



Delaware

2009 Annual Action Plan

*A Supplement to the
Five-Year
Strategic Plan
2008 – 2012
for Housing and
Community
Development*

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Executive Summary



The Action Plan, prepared and implemented by the Delaware State Housing Authority (DSHA), is an annual planning document required by Congress and the U.S. Department of Housing and Urban Development (HUD). Using the goals and strategies set forth in the *Five-Year Strategic Plan for Housing and Community Development 2008-2012 (Five-Year Strategic Plan 2008 - 2012)*, the Action Plan is designed to explain to Delaware citizens how the State plans to distribute funding for federal FY2009 (July 1, 2009 to June 30, 2010).

The overall goal of community planning and development programs is to support the development of viable communities by providing decent housing and a suitable living environment for low- and moderate-income persons. DSHA strives to make these opportunities accessible and affordable to communities and individuals, and to ensure that desired project outcomes are sustainable and measurable. The plan serves four major functions:

- ◆ It is the State of Delaware's application for federal funds available through the four HUD formula grant programs that are administered by DSHA;
- ◆ It is the annual planning document, built through public input and participation, for the four HUD formula programs and other related programs;
- ◆ It lays out the funding resources expected, the method of distribution and the actions the state will follow in administering the HUD programs; and
- ◆ It provides accountability to citizens for the use of the funds and allows HUD to measure program performance.

DSHA will receive approximately \$5.2 million in formula funding for the four community planning and development programs administered by HUD for FY2009. The four formula programs governed by this Action Plan are:

- ◆ Community Development Block Grant (CDBG);
- ◆ Emergency Shelter Grants (ESG);
- ◆ HOME Investment Partnerships Program (HOME); and
- ◆ Housing Opportunities for Persons with Aids (HOPWA).

Housing and Community Development Goals and Strategies

The following general goals and strategies derived from the strategic planning and public participation process and are regarded as being the most effective for addressing Delaware's most pressing housing and community development needs. These strategies serve DSHA as targets for each year's Action Plan and activities. Not all strategies apply to all areas of the State

as local conditions and residents determine how best to address the housing and community development needs of each community. Each successive Action Plan endeavors to reflect and adhere to these strategies in its resource allocation and program planning.

The State set forth corresponding priorities, as outlined below, to address the identified housing needs of Delaware's population:

- ◆ Preserve and expand Delaware's stock of affordable rental housing;
- ◆ Assist Delaware families to achieve and sustain homeownership;
- ◆ Assist families to become economically self-sufficient and move from assisted to unassisted housing;
- ◆ Assist in ending homelessness and ensure that those at risk of homelessness have access to affordable, integrated, supportive housing options; and
- ◆ Assist local jurisdictions in strengthening communities and providing quality, affordable housing opportunities to current and future populations.

Strategies are provided for a wide range of issues and challenges identified in the Action Plan, including preservation, homeownership, providing permanent supportive housing for those at risk of homelessness, addressing barriers to affordable housing development, addressing lead-based paint hazards, promoting fair housing, revitalizing neighborhoods and many more.

Measuring Performance

Performance measurement is a tool that can help track progress and report on program results in a way that highlights the impact a program has had on the community and the lives of its residents. It is used to compare quantifiable achievements versus what was projected as a goal and is a means to capture program outcomes. HUD instituted the following three goals or objectives to guide performance measurement:

- ◆ ***Create suitable living environments*** – In general, this objective relates to activities that are designed to benefit communities, families, or individuals by addressing issues in their living environment.
- ◆ ***Provide decent affordable housing*** – The activities that would typically be found under this objective are designed to cover a wide range of housing possible under the HOME, CDBG, ESG and HOPWA Programs. This objective focuses on housing programs where the purpose of the program is to meet individual family or community needs and not programs where housing is an element of a larger effort.
- ◆ ***Create economic opportunities*** – This objective applies to activities related to economic development, commercial revitalization or job creation.

The second component of HUD's performance measurement system is outcomes. The program outcome helps further refine the objective and is designed to capture the nature of the change or the expected result. They are as follows:

- ◆ ***Availability/Accessibility*** – This outcome applies to activities that make services, infrastructure, public services, public facilities, housing or shelter available or accessible to low- and moderate-income people, including persons with disabilities.

- ◆ **Affordability** – This applies to activities that provide affordability in a variety of ways in the lives of low- and moderate-income people. It can include the creation or maintenance of affordable housing, basic infrastructure hook-ups, or services such as transportation and daycare.
- ◆ **Sustainability** – This outcome applies to activities that are aimed at improving communities or neighborhoods, helping to make them livable or viable by providing benefit to persons of low- and moderate-income. This may be accomplished by removing or eliminating slums or blighted areas and through multiple activities or services that sustain communities or neighborhoods.

Evaluation of Past Performance

The State is currently operating in the first year of the Five-Year Strategic Plan 2008 – 2012, which does not conclude until after this Action Plan is required to be submitted to HUD. DSHA was successful in its efforts to address the priority needs identified in the Five-Year Strategic Plan 2003 – 2007. Specific details about past performance by the state on priorities are available through the state’s Consolidated Annual Performance Evaluation Report (CAPER) that is submitted to HUD. The 2007 CAPER was submitted to HUD in September 2008 and is the recent report submitted by the state. The CAPER is available on DSHA’s website at www.destatehousing.com or by contacting DSHA at 302-739-4263. Appendix B is a summary of the state’s accomplishments.

Reaching Out to the Community

Citizen participation in the Action Plan helps assist DSHA to set forth issues that need to be addressed to make the difference for individuals and families and the community they live in. DSHA is continually looking for efforts to broaden the citizen participation process. DSHA encourages and maintains an open relationship with a number of agencies, and provides them the opportunity to submit data, ideas and comments throughout the planning process. This process of intergovernmental cooperation and coordination is seen as on-going. DSHA interacts with representatives from Delaware governments, social service agencies, private nonprofit and for-profit developers and other special interest groups. Representatives from the Department of Health and Social Services (DHSS), the Governor’s Advisory Council for the Division of Substance Abuse and Mental Health, the Division of Family Services for Children, Youth and Their Families (DFSCYF), Criminal Justice Council (CJC), the Homeless Planning Council (HPC), Delaware HIV Consortium and the State Council for Persons with Disabilities (SCPD) also provided valuable assistance with respect to social service data on the homeless and special populations.

Public hearings are designed to provide input from local and county governments, for profit and nonprofit organizations, other state agencies, advocacy groups, housing authorities, professional organizations and private citizens. In accordance to HUD guidelines and the State of Delaware Citizen Participation Plan, DSHA holds at least one public hearing in order to gain input into the Action Plan. In addition, a joint notification of a 30-day public comment period and the availability of the Action Plan are advertised in newspapers throughout the state. The Action Plan is also made available on DSHA’s website at www.destatehousing.com. The Citizen Participation Plan is attached as Appendix B.

Summary of Action Plan Amendments for State FY2009

In this second year of DSHA's Five-Year Strategic Plan 2008 – 2012, changes have been made to the administration of the CDBG Program. Program changes are as follows:

Community Development Block Grant Program

- ◆ The maximum allocation for all administrative and program delivery costs for any single applicant shall not exceed \$155,000 in any program year. Requests for administrative funds have been increasing dramatically, and this cap is necessary to help meet the 20 percent administrative expense cap imposed by HUD;
- ◆ Target areas must have at least four eligible units per target area;
- ◆ Data Universal Numbering System (DUNS) and Employer Identification Number (EIN) numbers are now required on the Application cover page; and
- ◆ Finally, the application deadline was set at 4:00 p.m. on February 12, 2009.

Resources and Objectives

The Action Plan establishes the priorities, proposed activities and methods of allocating funds under four federally-funded programs – CDBG, HOME, ESG and HOPWA. Housing and community development resources from these four programs total over \$5 million in federal formula funding to the State of Delaware.

Housing and community development programs have increasingly stressed the importance of leveraging and combining funding from a variety of sources. DSHA's consolidated planning process reports on a number of state and federal programs involved in housing and community development. The consolidated planning process does not govern many of the programs identified in the table that follows. Anticipated funding levels for FY2009 (July 1, 2009 to June 30, 2010) reflect the projected amounts authorized by Delaware's Legislature. Figures are based on the best information available at the time of release of this Action Plan.

Combined State and Federal Resource Summary

| Activity | Type of Assistance Strategy Addressed | Program | Anticipated Funding State | Anticipated Funding Federal | Proposed Families/ Units Assisted | Proposed Entities Assisted |
|------------------------------|--|---|--|-----------------------------|-----------------------------------|----------------------------|
| Homeownership | Mortgage Assistance | Single Family Mortgage Revenue Bond (SFMRB) Program | \$200,000,000 | | 1000 | |
| | | HOME Downpayment Assistance | | \$60,000 | 3 | |
| | | Delaware Housing Partnership (DHP) Program | \$1,200,000 | | 450 | |
| | | Live Near Your Work (LNYW) Program | \$20,000 | | 10 | |
| | | Housing Rehab Loan Program | \$1,000,000 | | 15 | |
| | | DEMAP | \$730,000 | | 70 | |
| | | Housing Counseling | Federation of Housing Counselors & NCALL | \$175,000 | | 350 |
| Rental | Create, Rehab and Preserve Rental Housing, and Leverage Multifamily Developments | Low Income Housing Tax Credit (LIHTC) Program | | \$2,665,000 | 375 | |
| | | HOME | | \$2,440,000 | | |
| | | HOME General Administration | | \$300,000 | | |
| | | HDF | \$8,000,000 | | | |
| Community Development | Rehab Owner Occupied Homes | HOME | | \$200,000 | 12 | |
| | | CDBG | | \$1,495,000 | 124 | 2 |
| | Demolition | CDBG | | \$35,000 | 4 | |
| | | CDBG Program Income | | \$125,000 | | |
| | | CDBG General Administration | | \$390,000 | | |
| | | CDBG Rehab Program Delivery | | \$80,000 | | |
| | Assistance to Homeless Shelters | Emergency Shelter Grants (ESG) Program | | \$100,233 | 75 | 7 |
| | Rental Assistance to Persons Living with Aids | Housing Opportunities for Persons With Aids (HOPWA) | | \$179,000 | 30 | |
| | Emergency Home Repair | Emergency Home Repair | \$350,000 | | 200 | |
| | Special Projects | Serve Populations with Special Needs | \$500,000 | | 10 | |
| Total | | | \$211,975,000 | \$8,069,233 | 2,728 | 9 |

Leveraging

Community Development Block Grant

Neighborhood infrastructure improvements may be leveraged through any combination of the following:

- ◆ Local – bonds, in-kind, municipality’s general fund and local water and sewer fund;
- ◆ State – Delaware Department of Transportation, Department of Natural Resources and Environmental Control State Revolving Fund and municipal street aid fund; and
- ◆ Federal – Department of Transportation (DOT), Environmental Protection Agency (EPA), Federal Emergency Management Agency (FEMA) and U. S. Department of Agriculture (USDA).

The uses of CDBG funds for owner-occupied rehabilitation may leverage additional rehabilitation funding from nonprofit, private and public sources; however, this is usually not the case.

HOME Program

The majority of the State of Delaware’s HOME funds are provided to multi-family rental developments. During the previous fiscal year, DSHA committed funding to one HOME multi-family development.

