,500,000	\$642,000
\$8,500,001 - \$9,500,000	\$671,000
\$9,500,001 - \$10,500,000	\$700,000
\$10,500,001 - \$11,500,000	\$728,000
\$11,500,001 - \$12,500,000	\$757,000
\$12,500,001 - \$13,500,000	\$785,000
\$13,500,001 - \$14,500,000	\$814,000
\$14,500,001 - \$15,500,000	\$843,000
\$15,500,001 - \$16,500,000	\$871,000
\$16,500,001 - \$17,500,000	\$900,000
\$17,500,001 - \$18,500,000	\$928,000
\$18,500,001 - \$19,500,000	\$957,000
\$19,500,001 - \$20,000,000	\$986,000
\$20,000,001 and over	\$1,000,000



## General Limitations

- A Qualified District Investor may apply for **both** the District Grant and State/Federal Historic Tax Credits.
- DSHA is authorized to establish additional qualifying criteria with respect to uses (residential, commercial, industrial, etc.) or types of projects (rehabilitation, new construction, etc.).
- DSHA is authorized to prioritize particular types of uses or project in one or more Districts.
- DSHA is authorized to establish such other limitations in one or more Districts as DSHA shall determine from time to time, but no more often than once per year.

## Taxability of Grants

- Under Internal Revenue Service regulations, grant awards may be considered taxable income. A 1099 IRS Form will be issued to all District Investors for the grant awards received. For tax-related questions, please contact your tax professional for guidance.

## Eligible Expenses and Activities

The District Grant is available for investments necessary for the rehabilitation, expansion, or new construction of commercial, industrial, residential (including multi-family), or mixed-use buildings or facilities located within the boundaries of Districts.

Qualified Real Property Investments includes expenditures, incurred after District designation, that are properly chargeable to a capital account. Examples include:

- Exterior, interior, structural, mechanical or electrical improvements
- Excavations
- Grading and paving
- Installing driveways
- Landscaping or land improvements
- Demolition



## Ineligible Expenses and Activities

The following types of projects and activities are not eligible for a District Grant:

- Adult bookstores, adult video shops, other adult entertainment facilities, check cashing facility, gambling facilities, liquor stores, massage parlors, pawn or gun shops, tanning salons, or tattoo parlors.
- Soft Costs, including:

Appraisal, architectural, engineering, bids or interior design fees	Legal, accounting, realtor, sales, marketing or other professional fees	Permits, user fees, zoning fees, impact fees, inspection fees
Land or building acquisition	Loan fees, capitalized interest	Utility hookup or access fees
Well, septic or sewer systems	Machinery, tools or other equipment	Temporary facilities
Bonding, closing costs, insurance	Blinds or other window treatments	Furnishings
Outbuildings (if ancillary to function of the main building)	Signage, signs or roads	Rent loss



## Small Project Set-Aside – FY 2015 \$1,000,000

Regulations required for larger more complex projects can be cost prohibitive to smaller investors. As a result, a small project set-aside is established to ensure that smaller investors have ample access to District Grant funds. Investors are eligible for this set-aside provided that their total Qualified Real Property Investments do not exceed \$250,000 per building or facility. Only Qualified Real Property Investments incurred after the date of District designation are eligible. An Investor applying for the small project set-aside must apply within 45 days of the building/facility being "placed in service".

The placed in service date is one of the following:

- The date in which the final, approved **Certificate of Occupancy (CO)** is issued for work done to the respective building or facility.
- The date the final approved **building inspection** is issued for the work done to the building or facility.
- In cases where a project does not require permits, documentation by the local building official stating that the project is complete.

The required application materials include:

- SP Grant Application\*\*
- Placed in Service Documentation
- W-9
- Multiple Owner Form \*
- Tenant-Owner Consent Form \*
- Tenant Coordination Form \*
- Developer Site Control Form\*
- Proof of Payment for Qualified Real Property Investments (receipts, paid invoices, cancelled checks)

\* When Applicable

\*\* SP Grant Application is **required** to be submitted electronically **and** as a signed hard copy.

Grant funds will be distributed within 60 days of successful receipt of Grant Application materials, which will include any DSHA inspection and/or confirmation of Qualified Real Property Investments.

The small project set-aside is limited to \$1,000,000. Once the set-aside funding is exhausted, applications will be placed on hold. DSHA may fund applications with unused funds from the large project set-aside or other sources of funds.