The projected permanent financing breakdown of the HOME financed multi-family rental development indicates HOME funds will provide 8% of the financing, while 92% of total development costs are to be provided by other sources including: Low Income Housing Tax Credits – 63%; permanent financing from USDA Rural Development – 16% and owner financing 13%. The uncertainty of the market for tax credits at present may require a higher than normal commitment of HOME funds in future multi-family developments however, DSHA expects on average to leverage each HOME dollar spent for multi-family rental developments three to one with other funding sources.

DSHA has also provided assistance to homebuyers for downpayment and closing costs from the HOME Program and ADDI funds in prior years. It is anticipated that ADDI funds will not be available for the coming fiscal year and DSHA may not receive applications for additional assistance for homebuyers. Based on the average financing for homeowner loans closed in prior years should a fundable application be received, DSHA expects at a minimum to leverage each HOME dollar used for downpayment or closing costs four to one with other financing.

Leveraging of other funds is not required under the HOPWA and ESG Programs.

Matching Requirements of Federal Funds

Community Development Block Grant

HUD requires a one-for-one match on CDBG funds used for state administration in excess of \$100,000. DSHA will spend the maximum allowable of \$160,000 in state administration for FY2009, and will match the funds in excess of \$100,000 with at least an additional \$60,000 in DSHA funds. We do not anticipate using any program income for administration; therefore it will not require a match.

The FY2009 Delaware CDBG Program Guidelines require subgrantees to match their CDBG administration funds one-for-one with local administration funds. Kent and Sussex Counties will match their administration allocations of \$155,000 each, with at least those amounts, in local funds.

Delaware CDBG Program Guidelines also require subgrantees to match their CDBG infrastructure project funds with minimum match amounts that vary with the amount of CDBG funds requested. Cash matches may be provided through other sources of funding for the same activity. The following are the CDBG infrastructure match requirements:

- Up to \$100,000 requires a 10% cash match or a 15% in-kind match;
- \$100,000+ to \$200,000 requires a 15% cash match or a 20% in-kind match; and
- \$200,000+ requires a 20% cash match or a 25% in-kind match.

However, no infrastructure projects have been recommended for funding for FY2009.

HOME Program

To the extent that contributions from other resources to a development assisted with HOME funds do not meet matching requirements, DSHA will provide the remainder of the required match from non-federal sources. Contributions that have or will be counted as satisfying a matching requirement of another federal program may not be used to satisfy the matching requirement for the HOME Program.

As required, DSHA will make match contributions to housing that qualifies as affordable housing under the HOME Program. Except where the match requirement has been reduced, DSHA will provide match funds totaling not less than 25% of the HOME funds drawn from the State of Delaware's HOME Investment Trust Fund Treasury account for the appropriate period. Funds drawn for administration and Community Housing Development Organization (CHDO) operating expenses are not required to be matched.

Matching contributions required under the HOME program may be made as a cash contribution from non-federal sources or may be made as the grant equivalent of a below market interest rate loan from the State of Delaware Housing Development Fund (HDF) to housing that qualifies as affordable under the HOME Program. The present discounted cash value of the difference in the interest rate for the HDF loans versus the appropriate market rate for that type of development will be counted as a match.

Match contributions made in a Federal fiscal year exceeding the match liability for that year will be carried over and applied to future fiscal years' match liability.

Emergency Shelter Grants and Housing Opportunities for Persons with Aids Programs

The State of Delaware ESG formula allocation is \$100,233 and in FY2009 subgrantees will be required to match funds awarded. Further, matching funds are not required under HOPWA regulations, either for administration or recipients.

Annual Objectives

The following are the annual objectives (priorities) the state expects to achieve in the coming program year based on the priorities set forth in the Consolidated Plan.

Priority 1: Preserve and expand Delaware's stock of affordable rental housing.

HDF, LIHTC & HOME Programs – The LIHTC program provides a direct federal income tax credit to qualified owners and investors, who build, acquire or rehabilitate rental-housing units to rent to working low- to moderate-income Delawareans. DSHA will continue to administer loan and tax credit programs targeted for construction or rehabilitation to quality rental housing for the very low-, low- and moderate-income households. Based on the rental housing needs, DSHA anticipates assisting in the construction and/or rehabilitation of 375 affordable rental units in Delaware. However, the actual breakdown in each category is undetermined, as it depends on the developer's application for DSHA funds.

Preservation

DSHA is also the contract administrator for 4,667 project-based Section 8 Housing units. DSHA will continue the efforts to preserve affordable rental units through renewal of HAP contracts. During FY2009, 353 units of housing face expiring contracts, however DSHA anticipates that all of the affordable units will be preserved.

Priority 2: Assist Delaware families to achieve and sustain homeownership.

Single Family Mortgage Revenue Bonds (SFMRB) – DSHA anticipates issuing approximately \$200,000,000 in bonds to assist first-time homebuyers in Delaware. This mortgage financing is offered at below-market interest rates to low- and moderate-income families through approved lenders, banks and financial institutions. DSHA also offers a three percent grant towards closing cost and downpayment assistance. The grant is based off of the loan amount and is at a slightly higher interest rate than the regular program loans. DSHA also offers a 40-year mortgage product to lower monthly payments without families resorting to predatory lending products. The SFMRB is offered statewide and DSHA anticipates assisting 1,000 families.

Delaware Housing Partnership (DHP) – DHP offers up to \$10,000 in downpayment and closing cost assistance in a deferred 6% simple interest rate second mortgage to low- to moderate-income families. The partnership is funded through a variety of sources including the State of Delaware, New Castle County, financial institutions, foundations and businesses. This program is offered statewide and DSHA anticipates assisting approximately 450 families.

HOME – Note: It is anticipated that ADDI funds will not be available in the coming fiscal year. HOME funds may be used as deferred second mortgage loans to low-income homebuyers for acquisition/downpayment and closing costs. Participants in DSHA's Scattered Site Public Housing Home Ownership Program (PHHOP) will receive priority for all HOME Program second mortgage loans. DSHA anticipates that applications will be received for three families for downpayment assistance. Additionally, the HOME Program will fund the rehabilitation of 12 owner-occupied properties in Kent and Sussex Counties.

Public Housing Home Ownership Program (PHHOP) – Public Housing site residents and families on DSHA’s waiting lists are provided the opportunity to purchase their own home. This program was originally funded by the HDF and HUD, and is now totally funded by HUD. Select participants must demonstrate that they have been responsible members of their communities for at least two years and have no serious lease violations. Participants must be gainfully employed, actively seeking employment, or be enrolled in a job training program. This program is offered in Kent County only. Given that this program is dependent on an adequate supply of affordable housing and mortgage-ready residents, DSHA is unable to forecast assistance for FY2009.

Live Near Your Work (LNYW) – The LNYW program will continue to expand throughout the State of Delaware. LNYW is a partnership between state, local jurisdictions and local employers to encourage homeownership near an employee’s place of employment. Downpayment and closing cost assistance is provided to families in the form of a grant that is matched by participating employers and local communities. Currently, DSHA has 18 employers and 3 jurisdictions participating in this homeownership program. DSHA anticipates assisting 10 families.

Resident Homeownership Program (RHP) – This program enables low- to moderate-income families residing in DSHA public housing sites or receiving Housing Choice Voucher assistance to use their monthly Housing Assistance Payment (HAP) to help pay their mortgage. Given that this program is dependent on an adequate supply of affordable housing and mortgage ready residents, DSHA is unable to forecast assistance for FY2009.

Delaware Emergency Mortgage Assistance Program (DEMAP) – DEMAP is a program designed to assist homeowners, who through no fault of their own, are in danger of losing their home to foreclosure. DEMAP offers homeowners a three percent simple interest loan to reinstate delinquent mortgages. Loans are repaid to DEMAP through monthly installments that are determined by DSHA, based on the recipient’s net income in relation to total housing expenses. DSHA anticipates assisting 70 homeowners with this program.

Housing Development Fund (HDF) – The HDF will assist approximately 350 families move closer to homeownership with homeownership counseling. Grants will be given to the Federation of Housing Counselors and NCALL to empower families to purchase their first home. In addition, the HDF anticipates assisting 200 families with emergency home repair through RC&D.

Community Development Block Grant (CDBG) – Housing rehabilitation under the CDBG Program brings dwelling units up to local housing code standards by focusing on major systems such as roofs, electrical wiring, heating, plumbing, weatherization, insulation, foundations and structural members, wells and septic systems, or water and sewer hookups. In addition, the program repairs or replaces siding, doors and windows and provides for handicapped accessibility when needed. DSHA expects the CDBG rehabilitation activities to upgrade 130 owner-occupied housing units in Kent and Sussex Counties, which include 36 scattered site hookups.

Housing Rehabilitation Loan Program (HRLP) – The HRLP provides 3% interest rate home improvement loans for a fifteen-year term to low- and moderate-income homeowners and

landlords who rent to low- and moderate-income tenants. The financial assistance is used to moderately rehabilitate existing properties to comply with the State Housing Code or to make a property handicapped accessible. The program is offered statewide and DSHA anticipates assisting 15 households.

Priority 3: Provide access to high-quality, affordable housing and aid families to move from assisted to unassisted housing.

During FY2009, DSHA will continue to empower families to move from assisted to unassisted housing. DSHA and HUD signed a ten-year extension agreement to the Moving to Work (MTW) Program in 2008. This will allow us to continue the program through 2018. MTW requires residents to work or be in school to receive a housing subsidy. Additionally, there is a five-year limit to how long a family can receive assistance. The MTW goal is to establish positive work and budget habits over the time in the program, which will serve the family as they transition to unsubsidized housing. DSHA believes that MTW plays an important role in breaking the cycle of poverty by providing case management services and resources that help families succeed. It is anticipated that 50 families will benefit from this program and move to unassisted housing during FY2009.

Priority 4: Assist in ending homelessness in Delaware and ensure that those at-risk of homelessness have access to affordable, integrated, supportive housing options.

HOPWA – The HOPWA Program is designed to provide eligible applicants with resources and incentives to devise long-term comprehensive strategies for meeting the housing needs of persons with AIDS or related diseases and their families. DSHA is anticipating that the Delaware HIV Consortium will use the anticipated funds for payment of project- or tenant-based rental assistance, including shared housing, rent, mortgage, and/or utility payments to prevent homelessness of the tenant or mortgagor. Funds may also be used for supportive services that include, but are not limited to, health, mental health, assessment, nutritional services, intensive care when required and assistance in gaining access to benefits and services. DSHA anticipates assisting 30 households.

ESG – The ESG Program is used to assist in the operating expenses of emergency shelters, improve the quality of emergency shelters, make additional shelters available and provide prevention programs and essential social services to homeless individuals and families. DSHA anticipates providing approximately seven emergency shelters with operating expenses and homeless prevention funds. Under the prevention category, DSHA may provide funds to grantees to assist individuals and families in retaining their current housing through payment of back rent, mortgage and utility payments. In addition, first month's rent and security deposits may be paid to aid individuals and families in their transition from homelessness to permanent housing. This program is operated in Kent and Sussex Counties and anticipates assisting 75 families with decent affordable housing.

DSHA will continue to support the activities of the HPC in its capacity as the statewide CoC coordinating entity. DSHA will work with various agencies throughout the state that provide permanent housing, transitional housing and supportive services to homeless households. The

CoC grants will provide funding for one-, two- and three-year periods for activities throughout the State of Delaware.

DICH completed *Breaking the Cycle: Delaware's Ten-Year Plan to End Chronic Homelessness and Reduce Long-Term Homelessness* in 2007. Implementation of the Plan has begun and the DICH will monitor and revise the Plan based on data provided by the HPC. The DICH will use this data to assess the impact of the Plan on the incidence and prevalence of homelessness in Delaware among the target populations. The Plan is available on DSHA's website at www.destatehousing.com.

During FY2009, DSHA will continue to provide a \$250,000 set-aside in the LIHTC QAP to be used for developing supportive housing options. The accomplishments will be dependent upon developers' applications and funding levels.

Priority 5 – Assist local jurisdictions in strengthening communities and providing quality affordable housing opportunities to Delawareans regardless of income ranges or stage in life.

DSHA will continue to use its leadership position to address system inefficiencies with respect to coordination in the areas of nonprofit housing development, provision of homeless assistance, provision of housing assistance and program consolidation.

DSHA implemented eHousing, an online application process for housing assistance. Delaware residents who want to apply for Public Housing and Housing Choice Voucher Programs in Kent and Sussex Counties can now apply online at DSHA's website www.destatehousing.com from any computer with internet access. DSHA will continue working throughout FY2009 with Delaware's other housing authorities and agencies to expand access to online application processes.

Governor's Initiative for Growth Management

This Action Plan is developed in accordance with "Governor's Initiative for Growth Management", Delaware's proactive strategy to curb sprawl and redirect growth to areas of the state that can best support it through investments in infrastructure and planning. The provision of quality, safe, affordable housing is essential to the success of the strategy.

Delaware's goal is to encourage the integration of racial and ethnic minorities through its economic and housing priorities. The key element in the state's strategy is to provide greater choices for all Delawareans with respect to employment and housing.

DSHA will continue to encourage housing professionals statewide to coordinate resources in order to deliver quality affordable housing and related services to low- and moderate-income Delawareans.

Activities

The activities section of the Action Plan describes Delaware's method of distributing funds to local governments and nonprofit organizations to carry out activities using funds that are expected to be received under formula allocations. This includes related program income and other HUD assistance during FY2009. It also describes the reasons for the allocation priorities, how the proposed distribution of funds will address the priority needs and specific objectives identified in the Five-Year Strategic Plan 2008 - 2012 and any obstacles to addressing underserved needs.

Community Development Block Grant

The State distributes funds through a competitive application process to units of general local government throughout Kent and Sussex Counties, Delaware. The competitive application process is described under the heading "Program-Specific Requirements 91.320(g)" page 35. Each unit of local government and each county government may make only one application for funds in each program year, with the exception of applications for emergency activities and infrastructure for new housing development. An application from the Kent and Sussex County governments may include unincorporated portions of the county, as well as those incorporated areas whose governing bodies have specifically requested to be included in the county's application. The program is competitive in nature and usually the demand for funds far exceeds the total amount available to the state. Therefore, eligible applicants selected for funding are those communities and counties whose applications best address locally determined needs of low- and moderate-income families as contained in Delaware's Five-Year Strategic Plan 2008 – 2012. They must also be consistent with the 51% principal benefit requirement or otherwise meet one of the three National Objectives, and meet one or more of the State's priorities. The State's priorities CDBG funding are:

- ◆ Maintenance of existing housing including:
 - rehabilitation of substandard residential properties occupied by 100% low- and moderate-income households;
 - housing code enforcement in areas of slum and blight or which benefit an area of at least 51% low- and moderate-income persons;
 - demolition of substandard structures in areas of slum and blight or which benefit 51% low- and moderate-income persons on an area or spot basis;
 - construction or rehabilitation of emergency/transitional/permanent supportive housing serving of at least 51% low- and moderate-income limited clientele;
 - relocation assistance under the Uniform Relocation Act; and
 - substantial reconstruction of housing occupied by 100% low- and moderate-income households.
- ◆ Infrastructure benefiting at least 51% low- and moderate-income persons.
- ◆ Emergency activities, which have a particular urgency because existing conditions pose a serious and immediate threat to the health and welfare of the community and other financial resources are not available to meet such needs.
- ◆ Administration.

Given the applications received, the State projects that it will implement the following activities with CDBG funding during FY2009:

- ◆ \$1,504,000 to assist 88 households with rehabilitation;
- ◆ \$73,500 to assist with 36 households with water/sewer hookups;
- ◆ \$80,000 to assist Kent and Sussex Counties with program delivery;
- ◆ \$26,000 to assist with rehabilitation of two shelters;
- ◆ \$310,000 to assist Kent and Sussex Counties with administration; and
- ◆ \$160,000 to assist DSHA with administration.

Additionally, DSHA anticipates \$125,000 will be generated in program income. This will be retained by the unit of local government and be added to funds committed to the activity and use to further the same activity as the income is derived. Program income may not be used for administrative costs and must be expended before additional funds are drawn down from DSHA for the same activity.

Moreover, DSHA may recapture funds and/or redistribute remaining funds from prior year contracts during FY2009. Recaptured funds are those CDBG funds which remain unobligated after a CDBG contract has either been closed out or terminated; or after it has been determined that the total amount of CDBG funds originally allocated in a given contract are not required to complete the proposed activity for which they are allocated. Remaining funds are funds for which a method of distribution was contained in a prior year's Program Guidelines, but which have not been, and are no longer intended to be so distributed. Remaining funds may also be an amount left over after the State has awarded all of its contracts, but the left over amount is too small to fund an application.

At the time this Action Plan was written, DSHA is unable to predict the amount of recaptured/remaining funds that may be reallocated during FY2009. However, any recaptured/remaining funds that are received from previous contracts before June 15, 2009 shall be included as part of the FY2009 allocations in accordance with all applicable requirements of the Program Guidelines.

Any funds received after June 15, 2009 shall be set aside for the following purposes:

- ◆ To provide additional funding for any activity already under contract so long as the total amount of funds allocated does not exceed the \$1,100,000 maximum allocation for any single applicant; in those cases where an unforeseen situation may have arisen after the original contract budget had been approved; or when the activity has not been funded in the total amount originally requested;
- ◆ To fund emergency activities and infrastructure for housing development that were not previously submitted as part of the FY2009 CDBG Program and the need for which may have arisen after the deadline for applications has passed. The \$1,100,000 maximum allocation of CDBG funds for any single applicant in any program year shall apply;
- ◆ At the discretion of the Director of DSHA, eligible applications not originally recommended for funding because of limited resources may be reconsidered for funding after approved activities mentioned above have been funded; and
- ◆ The priorities for distributing funds under this part shall be in accordance with the State's Method of Distribution.

Inadequate funding continues to be an obstacle to addressing the underserved needs. At the federal level, recent and projected cuts in domestic programs are reducing the investment in communities at a time of increasing need for affordable housing, homeowner rehabilitation and community development. The cost of affordable housing, both rental and homeownership, is greater than the rate of increase in annual household income, thus widening the gap in access to affordable housing options. DSHA will continue to coordinate and partner with other funding agencies to try to solve the greatest need with limited funding.

As new federal standards, initiatives and regulations, such as performance measurements, 504 compliance, Davis-Bacon compliance and Environmental Assessments are implemented; the demands on small local communities and organizations are amplified. These new requirements typically demand additional administrative capacity at the local level. If not accompanied by adequate administrative resources, they can siphon the limited resources from actual service delivery or other program areas. In addition to the practical limits of administrative staff, these mandates typically meet with strong local resistance, which limits program effectiveness and efficiency. DSHA will continue to provide technical assistance to subgrantees to address some of these mandates and will work with regulatory agencies and communities to address solutions to this obstacle.

Home Program

The distribution of annually allocated HOME Program funds will be directly administered by DSHA through the application and approval process in place for the State's HDF and LIHTC programs. HOME funds (and related program income which is required to be returned to DSHA, exclusive of allowable administrative charges and subject to HOME requirements) will be used primarily in conjunction with the LIHTC program for the acquisition, new construction, rehabilitation or conversion of multi-family rental housing. DSHA may also utilize HOME funding to provide downpayment assistance to low-income homebuyers. When sufficient HOME funds are available, subgrants may be made to Kent and Sussex Counties to allow HOME funds to be utilized for single-family homeowner rehabilitation through the State's CDBG application and approval process. The Counties, via contract, may administer homeowner rehabilitation projects. Any in-house application not previously approved for funding and all other applications received for the HDF and LIHTC programs may be reviewed for funding under the HOME Program.

DSHA will reserve at least 15% of its annual HOME Program allocation for use by nonprofit CHDOs. In competition for HOME Program funds set aside for CHDO developments, DSHA will give a preference to CHDOs who are applying for USDA Rural Development Section 515 financing and/or Rental Assistance.

HOME funds, as allocated, will maximize the benefit of program funds through leveraging of other scarce resources and preservation of programs critical to development of affordable housing in Delaware, such as the LIHTC Program. Additionally, the distribution of HOME Program funds is based on the Five-Year Consolidated Plan priorities and will address the two specific needs of: preservation and expansion of Delaware's stock of affordable rental housing and assisting Delaware families in achieving and sustaining homeownership.

DSHA expects requests for HOME Program and other State funds for the LIHTC applications alone to far exceed allocated financing, which will limit the availability of HOME funds to address other housing needs. Again, limited funding, at both the federal and state level, continues to be an obstacle to addressing the underserved needs.

Application and Loan Approval

Application for HOME Program funds for multi-family developments shall be made through the application and approval process in place for the HDF and/or LIHTC programs. The following specific items will be taken into consideration when determining the merits of an application for HOME funds:

- ◆ Organization's past performance;
- ◆ Community comments;
- ◆ Demonstrated need for the development;
- ◆ Suitability of the development location;
- ◆ Cost efficiency of the development;
- ◆ Amount of loan per unit serving very low-/low-income persons:
 - Rental units: 80% of HOME funds may benefit persons with incomes $\leq 60\%$ of the median income and the remaining 20% of HOME funds must benefit persons with incomes $\leq 50\%$ of the median income;
 - Owner-occupied units: 100% of HOME funds must benefit persons with incomes $\leq 80\%$ of the median income;
- ◆ Length of payback period;
- ◆ Position of loan and how it is secured/length of repayment;
- ◆ Source of permanent financing (*if appropriate*);
- ◆ Percentage of total development cost funded by HOME/DSHA;
- ◆ Cash and non-cash equity participation of developer;
- ◆ Evidence that alternate sources of financing have been utilized/exhausted;
- ◆ Evidence that housing will be provided in neighborhoods where there is little very low- or low-income housing available;
- ◆ Extent to which proposal will assist in revitalization of deteriorating neighborhood; and
- ◆ Extent to which current DSHA loans to the applicant or affiliated parties are in good standing.

Forms of Assistance

DSHA may provide HOME Program funds to developers or sponsors in the forms below:

- ◆ Equity investments;
- ◆ Interest-bearing loans or advances;
- ◆ Non-interest-bearing loans or advances;
- ◆ Interest subsidies;
- ◆ Deferred payment loans or grants; and
- ◆ Other forms of assistance approved by HUD.

Grants may be made only to nonprofits and only when a project demonstrates unusually strong very low-income orientation and is cost effective and not financially viable without a grant. The income mix of the persons to be served, as well as the financial viability of the project will influence interest rates and repayment schedules of loans.