## *Placed in Service Documentation*

Applicants for the Small Project Set-Aside must apply with the final placed in service document **required** by the locality. If the nature of the project requires a Certificate of Occupancy, a District Investor cannot apply with a final building inspection even if a final building inspection was issued prior to a Certificate of Occupancy. **DSHA is able to verify the final placed in service documentation issued/required for each project with local building code departments.**

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*It is the applicant's responsibility to verify as soon as possible with the locality's Building Code office if permits are needed for a rehabilitation or expansion project.*

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## Large Project Set-Aside – FY2015 \$5,650,000

Large Project Investors must first receive a Reservation prior to beginning activity in a Designated District in order to be considered for a District Grant. This Reservation process, based on each General Assembly appropriation, is established to provide:

- Qualified District Investors assurance their projects will be funded once successfully completed.
- Each District reasonable access to District Grant funds.
- An opportunity to assess demand and make modifications to ensure program's success.

DSHA may offer a Reservation waiver for projects identified by the State as an economic generator of regional significance. The project must provide capital investment on a scale significant enough to affect the entire region and result in the development of permanent (non-construction) high-wage and high-skill jobs. The Investor must demonstrate that the construction timeline is unfeasible to apply by the deadline for Reservation applications.

### *Reservation Timeline*

Applications for a Reservation are accepted once a year. However for the initial year, there will be an additional Reservation opportunity. The timeline for each is as follows:

#### Initial Reservation Timeline

- Reservation application released 7 days after District designation
- Reservation applications due 75 days after initial District designation (If designated January 1, then due March 15)
- Reservations announced 60 days later (estimate May 15)



### Ongoing Reservation Timeline

- Reservation applications due September 1
- Reservations announced November 1

Applications for a Reservation will include:

- Project description
- Physical address of project and parcel(s) identification
- Proof of site control or property owner consent
- Confirmation of location within District \*
- Demonstration that project is in conformance with District Plan \*
- Detailed budget with expected Qualified Real Property Investments clearly supported.
- Projected timeline

\* The burden will be on applicant to demonstrate both the location within and conformance with District Plan. DSHA will make final determination.

All Projects must meet the following threshold criteria for Reservation consideration:

- Confirmation of its location within District
- Demonstration that project is consistent with objectives and strategies outlined in District Plan
- Applicant readiness to initiate and complete the project within three years

Projects that have "substantially commenced" at the time of Reservation application are not eligible for consideration. Exceptions will be considered for District Investors who intend to resume failed projects where progress has been made, but the prior investor was unable to complete the project.

All appropriated funds for the District Grant will be evenly divided into a District Set-Aside and a General Pool. This is to ensure that each District will have reasonable access to District Grant funds. Once each District Set-Aside is met, projects will receive Reservations from the remaining General Pool. Any unallocated funds from a District's Set-Aside will be placed in the General Pool for distribution.

In the event that Reservation requests exceed the funding allocated, then Reservation requests that address one or more of the following priorities will receive special consideration in the Reservation process for both the District Set-Aside and the General Pool. See Appendix A.

- **Identified as a Key Priority Project in District Plan**
- **Creates permanent jobs**
- **Provides mixed-use development**
- **Expands housing opportunities**
- **Protects historic resources**
- **Actively reuses existing structures**
- **Promotes sustainable practices**

Reservations can be lost due to:

- Not "substantially commencing" within 12 months of Reservation application.
- Change from original application
- Not being completed within three years.

The investor may receive one 6-month delay with written approval. Where it is determined that the project has not been "substantially commenced" within the required time frame, DSHA will send a letter indicating that the project has forfeited its Reservation. Any forfeited funds may be reallocated to the General Pool.



Final Reservation amounts will be determined by DSHA. If actual costs exceed Reservation amount, the Qualified District Investor can request a review. However, cost overruns will be based on funding availability. In any case, costs associated with project changes not included in original Reservation application will not be considered.

DSHA reserves the right, at its sole discretion, to reserve a portion of funds available for Reservation for a year subsequent to the current year to a highly ranked project that received only partial Reservation in the current year due solely to limited funding availability. DSHA shall only "forward commit" funds from the immediately following year's allocation and not in an amount greater than the balance of the funds available in the current year, after the highest ranked projects have received their full Reservation.

### *Reservation Compliance Review and Grant Fund Disbursement*

Grant Fund Disbursement requests are due within 45 days of final project being "placed in service" and will include the following:

- LP Grant Disbursement Form
- Reservation Confirmation
- Placed in Service Documentation
- W-9
- Multiple Owner Form \*
- Tenant-Owner Consent Form \*
- Tenant Coordination Form \*
- Developer Site Control Form \*
- CPA Attestation Report Form of Qualified Real Property Investments

\* When Applicable

DSHA will conduct compliance review of the final project requesting Grant Fund Disbursement. This process will include an on-site review to ensure the final project conforms to the project scope outlined in the Reservation Agreement. The review will include, but is not limited, to the following:

- Square footage
- Building/Facility use
- If residential, number and square footage of residential units
- Parcel location
- Number of stories
- Confirmation that projects granted special consideration in the Reservation process based on certain objectives met those objectives

Grant funds will be disbursed within 60 days of completed Grant Fund Disbursement request.