Emergency Shelter Grants

ESG Program funds are distributed on a competitive basis as described in the Policy Manual and Application, which may be accessed at www.destatehousing.com. During FY2009, Delaware estimates receiving \$100,233 in ESG funding to support emergency and transitional shelter services throughout Kent and Sussex Counties. ESG will provide homeless persons with access to safe, decent and sanitary shelter, as well as to supportive services and mainstream assistance needed to move them toward permanent housing options. The State will distribute these funds to assist with the following:

- ◆ Payment of maintenance, operations (excluding rent and staffing costs), insurance, utilities and furnishings;
- ◆ The provision of new or increased essential services to the homeless;
- ◆ Renovation, major rehabilitation or conversion of buildings for use as emergency and/or transitional shelters for the homeless;
- ◆ Short-term homeless prevention assistance for persons at imminent risk of losing their own housing; and
- ◆ Administrative costs, specifically for the expense of computer hardware or software related to the Homeless Management Information System (HMIS) expense.

Over the past years, Delaware has developed a strong community-based response to homelessness, with a broad continuum of housing and services offered by both nonprofit and state agencies, and an extensive planning and data collection system spearheaded by the HPC. Unfortunately, the existing homeless service-delivery system is insufficient to end homelessness, particularly for those whom homelessness has become a chronic condition. Limited funding continues to be an obstacle in addressing this priority identified in the Five-Year Consolidated Plan.

DSHA will continue to utilize a Review Panel to recommend allocation of ESG funds and priority will be given to those applications which request funding for the provision of operating expenses and homeless prevention activities.

Housing Opportunities for Persons with Aids

HUD makes available HOPWA funds nationally both on a formula and competitive basis. HOPWA distributes program funds using a statutory formula that relies on AIDS statistics. The State of Delaware anticipates receiving \$179,000 in HOPWA formula funds. The State elects to select Delaware HIV Consortium (DHC) as the project sponsor without undertaking a competitive bid process. DHC operates Delaware's largest HOPWA-funded program and has operated a tenant-based rental assistance program in Kent and Sussex Counties, Delaware utilizing this formula funding since 1999. Clients are referred to the program by community-based HIV/AIDS case managers, who connect clients with Ryan White-funded supportive

services including case management, food and nutrition programs, transportation, mental wellness and substance abuse counseling, dental and eye care, pharmacy assistance and HIV primary medical care at statewide wellness clinics. Clients are required to meet regularly with their case managers during their participation in the tenant-based rental assistance program. Utilizing this HOPWA funding, Delaware HIV Consortium anticipates assisting 30 families with tenant-based rental assistance.

As with the other Community Planning and Development formula programs, limited funding continues to be an obstacle to addressing this population. As of February 2009, Kent County has a waiting list of 39 clients and Sussex County has a waiting list of 61 clients. Time spent on the waiting lists average approximately four years. Additionally, access to affordable housing is a perennial struggle for people with HIV/AIDS, many of whom are permanently disabled and live on very-low fixed incomes. Lack of decent, affordable housing can prevent HIV+ persons from obtaining proper medical management and other needed supports. In fact, the Treatment Needs Assessment identified housing as one of the top priorities, surpassed only by medical care/medication and early intervention services.

Further, clients have a difficult time locating appropriate rental housing in Kent and Sussex Counties. It is nearly impossible to find an affordable unit that meets HUD Fair Market Rent guidelines in the resort areas. Much of the housing in the outlying areas of Kent and Sussex Counties is substandard or is not easily accessed by public transportation. DSHA will continue to assist DHC with a list of landlords, who accept Housing Choice Vouchers to ensure they are provided the most current information on available units.

Outcome Measures

The following table summarizes the anticipated outcomes DSHA expects for FY2009. The table below displays those anticipated results for the four formula programs, using HUD Performance Measurement framework including the three general objectives and general outcomes.

Suitable Living Environment Objective

| Outcome | Indicator | Projected 2009 Total |
|----------------------------|------------------------|-----------------------------|
| Availability/Accessibility | Persons Assisted | 1,500 |
| Affordability | Housing Units Assisted | 0 |
| Sustainability | Housing Units Assisted | 0 |

Decent Housing Objective

| Outcome | Indicator | Projected 2009 Total |
|----------------------------|------------------------|-----------------------------|
| Availability/Accessibility | | 0 |
| Affordability | Housing Units Assisted | 541 |
| Sustainability | | 0 |

Economic Opportunity Objective

| Outcome | Indicator | Projected 2009 Total |
|----------------------------|------------------|-----------------------------|
| Availability/Accessibility | | 0 |
| Affordability | | 0 |
| Sustainability | | 0 |

Delaware's annual goals for assisting households/persons with affordable housing are detailed in the chart on page 5.

Geographic Distribution

DSHA administers the CDBG and ESG Programs throughout Kent and Sussex Counties, Delaware on a competitive basis. The most competitive projects are funded without using any artificial targeting of areas or beneficiaries. However, CDBG does impose a maximum allocation of \$1,100,000 per County. An equal distribution of funding between the Counties is anticipated. Moreover, the HOPWA funding is awarded to Delaware HIV Consortium annually for a tenant-based rental assistance program operated in both Kent and Sussex Counties. Distribution of funds is determined by the waiting lists for each County; however it normally is distributed 60% in Sussex County and 40% in Kent County.

HOME Program

DSHA anticipates an equal distribution of HOME Program funds between the three Counties in Delaware. The actual commitment of HOME funds will be dependent upon an evaluation of the quality and timing in which applications are received. It is anticipated that funds reserved for the use of CHDOs will be equally distributed between Kent and Sussex Counties. However, the actual disbursement of CHDO funds will be based upon an evaluation of the quality of the applications and the timing in which requests for funds are received.

Minority Concentration

As mentioned in the above statements, DSHA administers the formula programs in Kent and Sussex Counties, Delaware, with the exception of the HOME Program, which is administered statewide. DSHA does not specifically allocate resources to areas of minority concentration, but throughout the Counties regardless of ethnicity. However, for purposes of meeting the requirement of 24 CFR 91.320 (d), the following chart is the percentage of population by race for the three counties, New Castle, Kent and Sussex based on U.S. Census Bureau data.

| Race | New Castle | Kent | Sussex |
|--|-------------------|-------------|---------------|
| White | 71.7% | 72.8% | 83.7% |
| Black | 22.9% | 22.5% | 13.8% |
| Asian | 3.8% | 2.1% | 0.9% |
| American Indian & Alaska Native | 0.3% | 0.6% | 0.6% |
| Native Hawaiian & Other Pacific Islander | 0.1% | 0.1% | 0.1% |
| Persons of Hispanic or Latino Origin | 7.2% | 4.2% | 6.5% |
| Two or More Races | 1.3% | 2.0% | 1.0% |

Source: U.S. Census Bureau – 2007 data

Affordable Housing Goals

Based on the priorities set forth in the Consolidated Plan, one-year goals for the number of households to be provided affordable housing through activities that provide rental assistance, production of new units, rehabilitation of existing units or acquisition of existing units using program funds are set forth in the Action Plan. Also provided are the one-year goals for the number of homeless, non-homeless and special-needs households to be provided affordable housing.

DSHA has provided its anticipated outcomes or goals in providing affordable housing for FY2009 in charts and narrative under the resources and activities sections of the Action Plan. In summary, DSHA anticipates providing funding for the following:

- ◆ 50 units of new construction of affordable rental housing (*dependant on LIHTC applications received*);
- ◆ 275 units of rehabilitation of affordable rental housing (*dependant on LIHTC applications received*);

- ◆ 128 units of homeowner rehabilitation;
- ◆ 30 units of rental assistance;
- ◆ 10 unit set-aside to serve populations with special needs (*dependant on requests*);

Homeless and Other Special Needs Activities

The Action Plan must also speak to the needs of the homeless and other special needs populations. It sets for the activities the state plans to undertake during the program year to address emergency shelter and transitional housing needs of the homeless. It also addresses activities to help homeless persons make the transition into permanent housing and independent living. Specific action steps are outlined to end chronic homelessness and address the special needs of non-homeless persons

Annually, DSHA assists in funding the HPC, the coordinating entity for the statewide CoC, for general operating expenses and the Delaware Homeless Management Information System (DE-HMIS) expansion. Since the HPC began coordinating the CoC, Delaware has been awarded over \$45 million through the HUD Supportive Housing Program (SHP) application.

Emergency Shelter Needs and Transitional Housing

DSHA is the organization selected to distribute the ESG funds throughout Kent and Sussex Counties. As the lead agency in this process, DSHA has the opportunity to work closely with the 11 shelters and eight transitional housing programs in these counties. During the program year, DSHA anticipates distributing \$100,223 for shelter operations, homeless prevention and transitional housing. Based on information currently available, DSHA anticipates serving over 1,500 people in the HUD-funded emergency shelters and transitional housing and 75 families through homeless prevention efforts.

Because of the limited amount of ESG funding and the statutory requirements, DSHA is only able to fund shelters currently operating and serving homeless persons. There are no plans or provisions in the regulations that would allow DSHA to build or purchase any new emergency shelters. Moreover, the trend in Delaware has been a shift away from emergency shelter in favor of more transitional and permanent supportive housing.

In addition to shelter-based programs, there are a significant number of non-shelter service providers that target their services to homeless persons or families. These non-shelter services include: day centers, substance abuse counseling, mental health counseling, HIV/AIDS testing and treatment, food and clothing, case management, job training and placement and medical care.

Statewide Voucher Program

During FY2007, DSHA developed a state-funded Voucher Program to address the subpopulations identified in *Delaware's Ten-Year Plan to End Chronic Homelessness and Reduce Long Term Homelessness*. Thirty five vouchers were awarded to three organizations in response to a Request for Proposal (RFP). These vouchers are assisting persons with mental health and/or substance abuse conditions and youth with qualifying conditions transitioning to

adulthood. The rental subsidies provide the financial resources needed by persons with extremely low- and no incomes, who have demonstrated the ability to live independently while using mainstream resources, or obtain rental housing on the economy despite their resources. During FY2008, DSHA expanded this program with an addition \$1 million financed through the HDF. This provided an additional 39 vouchers to assist this population.

Transitional to Permanent Housing

Continuum of Care

The Delaware CoC Plan is a statewide strategy to organize and deliver services to meet the needs of people who are homeless, or near homeless, as they move into stable housing and maximum self-sufficiency. Since 1994, HUD has been encouraging communities to address the problems of homelessness in a coordinated, comprehensive and strategic fashion. This approach is designed to help communities develop the capacity to envision, organize and plan comprehensive and long-term solutions to address the problem of homelessness in their respective locales. The CoC contains several critical components including homeless prevention services, emergency shelter, transitional housing and permanent affordable housing, some of which remains linked to supportive services.

This Action Plan continues to acknowledge the importance of local homeless planning, linked to the state's overall homeless strategy. The HPC is the lead agency for the Delaware Continuum of Care (CoC) application program. The HPC manages, oversees and coordinates a year-round planning process. The HPC has received recognition as an effective, independent organization that conducts a variety of collaborative endeavors to address homelessness throughout Delaware. The HPC Board, which meets at least six times a year, oversees the work of its on-going and ad hoc committees as follows:

- ◆ HMIS Governance Committee – Responsible for the implementing and expanding the HPC's HMIS project and developing policies and procedures to structure and guide the statewide implementation of the HMIS. This committee oversees HMIS staff to ensure data integrity and works with those needing data for planning and decision making to make certain that HMIS data entry protocols will meet their needs.
- ◆ CoC working group – Responsible for insuring a comprehensive planning process, which is responsive to both the needs of the community and the HUD CoC Program requirements as described in the notification of funding availability.

The CoC planning process includes representatives of a broad cross-section of people interested in reducing homelessness. This includes service providers, government agencies, developers, corporate entities, financial institutions and citizens, including homeless and formerly homeless individuals.

In keeping with the commitment to end chronic homelessness in ten years, the HPC has worked during the past year to realign their prioritization process for the HUD-Targeted Housing and Homeless Assistance Projects. The HPC has adopted several policies that make applications for funding consistent with nationally recognized evidence-based best practices and HUD's priorities, as well as the needs identified through the Point-in-Time study and information

provided by people working with the homeless throughout the State. First, priorities emphasize permanent supportive housing and programs that serve predominantly chronically homeless persons, by rating applications that meet these criteria higher than applications for other services or target populations. Second, the HPC developed CoC strategies to ensure that persons served in HUD-funded projects are systematically linked to mainstream resources and supportive services. Finally, they are continuing efforts to ensure that eligible housing activities are the primary activities funded through the CoC application process.

Chronic Homelessness

To end chronic homelessness and reduce long-term homelessness in Delaware, the DICH recommends five broad strategies in *Breaking the Cycle: Delaware's Ten-Year Plan to End Chronic Homelessness and Reduce Long-Term Homelessness*:

1. Develop New Housing for Persons Who Are Chronically Homeless or At-Risk for Chronic Homelessness;
2. Remove Barriers to Accessing Existing Affordable Housing;
3. Improve Discharge and Transition Planning;
4. Improve Supportive Services for Persons who are Homeless; and
5. Enhance Data Collection and Use of Technology.

The Plan identifies that 2,000 beds will be needed but it is not just about creating housing units. It also calls for implementing a range of prevention and service delivery strategies that have a basis in evidence and have been demonstrated to be effective. It requires a willingness to examine the assumptions under which issues have been approached in the past, to assess activities and initiatives, and ultimately, to do business differently through changing systems, redirecting existing resources and securing commitments for additional funding. The significant focus of the Plan is on investing resources in a manner that better serves the homeless population.

Finding the resources to implement the Plan will be challenging; however, implementation of similar measures in other areas has proven that reductions in the use of high cost services almost totally offset the increased investment in housing. DSHA will continue to work with the DICH to implement Delaware's Ten-Year Plan.

LIHTC Set-Aside

In order to encourage the development of permanent supportive housing units for the chronically homeless, \$250,000 of the LIHTC credit ceiling for FY2009 has been set-aside for housing serving the chronically homeless. The households served by this set-aside have very low-incomes with high needs for supervision and on-site services. Application proposals 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.

Non-Homeless Needs

Discharge Planning

People are vulnerable to homelessness when they face major life changes. Careful planning for the transition between children's system of care and the adult system and for discharge from long-term hospitalization, institutionalization or incarceration will help to prevent chronic homelessness in years to come. Accomplishing this objective requires collaboration and cooperation among Delaware's governmental entities and service providers. During FY2009, DSHA will be working with the DICH to strengthen and improve discharge and transition planning. A workgroup was formed to review and enhance discharge and aftercare planning strategies to ensure that appropriate linkages with housing and community-based care are in place before people are discharged.

Addressing Barriers to Affordable Housing

Barriers to affordable housing development are diverse. These include land costs, limited resources at both the federal and State level in comparison to needs, NIMBYism and community opposition to higher density housing. In addition, many low- and moderate-income persons and households, especially the very low-income households, the homeless, the physically and mentally disabled, and the frail elderly, have problems finding and obtaining affordable housing. Only through a combination of approaches can the supply of housing affordability to working families and low-income families be expanded.

Affordable Housing Resource Center

To address these barriers, DSHA created the AHRC website that is a resource for local government officials and public viewers to learn about their community's housing needs. This center includes information on affordable housing initiatives happening in Delaware and throughout the country. This resource center was created in response to the housing boom and resulting escalation in housing prices in the early 2000s. Due to rising home prices, many working individuals and families have been left behind as their incomes barely keep pace with inflation. This trend is seen nationwide. Over 3.7 million working families in the United States are confronted with critical housing problems. Even in the recent downturn in the housing market, affordability remains a challenge for countless households, especially as incomes are affected by the broader economic downturn and unemployment.

Comparatively few new homes have been developed that are affordable to Delaware's "workforce households". "Workforce households" are households with incomes below 100% of the median income, which is \$70,800, based on HUD 2009 measures. This occurred at a time when Federal resources for housing have been scaled back. As a result, it is increasingly important that state, county, and local municipalities have meaningful strategies to encourage and preserve affordable housing.

DSHA developed a "Toolbox for Affordable Housing" as part of the AHRC. The toolbox is a resource for local communities to plan for affordable housing. It is a compilation of policies and planning tools local governments can use to preserve and promote affordable housing in their

respective communities. The toolbox includes best practices, as well as specific information and resources about how local governments can apply planning and land use to encourage the preservation and development of affordable housing. The toolbox demonstrates how these best practices are structured and applied locally and throughout the country. This toolbox is available on DSHA's website at www.destatehousing.com. The toolbox initiative is a much-needed resource for elected officials, county and local staff and others concerned about housing. Two common threads throughout the toolbox initiative are:

- ◆ To reframe the affordable housing discussion to a larger group of stakeholders, in a way they can identify with, so they may be more supportive of housing initiatives; and
- ◆ Coordinate with other partners and complement other programs and resources throughout the State so that affordable housing opportunities are more readily achieved.

Moderately Priced Housing Unit (MPHU) Program

DSHA actively participates in the Sussex County working group for the Moderately Priced Housing Unit (MPHU) Program, which will provide affordable homeownership opportunities for teachers, police officers, nurses and other moderate-income households. The goals of this program complement initiatives that DSHA considers priorities in housing, including preserving long-term affordability; encouraging local affordable housing strategies; and encouraging geographic distribution of affordable housing. Sussex County currently has five projects producing several hundred units in its pipeline for this program, and in early 2009 created a similar program for rental housing, the Sussex County Rental Program (SCRP). The SCRCP will target households with incomes from 30 – 80% of the HUD Area Median Income.

Housing Element Guide

DSHA has prepared a guide to help promote the creation of government strategies that encourage affordable housing. The guide provides basic information for a municipality to perform a housing analysis and create a housing plan. This guide describes the data needed to examine housing supply and demand, as well as the affordability of the housing units for the town's residents. After data has been analyzed, a housing plan can be created to set measurable affordable housing goals for the community.

Governor's Initiative for Growth Management

The purpose of the Strategies for State Policy and Spending is to coordinate land use decision-making with the provision of infrastructure and services in a manner that make best use of Delaware's natural and fiscal resources. Governor's Initiative for Growth Management was designed to enhance efforts to implement this strategy. It is a positive, proactive strategy that seeks to curb sprawl and direct growth to areas where the state, counties and local governments are most prepared for it in terms of infrastructure investment and thoughtful planning.

The State of Delaware makes significant investments influenced by where and how growth occurs. Delaware provides most services and infrastructure throughout the state. This would include, but is not limited to, social services, roads and transit, school funding and police. By providing these services and infrastructure efficiently, not haphazardly, Delaware is able to strengthen land use planning efforts at the state and local levels.

Governor's Initiative for Growth Management promotes compact development, which in addition to decreasing infrastructure costs; it produces a more diverse range of transportation options and a more economical extension of services and utilities. Further, the location near existing developed areas and higher densities enable natural qualities and agriculture areas to be preserved and protected.

Preliminary Land Use Service

PLUS, outlined in Chapter 92 of Title 29 of the Delaware Code, provides for state agency review of major land use change proposals prior to submission to local governments. The review is completed by all applicable state agencies at the start of the land development process, adding value and knowledge to the process without taking over the authority of local governments to make land use decisions. DSHA participates in this process and as a result, has been able to provide technical assistance to local communities. This includes completing comprehensive plans and developers seeking to develop mixed-income communities.

DSHA continually offers technical assistance, including presentations to local governments on various housing challenges and issues facing their communities. DSHA also periodically sponsors innovative planning conferences to address local municipalities' challenges in providing affordable housing. Additionally, DSHA has partnered with the University of Delaware to offer a "Professional Development and Training Opportunities for Local Governments" course, Planning 107, through their Institute of Public Administration.

DSHA is also developing a Good Design in Delaware publication for municipalities and elected officials, which will be accompanied by a brochure that highlights best practices in Delaware. Its purpose is to raise awareness about issues surrounding density and well-planned communities. Once completed, DSHA will offer presentations to local municipalities, as well as provide biannual tours of the good design neighborhoods to local officials.

Fair Housing

In an effort to eliminate barriers, DSHA will continue to participate in the Fair Housing Task Force Committee to focus on fair housing education, with the DHR carrying out enforcement actions. During FY2009, the Task Force Committee will revisit the 2003 Delaware Analysis of Impediments to Fair Housing Choice (AI) to ensure that the impediments identified are comprehensive to the needs of the state.

Discrimination continues against people with disabilities on both the federal and state level. Landlords in Delaware frequently discriminate against people with disabilities by refusing to allow reasonable accommodations designed to make rental units more accessible. CLASI will continue to enforce the fair housing rights of people with disabilities, particularly the right to reasonable accommodations. CLASI also recently received a HUD grant that will allow them to resume fair housing testing.

In addition, DCRAC and the Task Force Committee will be sponsoring a second annual statewide disabilities conference that will explore the issue of universal design and how increasing the requirements for universal design features in housing will increase the units

available for people with disabilities. Also, DSHA will be participating in the Fair Housing Conference hosted by the Human Relations Commission, “Keepers of the American Dream in the Face of Mortgage Foreclosures”, which will explore fair housing issues related to the current foreclosure crisis.

DSHA will continue to award points for LIHTC developments whose site are not located in a close proximity to other low-income housing and are economically diverse. DSHA will continue to encourage developers and local jurisdictions to build mixed-income housing communities. DSHA will continue to promote mixed-income communities, via a variety of housing types and densities, through the PLUS review process.

Legislative Priorities

DSHA is proposing to increase the amount of funding available for the HDF for the creation of affordable housing by increasing the Recorder of Deed fee surcharge from \$5.00 to \$25.00 per document recorded. The HDF is the funding source used to fill financing gaps in affordable housing development. DSHA’s foreclosure prevention, affordable rental housing preservation program and other housing programs rely heavily on adequate HDF funding to make the financing happen.

DSHA currently receives \$1.5 million annually from the Recorder of Deed fees and would expect to receive a total of \$7.5 million from the fees if this increase were to be approved. Each year, the additional \$6 million per year would leverage \$24 million in other funding for housing, create \$42 million in economic activity and create 339 full-time jobs.

DSHA is also proposing foreclosure prevention notice requirements legislation to ensure that there is a standard set of information provided by mortgage companies to homeowners before two critical times – before an interest rate reset and before a foreclosure filing.

These notification requirements were introduced as two bills in the 144th General Assembly. Both bills passed the Senate without opposition but were not released from the Banking Committee in the final days of session.

SB300 requires certain mortgage lenders to provide a homeowner with six months written notice of a change in the interest rate on a mortgage on the homeowner’s principal residence. The notice must state the current interest rate on the mortgage, how the new interest rate on the mortgage will be calculated and the date the new interest rate will go into effect. The notice must also contain good faith estimates of the interest rate at the time the change will go into effect and the amount of the new monthly payment for principal and interest on the mortgage. Without proper notice, the interest rate could not be increased.