## APPENDIX A – Priority Consideration Scoring Guidelines

PRIORITY	POINTS	WEIGHT	SCORE
<b>IDENTIFIED AS KEY PRIORITY PROJECT</b>			
<ul style="list-style-type: none"> <li>Identified in District Plan as Key Priority Project</li> </ul>	1	X1	
<b>CREATES PERMANENT JOBS</b>			
<ul style="list-style-type: none"> <li>Creates permanent jobs</li> </ul>	1	X1	
<b>PROVIDES MIXED-USE DEVELOPMENT</b>			
<ul style="list-style-type: none"> <li>Includes residential above 1<sup>st</sup> floor</li> </ul>	1	X1	
<ul style="list-style-type: none"> <li>Includes at least 2 uses vertically mixed</li> </ul>	1	X0.5	
<ul style="list-style-type: none"> <li>And street level pedestrian friendly uses</li> </ul>	1	X0.5	
<b>EXPANDS HOUSING OPPORTUNITIES</b>			
<ul style="list-style-type: none"> <li>Provides two or more housing types</li> </ul>	1	X1	
<b>PROTECTS HISTORIC RESOURCES</b>			
<ul style="list-style-type: none"> <li>Preserves or reuses buildings of historical significance</li> </ul>	1	X1	
<b>ADAPTIVELY REUSES EXISTING STRUCTURES</b>			
<ul style="list-style-type: none"> <li>Adapts old structures for new purposes while retaining architectural uniqueness</li> </ul>	1	X1	
<b>PROMOTES SUSTAINABLE PRACTICES</b>			
<ul style="list-style-type: none"> <li>Residential achieves a HERS Index of 70</li> </ul>	1	X1	
<ul style="list-style-type: none"> <li>Commercial or Industrial achieves "Designed to Earn the ENERGY STAR" certified</li> </ul>	1	X1	



APPENDIX B – FY 2015 Timeline

<b>Timeline and Responsibility Overview</b>			
<b>Partner Entities</b>	<b>Office of State Planning</b>	<b>Delaware State Housing Authority</b>	<b>Other Agencies</b>
<b>Fall 2014</b>	<ul style="list-style-type: none"> <li>• DDD application</li> <li>• solicit applications</li> <li>• review application</li> <li>• prepare staff report</li> </ul>	<ul style="list-style-type: none"> <li>• Public Review/Comment</li> <li>• Final program manual</li> <li>• Final application</li> <li>• IT development completed</li> </ul>	<ul style="list-style-type: none"> <li>• Modify programs create processes to incentivize DDD activity</li> </ul>
<b>CY 2015</b>			
<b>Jan</b>	<ul style="list-style-type: none"> <li>• Governor designates Districts</li> </ul>	<ul style="list-style-type: none"> <li>• DDD Reservation Application available (7 days after designation)</li> </ul>	
<b>Feb</b>			
<b>Mar</b>		<ul style="list-style-type: none"> <li>• March 15 Reservation Deadline (75 days after District Designation)</li> </ul>	
<b>Apr</b>		<ul style="list-style-type: none"> <li>• Project review and ranking</li> <li>• Light underwriting</li> </ul>	<ul style="list-style-type: none"> <li>• April 1<sup>st</sup> SHPO Tax Credit priority for DDDs is lifted</li> </ul>
<b>May</b>		<ul style="list-style-type: none"> <li>• May 15 Reservations Announced (60 days after Reservation Deadline)</li> </ul>	
<b>June</b>		<ul style="list-style-type: none"> <li>• Reservation Agreements Executed</li> </ul>	
<b>FY 2016</b>		<b>New Funding Appropriation</b>	
<b>July</b>			
<b>Aug</b>			
<b>Sept</b>		<ul style="list-style-type: none"> <li>• Sept 1 Reservation Deadline</li> </ul>	
<b>Oct</b>		<ul style="list-style-type: none"> <li>• Project review and ranking</li> <li>• Light underwriting</li> </ul>	
<b>Nov</b>	<ul style="list-style-type: none"> <li>• Work with DSHA to draft Governor Report</li> </ul>	<ul style="list-style-type: none"> <li>• Nov 1 Reservation Announced</li> <li>• Work with OSPC to draft Governor Report</li> </ul>	
<b>Dec</b>	<b>REPORT TO GOVERNOR ON ACCOMPLISHMENTS, BENCHMARKS, DISTRICT IMPROVEMENTS</b>		



## APPENDIX C - Definitions

### **DSHA**

Means the Delaware State Housing Authority.