SB332 requires certain mortgage lenders to provide a homeowner with a written notice, within five business days after the mortgage loan becomes 60 days delinquent, which provides the homeowner with important information about how to reinstate the loan. In addition, a “statement required by Delaware Law” would urge the homeowner to seek help and would provide information about how to access a licensed housing default counseling agency. Without proper notice, a court action for foreclosure could not be filed.

During FY2009, DSHA also is proposing legislation for protection for renters living in homes being foreclosed upon. In Delaware, a foreclosure makes a rental agreement obsolete. When a home is foreclosed upon the new owner is not bound by an existing lease and in many cases the foreclosure results in the displacement of the renters. Not only are tenants being forced to leave, but because they generally have no knowledge of the landlord's deteriorating financial situation, they are often taken by surprise and must be relocated within a very short time frame.

DSHA is proposing that legislation be introduced and passed to provide tenants with advanced notice of possible displacement caused by a foreclosure on the property they rent.

Lead-Based Paint

All Program Guidelines will continue to reference HUD's lead-based paint regulations and require all applicants to demonstrate how the rehabilitation work will be conducted in accordance with these regulations. DSHA will also require any activity funded by the HDF or HOME Program, especially acquisition/rehab activities, to conduct an Environmental Site Assessment Phase I.

DSHA will continue to cooperate with the Division of Public Health (DPH) to facilitate lead-safe work practice training to contractors. Any new rehabilitation contractors will be directed to the DPH, for training in lead-safe work practices. Any individual performing lead-based paint activities in the State of Delaware must be certified by DPH. After completing an approved training course, a person wishing to be certified must submit an Application for Certification to DPH and pass the state certification (3rd party) exam. A certification fee is required and the certification is valid for two years.

All covered projects and activities under ESG, HOPWA, CDBG, HOME, Public Housing and Housing Choice Voucher Programs will be administered to the applicable lead-based paint regulations. All programs will be monitored for compliance with current regulations. DSHA will monitor training and technical assistance needs relating to lead-based paint and work in conjunction with DPH to address those needs.

Other Actions

Delaware also identifies actions to address obstacles to meeting underserved needs, foster and maintain affordable housing, address lead-based paint hazards, reduce the number of poverty level families, develop institutional structure, enhance coordination between housing and social service agencies and foster public housing resident initiatives. The actions identified for FY2008 are outlined in this section.

Address Obstacles to Meeting Underserved Needs

DSHA recognizes the need to identify groups who are underserved and pursue strategies that would serve their needs. The Low Income Housing Tax Credit QAP application continues to award points to developers that provide permanent housing for persons with special needs. Special needs populations are identified as:

- ◆ Persons with HIV/AIDS Related Illnesses;
- ◆ Homeless;
- ◆ Mentally Ill;
- ◆ Persons with Physical Disabilities;
- ◆ Mentally Challenged/Developmentally-Disabled Persons; and
- ◆ Migrant and Seasonal Farm Workers.

The Director of DSHA sits on the Governor's Commission on Community-Based Alternatives for Individuals with Disabilities. The Commission is comprised of several subcommittees including housing. DSHA serves on the Housing Subcommittee providing planning and technical assistance to support the subcommittee's objectives. DSHA has developed a multi-family database of subsidized rental units that list accessibility features germane to people with disabilities. Furthermore, DSHA is coordinating with other members of the subcommittee to identify successful homeownership programs for people with disabilities that could be tailored to Delaware's disabled population.

Housing has emerged as one of the most critical issues for those leaving Delaware prisons. DSHA staff actively participates in a re-entry workgroup that focuses on linking offenders to the appropriate services and housing, creating a support system and minimizing recidivism. This workgroup will seek available federal dollars to assist their goals.

DSHA will continue its mission to promote and provide affordable housing opportunities and support infrastructure that reduces the net cost of housing development and rehabilitation.

DSHA has developed a statewide multi-family "housing" locator, which provides information about units that are made affordable through public assistance. The locator is available on the internet at www.destatehousing.com/services/ht_housinglocator.shtml, to assist citizens needing affordable rental housing to easily identify and contact housing developments, which have units that meet their needs.

Maintain Affordable Housing

DSHA is designated as the administrator of the LIHTC Program with responsibility of allocating Delaware's annual credit ceiling in accordance with an approved QAP. DSHA utilizes a majority of its HOME funding, in combination with the LIHTC Program and other resources, to create or rehabilitate affordable rental housing throughout Delaware. Delaware's QAP establishes a process, whereby tax-credits are awarded to developers to address low-income housing priorities. Applications for HOME, HDF funds and Tax Credits are made available during the program year and are specifically designed so that housing developers can utilize one application if requesting a variety of resources. Program coordination is enhanced by the location, where all staff for these programs are in one location.

DSHA will continue to further foster and maintain affordable housing through participation in the following innovative tools:

Community Land Trusts

Community Land Trusts (CLT) are grassroots democratically-controlled nonprofit organizations that own real estate in order to make land and housing available to residents who cannot otherwise afford them. Through the CLT's unique ownership structure and resale restrictions placed on homes in a CLT's inventory, the frequently large subsidies that go into making home affordable are preserved to help future homebuyers while still expanding homeownership opportunities. CLTs are a viable tool wherever land is high in demand, but low in supply, and wherever fewer and fewer working people can afford to live in the communities where they work. The Diamond State CLT's mission is to strengthen communities by creating and stewarding perpetually affordable housing and promoting sustainable use of the land. DSHA will continue to support this viable tool for affordable housing.

Manufactured Housing

Manufactured homes are a popular and affordable source of housing in Delaware, particularly in Kent and Sussex Counties. Statewide, manufactured homes comprise approximately 11% of the total housing stock. In Kent County, manufactured homes comprise 17.7% of the housing stock and house 17.6% of the population. In Sussex County, manufactured homes comprise 24.5% of the total housing stock and house 20% of the county's population. There, manufactured housing communities are popular for second and vacation homes.

The Delaware State Code does not prohibit manufactured housing, nor does it afford municipalities the right to do so. Municipalities, however, do exclude manufactured housing in their comprehensive plans or create bureaucratic policies that dissuade a land owner from locating manufactured housing in their municipalities. Most manufactured housing in Delaware is located outside of cities and towns.

Only a small percentage of manufactured homes are moved after they are installed. The process is expensive, and it is difficult to find a new location for existing homes. Many communities are either full or will only accept new homes, and few new manufactured housing communities are being created in Delaware. Therefore, Delaware is making progress in helping residents of manufactured housing communities form cooperatives to become joint owners of their land-lease communities. In 2008, legislation creating a "right of first offer" for homeowners to have the opportunity to cooperatively purchase their community if it is being offered for sale was passed, a vital first step in improving conditions for the conversion of manufactured housing communities to cooperative ownership. Technical assistance from the national affordable housing network, ROC-USA™, via its Certified Technical Assistance Provider (CTAP) Real Estate Advisory & Development Services (READS), is also now available in Delaware. With national support, READS provides guidance and in-dept technical assistance to assist manufactured homeowners to pursue cooperative ownership of their communities.

Anti-Poverty Strategy



Affordable housing represents an effective wage subsidy for local employers and an immediate salary increase for wage earners, thus creating income that can be applied to other living expenses. DSHA will continue to provide a variety of affordable housing options for Delawareans in order to help them stretch their household budgets.

DSHA's MTW Program requires residents to work or be in school in order to receive a housing subsidy. Additionally, there is a five-year limit to how long the family can receive the subsidy. The goal is to establish positive work and budget habits over the time in the program, which will serve the family as they transition to unsubsidized housing. We believe that MTW plays an important role in breaking the cycle of poverty by providing case management services and resources that help families succeed.

DSHA has been an active participant on the HPC and has provided an operations grant for the past five years. The HPC coordinates the Delaware CoC applications, manages the DE-HMIS and works to coordinate services and programs throughout the state to better meet the needs of homeless people and families.

Develop Institutional Structure

Each year, housing and community development programs occur through DSHA, as well as through its partnerships with various state agencies, housing authorities, nonprofits and community development corporations. DSHA will continue efforts to foster collaboration between public and assisted housing providers and private and governmental health, mental health and service agencies.

DSHA will make its planning and community development staff available to provide on-site technical assistance at communities' requests. DSHA is providing a larger amount of information on our website to further statewide accessibility. Online versions of policies and procedures, as well as administrative plans will be continually updated to reflect current regulations and/or changes.

DSHA will continue to participate in various stakeholder forums during the program year. Further, DSHA will continue to sponsor the Governor's Conference on Housing, which brings stakeholders together from for-profit, nonprofit, state and local governments and housing advocates to concentrate on solutions to the barriers of providing affordable housing.

eHousing

DSHA currently has an online application process for housing assistance. This allows anyone who wants to apply for the Public Housing and the Housing Choice Voucher Programs in Kent and Sussex Counties, Delaware to apply online at www.destatehousing.com from any computer with internet access. The online application is user-friendly, and allows applicants to easily update their information as it changes.

Enhance Coordination Between Public and Private Housing and Social Service Agencies



Over the next year, DSHA will continue its work with a wide array of other state agencies, private and faith-based housing and service providers and advocates to further the priorities and goals of this Action Plan. These will include, but are not limited to, the following:

- ◆ Delaware Interagency Council on Homelessness;
- ◆ Homeless Planning Council;
- ◆ Fair Housing Task Force Committee;
- ◆ Mental Health and Substance Abuse Council;
- ◆ Department of Natural Resources and Environmental Control;
- ◆ Council of State Community Development Agencies (COSFDA);
- ◆ National Association of Housing and Redevelopment Officials (NAHRO);
- ◆ National Council of State Housing Agencies (NCSHA);
- ◆ Department of Health and Social Services;
- ◆ Department of Services for Children, Youth and Their Families;
- ◆ Delaware Economic Development Office;
- ◆ Department of Labor;
- ◆ Department of Transportation;
- ◆ Delaware Commission of Veterans Affairs;
- ◆ Habitat for Humanity;
- ◆ Strong Communities;
- ◆ State Historic Preservation Office;
- ◆ Office of State Planning Coordination;
- ◆ Division of Human Relations;
- ◆ Housing Opportunities of Northern Delaware;
- ◆ Delaware Community Reinvestment Action Council;
- ◆ Delaware Manufactured Home Owners Association;
- ◆ First State Community Action Agency;
- ◆ Milford Housing Development Corporation;
- ◆ First State Manufactured Housing Association;
- ◆ Delaware State University;
- ◆ Work Force Investment Board;
- ◆ City of Dover;
- ◆ Kent, Sussex and New Castle Counties;
- ◆ First State Community Action Agency, Inc.; and
- ◆ University of Delaware.

Foster Public Housing Resident Initiatives

As stated earlier, DSHA is the public housing authority for the State of Delaware and operates in Kent and Sussex Counties, Delaware. DSHA owns 518 units of public housing and 65 Section 8 New Construction units. In addition, DSHA administers 905 Housing Choice Vouchers. The Housing Choice Vouchers enable low-income Delawareans to lease privately-owned rental units from participating landlords.

The Asset Management Division of DSHA also provides contract administration oversight for 4,667 project-based Section 8 units throughout the state. These units are located in privately-owned developments that receive a HUD subsidy. DSHA's role is limited to contract compliance and payments.

Moving to Work

The MTW Program is a five-year time limited program that requires residents, except the elderly and disabled, to work or be in school in order to receive a housing subsidy. The purpose of the program continues to be to reduce costs and achieve greater cost effectiveness, to give incentives to families to obtain employment and become economically self-sufficient and to increase housing choices for low-income families. DSHA will continue efforts to obtain approval for permanent MTW status.

The goals and objectives under the DSHA MTW Program are outlined as follows:

- ◆ To reduce costs and achieve greater cost effectiveness by administrative reforms to the Public Housing and Housing Choice Voucher Programs;
- ◆ To give incentives to families who are employed or seeking employment and self-sufficiency; and
- ◆ To improve housing options for our residents by offering or coordinating the following resources:
 - Homeownership counseling and assistance;
 - Budget counseling;
 - Fair market housing counseling;
 - Assistance obtaining a Low Income Housing Tax Credit Unit;
 - MTW Savings Account as income increases;
 - Counseling to repair credit problems;
 - Financial literacy education;
 - Individual Development Accounts (IDA) for approved participants;
 - Public Housing Home Ownership Program; and
 - Resident Homeownership Program.

Since MTW implementation in August 1999, 546 families have successfully completed the MTW Program. One hundred seventy-five have purchased homes and 369 have either begun paying fair market rent at their current unit or moved into non-subsidized housing. Though some of those families would undoubtedly have been successful without MTW, DSHA feels that the majority became successful by taking advantage of the counseling and social services made available through the program, as well as the savings they accumulated while in the program.

The tenth-year Plan will concentrate on the following items:

- ◆ All original MTW-eligible Public Housing residents and Housing Choice Voucher participants will have completed five full years of MTW or have been approved for a one-year extension;
- ◆ DSHA continues to work with the Department of Labor and the Delaware Economic Development Office to share information on new industry and business coming to Delaware, job trends and current job information. As needed, meetings will be scheduled for all parties as well as MTW participants;
- ◆ DSHA will continue to require all MTW participants to complete financial literacy training. This 8 – 10 hour training is provided in conjunction with the annual completion of the Resident Action Plan (RAP);
- ◆ DSHA is working to continue providing services that were formerly funded under the Public Housing Drug Elimination Program (PHDEP). Funds from the Capital Fund Program will be used to provide limited security services during State FY2009. DSHA continues to advocate for a change in legislation to return the PHDEP to HUD's budget; and
- ◆ DSHA is working to continue providing services that were previously funded from the MTW Technical Assistance Grant. Computer education and scholarships were funded from this source. DSHA continues to work to identify potential sources for funding scholarships and computer education.

Program Specific Requirements

Community Development Block Grant Program



As stated earlier in this report, CDBG funds are awarded through a competitive application process in accordance with the Method of Distribution. The complete CDBG Program Guidelines and Application Package may be accessed on DSHA's website at

www.destatehousing.com/services/dv_cdbg.shtml.

The Program Guidelines and Application Package are updated annually and made available at an application workshop

Application Review Process

The following is a summary of the CDBG application process. For a more complete description of the process, visit www.destatehousing.com/services/dv_cdbg.shtml for the CDBG Program Guidelines. Upon receipt of the applications, DSHA staff will:

- ◆ Review the applications for eligibility and completeness. If an application does not meet the threshold criteria, it is considered unresponsive and will not continue through the review process;
- ◆ Review that the amount of CDBG funds requested in each application is reflected in a budget that is both reasonable and realistic, and which conforms to all the requirements for such budgets; and
- ◆ DSHA staff will then provide the Review Panel(s) with a report that each application will at a minimum contain the following:
 - Certification that the application has met the threshold requirements, including evaluation of low- and moderate-income benefit;
 - Certification that the proposed budget represents a realistic and reasonable budget, which conforms to all application instructions and policies;
 - The conformance of the proposed activities to the goals and objectives of Delaware's Consolidated Plan; and
 - An evaluation of the applicant's capacity and past performance under the CDBG Program.

DSHA will then provide the Review Panel(s), which is composed of persons with appropriate background and experience, the applications to evaluate. The Review Panel uses a point system with maximum total points achievable in the following categories: *(a maximum total of 100 points may be received by an application)*

- ◆ Low- and moderate-income benefit *(provided by DSHA staff)* – 25 points
- ◆ Management capacity *(provided by DSHA staff)* – 5 points
- ◆ Cost/benefit of activity – 70 points – as follows:

- Severity of need – 20 points
- Holistic impact of activity – 15 points
- Cost reasonableness – 15 points
- Leveraging of other resources – 15 points
- Suitability/feasibility of work plan – 5 points

DSHA staff then prepares a summary evaluation of all of the applications, which will include the scores for each proposed activity and a descriptive summary of the Review Panel’s comments and recommended priorities for funding. The Director of DSHA will make the final decisions on allocating the CDBG funds based on the recommendations from the Review Panel.

Allocations to specific activities will be based on approved contract budgets. The maximum allocation for any single applicant shall not exceed \$1,100,000 in any program year.

HOME Investment Partnerships Program



HUD allocates the HOME Program funds to eligible states and local governments to provide affordable housing. The HOME Program for the State of Delaware is administered by DSHA. HOME funds will be used to further affordable housing for very low- and low-income persons and families and special population groups by the provision of affordable rental and homeownership housing through the acquisition, rehabilitation and new construction of housing.

In FY2009, approximately \$3,000,000 has been allocated to the State of Delaware, of which at least 15% is reserved for use by CHDOs for furthering affordable housing. CHDO operating expenses up to the maximum allowable under HUD regulations may also be considered for funding under the HOME Program. All activities undertaken with HOME funds (including CHDO reservations) must be project specific and must be consistent with the objectives of the State’s Five-Year Strategic Plan 2008 - 2012. Ten percent of Delaware’s HOME allocation, including program income, will be reserved to administer the HOME Program. Delaware does not utilize HOME funds to refinance existing debt secured by multi-family housing that is being rehabilitated with HOME funds.

DSHA may also consider HOME loans to non-first time homebuyers and are subject to the following conditions:

- ◆ Mortgage loans may be used for downpayment and closing costs associated with the acquisition and may be deferred second (or other loan position as approved by DSHA) mortgage loans at 0% interest. Payments on the loan are not required

except in the event of sale, rental or refinancing of the property. The loans shall be forgiven at the end of the period of affordability provided all HOME Program and DSHA requirements have been met;

- ◆ The HOME acquired property must remain the principal residence of the assisted family throughout the recapture period and may not be rented. The assisted property shall meet the Property Standards of 24 CFR Part 92, § 92.251 and all applicable State and local housing quality standards and codes;
- ◆ The purchase price and appraised value of the assisted property may not exceed the Federal Housing Administration’s single-family mortgage limits under Section 203(b) of the National Housing Act for the type of assisted housing;
- ◆ In order to be eligible for a loan, an applicant must have satisfactorily completed a DSHA-approved homeownership counseling program or must be enrolled in such a program and be making satisfactory progress as determined by DSHA in its sole discretion;
- ◆ Participants in DSHA's Scattered Site PHHOP shall receive priority for HOME Program mortgage loans. If there are no potential PHHOP applicants who may utilize the funds, DSHA may allow non-PHHOP participants to apply. Other applicants seeking HOME Program mortgages that are not in the PHHOP may be required to apply for all other available State second mortgage assistance such as the DHP Program if funds are available. Applicants qualifying for a USDA/Rural Development mortgage may be required to apply for USDA/Rural Development assistance; and
- ◆ Loans shall be approved by the Director of DSHA and may not exceed \$20,000 in HOME Program funding or such other reasonable amount approved by the Director. DSHA may limit the number of loans issued in any fiscal year.

Recapture Provisions for Homebuyers

The prorated amount of HOME Program funds in the form of second mortgage loans used for downpayments and closing costs are subject to recapture when the initially-assisted homebuyer sells, rents or refinances the HOME-assisted property within the recapture period set forth in the following chart:

| Amount of HOME/ADDI Funds | Recapture Period |
|----------------------------------|-------------------------|
| Less than \$15,000 | 5 years |
| \$15,000 to \$40,000 | 10 years |
| Over \$40,000 | 15 years |

HOME mortgage loans shall be forgiven after expiration of the loan recapture period and/or period of affordability. If the HOME-assisted property is sold, rented or refinanced during the recapture period, the amount of the repayment required shall be prorated by the number of full years the original HOME-assisted owner occupied the property. For example, a HOME/ADDI-deferred second mortgage in the amount of \$20,000 would have a recapture period of 10 years. If the property was sold 3 years and

six months after the recapture period started, then 30% (3 full years/10 year recapture period) of the original \$20,000 HOME loan would be forgiven making the repayment amount due \$14,000.

Where the net proceeds (the sales price of the assisted property less loan repayment of DSHA approved superior debt and closing costs) is greater than the prorated balance due under the HOME mortgage loan, the balance of the HOME prorated mortgage loan shall be repaid to DSHA. However, where the net proceeds are less than the HOME mortgage loan, the amount of the net proceeds shall be repaid to DSHA. All repaid HOME mortgage funds shall be used to support other HOME-eligible activities.

These recapture provisions shall be included in the note and mortgage evidencing and securing the HOME-funded second mortgage loan. When HOME funds are used for acquisition, construction and/or rehabilitation of a project prior to the sale to homebuyers of the homes in the project, the full amount of the HOME loan investment shall be repaid to DSHA on a pro-rata basis as the units are sold. Upon payment of the agreed amount of the HOME-funded loan, each property shall be released from the lien of the mortgage securing the HOME-funded loan. All repaid proceeds shall be used to support other HOME-eligible activities.

Emergency Shelter Grants Program



DSHA has been designated to administer the ESG Program, which is authorized under Title IV (Subtitle B) of the Stewart B. McKinney Homeless Assistance Act, as amended. The funds are distributed on a competitive basis to eligible applicants in Kent and Sussex Counties, Delaware. Eligible applicants are units of general local government or private nonprofit organizations, including faith-based organizations.

The State of Delaware anticipates receiving \$100,233 in ESG funds for FY2009. The funds are made available to interested applicants each year through a *Notice of Funding Availability*, which is mailed to interested parties, published in prominent newspapers statewide and available on DSHA's website at www.destatehousing.com. Instructions on how to apply for these grant monies are provided in the notice. A contact person is listed in the notice for the benefit of interested parties who may have questions about the program. This funding must be awarded and obligated within a short period of time, therefore, it is anticipated that the funds will be allocated to nonprofit organizations, which can effectively comply with federal regulations, provide the necessary matching funds and obligate grant funds.

The ESG Program is designed to help improve the quality of existing emergency shelters for the homeless, to make available additional emergency shelters, to help meet the costs of operating emergency shelters and to provide certain essential social services to homeless individuals, so that these persons have access not only to safe and sanitary

shelter, but also to the supportive services and other kinds of assistance they need to improve their situations. The program is also intended to restrict the increase of homelessness through the funding of preventative programs and activities.

An emergency shelter is defined as any facility whose primary purpose is to provide temporary or transitional shelter for the homeless in general or for specific populations of the homeless. Homeless is defined as an individual or family which lacks a fixed regular, and adequate nighttime residence, or as an individual or family which has a primary residence that is supervised as a publicly- or a privately-operated shelter designed to provide temporary living accommodations. The length of stay in such a facility may not exceed 24 months.