### **Downtown Development District or District**

Means an area within a municipality or unincorporated area designated as a Downtown Development District by the Governor in accordance with Chapter 19 of Title 22.

### **District Plan**

Means the strategic plan or other detailed description of the overall strategy for the development of a proposed district submitted by the municipality or unincorporated area as part of its application for District designation.

### **District Grant**

Means a Downtown Development District Grant

### **Facility**

Means a complex of buildings, co-located at a single physical location within a District, all of which are necessary to facilitate the conduct of the same residential, trade, or business use. This definition applies to new construction as well as to the rehabilitation and expansion of existing structures.

### **Minimum Qualified Investment Threshold**

Means the minimum level of Qualified Real Property Investments required to be made by a Qualified District Investor in a building or facility in order to qualify for a District Grant, as determined by DSHA. Notwithstanding the foregoing, for the fiscal year ending June 30, 2015, the Minimum Qualified Investment Threshold shall be \$25,000 with respect to a single residential or mixed-use building or a facility. No more often than once per year, DSHA may amend the Minimum Qualified Investment Threshold with respect to uses (residential, commercial, industrial, etc.), types of projects (rehabilitation, new construction, etc.), or other criteria determined by DSHA to be necessary or convenient to accomplish the purposes of this program.

### **Minimum Qualified Investment Threshold**

Means the minimum level of Qualified Real Property Investments required to be made by a Qualified District Investor in a building or facility in order to qualify for a District Grant, as determined by DSHA. Notwithstanding the foregoing, for the fiscal year ending June 30, 2015, the Minimum Qualified Investment Threshold shall be \$25,000 with respect to a single residential or mixed-use building or a facility. No more often than once per year, DSHA may amend the Minimum Qualified Investment Threshold with respect to uses (residential, commercial, industrial, etc.), types of projects (rehabilitation, new construction, etc.), or other criteria determined by DSHA to be necessary or convenient to accomplish the purposes of this program.

### **Mixed-Use**

Means a building or facility that blends a combination of residential, commercial, or industrial uses.

### **Municipality**

Means any incorporated town or city of this State.



### **Qualified District Investor**

Means an owner or tenant of real property located within a District who expands, rehabilitates or constructs such real property for residential, commercial, industrial or mixed use. In the case of a tenant, the amounts of qualified real property investment specified in this section shall relate to the proportion of the building or facility for which the tenant holds a valid lease. In the case of an owner of an individual unit within a common interest community, as such term is defined in 25 *Del.C.* § 81-103(11), the amounts of qualified real property investments specified in this chapter shall relate to that proportion of the building for which the owner holds title and not to common elements.

### **Qualified Real Property Investment or QRPI**

Means the amount in excess of the Minimum Qualified Investment Threshold that is properly chargeable to a capital account for improvements to rehabilitate, expand or construct depreciable real property placed in service within a District. Specific inclusions and exclusions from the definition of "Qualified Real Property Investments" shall be determined by DSHA, but such definition shall generally include expenditures associated with (i) any exterior, interior, structural, mechanical or electrical improvements necessary to construct, expand or rehabilitate a building or facility for residential, commercial, industrial, or mixed use; (ii) excavations; (iii) grading and paving; (iv) installing driveways; (v) landscaping or land improvements; and (vi) demolition. Notwithstanding the foregoing, no investment in the rehabilitation, expansion, or construction of any building or facility in a District shall be a Qualified Real Property Investment unless it is performed in accordance with the District Plan.

### **Substantially Commence**

For purposes of this Program, "substantially commencing" means that work accounting for a minimum of 15% of the estimate of "qualified" expenditures. This status may be verified through site inspection and request for written verification of expenditures.



## APPENDIX D – Frequently Asked Questions

### **When is a project considered too far along in the process to be eligible?**

Large Projects are considered ineligible when the project has “substantially commenced” at the time of Reservation application. Exceptions will be considered for investors who intend to resume failed projects where progress has been made, but the prior investor was unable to complete the project.

### **What is the difference between a building and a facility?**

A facility is a complex of building, co-located at a single physical location within a Downtown Development District, all of which are necessary to facilitate the conduct of the same use. A facility typically represents a group of building under common ownership, management, and operations.

Common management and operations means that the group of buildings is designed to function as a unit. Examples of facilities: hotel with multiple buildings, multi-family rental development with several buildings, shopping malls, office buildings.