Assistance may be provided under this part to a religious organization if the religious organization agrees to provide all eligible activities under this program in a manner that is free from religious influences and in accordance with the following principles:

- ◆ It will not discriminate against any employee or applicant for employment on the basis of religion and will not limit employment or give preference in employment to persons on the basis of religion;
- ◆ It will not discriminate against any person applying for shelter or any of the eligible activities under this part on the basis of religion and will not limit such housing or other eligible activities or give preference to persons on the basis of religion; and
- ◆ It will provide no religious instruction or counseling; conduct no religious worship or services; engage in no religious proselytizing; and exert no other religious influence in the provision of shelter and other eligible activities under this part. Applicants that are primarily religious organizations are encouraged to contact DSHA for specifics or refer to 24 CFR Part 576.23.

ESG Program funds may be used for the following activities:

- ◆ Provision of new or increased essential services to the homeless (such as those concerned with employment, physical and mental health, education and food);
- ◆ Development and implementation of homeless prevention activities;
- ◆ Maintenance, operation, insurance, utilities and furnishings;
- ◆ Renovation, major rehabilitation, or conversion of buildings for use as emergency shelters and/or;
- ◆ The development and implementation of DE-HMIS.

Equal priority shall be given to applications requesting funding assistance for homeless prevention activities and for the provision of maintenance, operating costs and renovations. Requests for funding for major rehabilitation or conversion activities will be considered last.

A maximum of \$30,069.90 (30% of the state's allocation) may be used for the provision of essential services. A separate maximum of \$30,069.90 (30% of the state's allocation)

may be used for the provision of prevention activities. A maximum of \$5,011.65 (5% of the state's allocation) may be used for administrative costs.

With ESG funding, homeless persons are expected to be provided with access to safe and sanitary shelter, as well as to supportive services and mainstream assistance needed to move them toward transitional or permanent housing options. The ESG Program requires shelters to use homeless persons in their work program, thereby creating employment opportunities for homeless people to the maximum extent practical. It also requires that the termination of assistance to any individual or family in a shelter subsidized with federal funds be in accordance with a formal process established by the recipient, which must be incorporated in the shelter's operating procedures.

Subgrantees are required to provide proposed outcome/objective statements for each activity. The objectives/outcomes for the proposed activities of emergency and transitional shelters should be stated as accessibility for the purpose of creating a suitable living environment.

Applications will be rated by a Review Panel; composed of persons with the appropriate background and experience on the following criteria and maximum possible point scoring (*a maximum total of 100 points may be received by an application*):

- ◆ Provider background (10 points);
- ◆ Description and demonstrated need for proposed program (10 points);
- ◆ Community commitment (10 points);
- ◆ Administration and documentation (15 points);
- ◆ Performance measurements (15 points);
- ◆ Goals and objectives (15 points);
- ◆ Cost effectiveness (15 points); and
- ◆ Coordination with mainstream services (10 points).

Housing Opportunities for Persons with Aids Program



DSHA will make available \$179,000 in HOPWA Program funds. The funding will be available on July 1, 2009 for use in Kent and Sussex Counties only. The state may select a project sponsor without undertaking a competitive bid process. The state will therefore, award its funding under the HOPWA grant to the Delaware HIV Consortium, the only statewide nonprofit agency that provides a tenant-based rental assistance program in Kent and Sussex Counties.

DSHA anticipates that \$173,630 will be allocated by the state under the FY2009 HOPWA grant and it will be used for payment of project- or tenant-based rental assistance, including shared housing, rent, mortgage, and/or utility payments to prevent homelessness of the tenant or mortgagor. Funds may also be used for supportive services

that include, but are not limited to, health, mental health, assessment, nutritional services, intensive care when required and assistance in gaining access to benefits and services.

Funds may be used for administrative expenses; however, the state may not use more than three percent (3%) or \$5,370 of its current funding as administrative costs related to administering this grant. The project sponsor may not use more than seven percent (7%) of its grant amount as administrative costs charged to this grant. This amount is equal to \$12,154.10 of the funding after reducing the grant amount by the state's three percent (3%) administrative costs or \$5,370 of the total grant amount of \$179,000.

Delaware HIV Consortium is expecting to assist 30 families with decent affordable housing from the HOPWA grant through a tenant-based rental assistance program.

Monitoring



DSHA has the responsibility of monitoring all housing activities covered by this Action Plan, whether the activity is conducted directly by a unit of local government, a nonprofit housing agency or by DSHA itself. The purpose of this section is to describe the policies and procedures that are used in Delaware to monitor activities carried out in furtherance of the Five-Year Consolidated Plan and to ensure long-term compliance with requirements for CDBG, ESG, HOPWA and HOME Programs.

Monitoring is an ongoing process involving continuous grantee communication and evaluation. The process involves frequent telephone contacts, written correspondence, analysis of performance reports and audits and periodic on-site visits. These processes occur differently for each of the four programs to be discussed.

Community Development Block Grant Program

The monitoring process is divided into two components: regulatory and performance compliance. Monitoring of regulatory compliance includes review of accountability and financial management, environmental impact, labor standards, civil rights and fair housing, acquisition and relocation activities and citizen participation.

Monitoring of performance compliance includes evaluation of project timeliness, components of eligibility and compliance with National Objectives and an assessment of continuing capacity to carry out approved activities.

DSHA applies the following outcome standards:

- ◆ At least 70% of the funds must be spent on projects that benefit low- and moderate-income persons;

- ◆ 100% of the funds must be spent on eligible activities;
- ◆ 100% of the program funds must be obligated to local governments within 15 months of the receiving the grant award; and
- ◆ DSHA staff uses checklists of all program components during their evaluations. These include: Fair Housing Equal Opportunity (FHEO), Labor Standards, Rehabilitation Checklist, Financial Management Checklist and Environmental Review Checklist.

DSHA staff will monitor a sampling of rehabilitation activities on an annual basis. This monitoring will consist of:

- ◆ Review of pertinent files for required documentation, compliance with program regulations and verification of the accuracy of information provided to DSHA;
- ◆ Visit the project site to observe activities and ensure consistency with the application; and
- ◆ Results of the monitoring visit are submitted to the grantee generally within fifteen days of the monitoring visit.

In the event of a Determination of Concern, Finding of Deficient Performance or Finding of Noncompliance is indicated; the grantee will present documentation to address the concern, resolve the deficiency or present a corrective action plan.

A follow-up visit may be necessary to verify a corrective action or to provide technical assistance. When DSHA's review indicates the grantee has provided satisfactory corrective action, a letter will be sent to the grantee stating that the finding(s) have been cleared. All findings must be cleared before closeout.

DSHA can bar a grantee from applying for CDBG funds, withhold unallocated funds, require return of unexpended funds or require repayment of expended funds if a grantee fails to provide satisfactory corrective action.

HOME Investment Partnerships Program

DSHA ensures that recipients of HOME funds comply with the regulations through various monitoring activities. Monitoring activities include both desk and on-site reviews. Throughout a project, DSHA is committed to ensuring compliance with Federal regulations, ensuring production and accountability and evaluating organizational and project performance.

For HOME, the overall program standards that will be addressed and verified include the following:

- ◆ All projects will meet all of the HOME statutory requirements, and will satisfy all HOME regulations in conformity with the DSHA Program Guidelines;
- ◆ Not less than 90% of all HOME-assisted units in rental housing projects will rent to a tenant whose income does not exceed 60% of MFI at or below the maximum

- HOME rent limits (65% of AMI). In addition, no less than 20% of those units will rent to tenants at or below the low HOME rent limits (50% of MFI);
- ◆ Not less than 100% of all HOME-assisted units in homeownership projects (both owner-occupied rehabilitation and downpayment closing cost assistance) will be occupied by homeowners at or below 80% of MFI;
 - ◆ 100% of the funds allocated for the previous two (2) program years will be committed to projects by the end of the second year;
 - ◆ 100% of the funds allocated for the previous five (5) program years will be expended by the end of the fifth year; and
 - ◆ DSHA may require any CHDO to reapply for designation upon the event of a material change in the structure of the CHDO or at such other time as required by HUD. In addition, DSHA requires all CHDOs receiving funding to certify that there has been no material change in their status that would affect such funding.

DSHA monitoring can be broken down into the two phases of a typical project: 1) pre-construction and construction, and 2) in-service.

Pre-Construction and Construction Stage

DSHA ensures each recipient of HOME funding understands the program requirements applicable to their activity. These requirements include, but are not limited to, fair housing, financial management and accountability, environmental impacts, labor standards, procurement, lead-based paint, affirmative marketing and acquisition and relocation activities.

On-site monitoring of an activity during the construction phase is preferred to ensure consistency with requirements and identify construction deficiencies. A portion of activity funds is withheld until deficiencies, if any, have been corrected and all program reports have been submitted to DSHA's satisfaction.

In Service

DSHA staff conducts annual on-site reviews of rental housing activities to ensure the activity sponsor maintains the following:

- ◆ Correct rent and utility allowance levels for all HOME-assisted units;
- ◆ Accurate annual re-certification of tenant income;
- ◆ Compliance with Housing Quality Standards;
- ◆ Compliance with Affirmative Marketing Requirements; and
- ◆ Compliance with other requirements of the HOME Program regulations.

In addition, DSHA ensures the proper payment of loan installments and escrow deposits as required in the project's loan documents.

Record Keeping

In accordance with DSHA policy and Federal requirements, DSHA has established and maintains records to enable DSHA staff, HUD, auditors, and the general public to determine the status of each HOME project, as well as overall program progress and status. Records are maintained in written and electronic format and are available to the public upon request. However, public review of documents is subject to the Freedom of Information Act.

Emergency Shelter Grants Program

Service providers receiving ESG funds are monitored annually. The annual monitoring visit occurs after the end of the program year and consists of a review of applicable files, programs and processes of the agency. Areas examined include, but are not limited to, organization, environmental, conflicts of interest, insurance coverage, nondiscrimination and drug-free workplace policies, project activities and timelines, financial management and matching funds, procurement procedures, demographics, essential services, operations, homeless prevention and rehabilitation activities.

A written finding is provided to the sponsor identifying areas of noncompliance and the actions required to correct them. Prior to any further grant awards, all findings must be resolved and documented satisfactorily.

For ESG, the overall program standards that will be addressed and verified include the following:

- ◆ All grantees complete an Annual Performance Report;
- ◆ Not less than 100% of the services provided will be services that are eligible by ESG statutes and HUD regulations; and
- ◆ Not less than 100% of the clients served will be eligible homeless families in accordance with HUD definition. One hundred percent of the funds allocated for any grant period will be expended by the end of said grant period.

Housing Opportunities for Persons with Aids Program

Any service provider receiving a HOPWA grant is monitored annually. The annual monitoring visit occurs after the end of the program year and consists of a review of applicable files, programs and processes of the agency. Areas examined include, but are not limited to organization, conflicts of interest, insurance coverage, nondiscrimination and drug-free workplace policies, project activities and timelines, financial management and matching funds, procurement procedures, demographics, essential services, environmental, operations, homeless prevention and rehabilitation activities.

A written finding is provided to the sponsor identifying areas of noncompliance and the actions required to correct them. Prior to any further grant awards, all findings must be resolved and documented satisfactorily.

For HOPWA, the overall program standards that will be addressed and verified include the following:

- ◆ All grantees complete an Annual Performance Report;
- ◆ Not less than 100% of the services provided will be services that are eligible by HOPWA statutes and HUD regulations; and
- ◆ 100% of the funds allocated for any grant period will be expended by the end of said grant period.

Form Application

See Appendix A for SF-424 for ESG, HOME, CDBG and HOPWA