

PROGRAM INFORMATION
HOUSING DEVELOPMENT FUND

Delaware State Housing Authority
State of Delaware

PURPOSE

The purpose of the Housing Development Fund (HDF) is to provide affordable, decent, safe and sanitary housing to responsible very low-, low- and moderate-income households.

PROGRAM DESCRIPTION

This program is designed to provide financing for developers and homeowners through sponsoring agencies. Types of developments that will be considered include, but are not limited to, the acquisition and/or rehabilitation of existing housing, the adaptive reuse of nonresidential buildings, and new construction. Both rental and for-sale housing will be considered.

Because the HDF has limited funds, the developer must demonstrate that other potential sources of funding have been explored to ensure that the HDF is used only to the extent necessary.

ASSISTANCE AVAILABLE

Funds will be available for loans and grants; however, in order to avoid depletion of the HDF, grants will be made only when a development demonstrates unusually strong low-income orientation and is both cost efficient and not financially viable without a grant. The HDF will provide funds for seed loans, construction costs, and in some cases permanent financing. Funds for seed loans will only be available to nonprofit organizations. Interest rates and repayment schedules of loans will be influenced by the income mix of the persons to be served, as well as the financial viability of the development.

See Appendix A for information required for Seed Loan/Grant applications and Appendix B for Construction/Permanent Loans.

See Appendix C for HUD income definitions and Appendix D for fair market rents.

CRITERIA FOR SELECTION

Major criteria which will be considered in judging the soundness of a proposal and determining its merits are as listed below and must be addressed in the application. A development must satisfy at least one of these criteria to be funded.

1. Priority will be placed on developments benefiting very low/low/moderate-income people, as defined from time to time by the Delaware State Housing Authority (DSHA). See Appendix C for current definitions. The period of time for which it is assured that the units will be inhabited by very low/low/moderate-income households is an important consideration in determining if this criteria is met, but

in any event shall not be less than 20 years.

2. Housing opportunities in neighborhoods where there is currently little very low/low/moderate-income housing.
3. Rehabilitation of substandard rental housing providing moderately priced units. The applicant must assure that the units will remain available and affordable to very low/low/moderate-income families for an extended period of time.

DETERMINATION FOR LOAN APPROVAL AND AMOUNT

The following specific items will be taken into consideration when determining the merits of an application:

1. Organization's past performance.
2. Community comments.
3. Demonstrated need for development.
4. Suitability of development location.
5. Cost efficiency of the development.
6. Amount of loan per unit serving very low/low/ moderate-income persons.
7. Length of payback period.
8. Position of the loan and how it is secured/length of repayment.
9. Source of permanent financing (if appropriate).
10. Percentage of total development cost funded by HDF.
11. Cash and noncash equity participation of developer.
12. Evidence that alternate sources of financing have been utilized/exhausted.
13. Evidence that housing will be provided in neighborhoods where there is little very low/low/moderate income housing available.
14. Extent to which proposal will assist in revitalization of deteriorating neighborhood.
15. Extent to which current Housing Development Fund loans are in good standing.

It will be the responsibility of the applicant to clearly address the above-stated criteria in order to be considered for a loan. The loan application includes further explanation of what must be

addressed on these points. Developments that fail to adequately address these items will not be considered for funding.

MINIMUM ELIGIBILITY REQUIREMENTS

- It will be the responsibility of the developer when leasing units to very low/low/moderate-income families to insure that the rents are approved by the Delaware State Housing Authority and that all rent increases during the period of the regulatory agreement also be so approved.
- Property owners on rental projects must agree to retain their housing as rental housing for at least 20 years of the duration of the loan(2), whichever is longer.
- Grants will be considered when it is proven by the developer that only a grant will enable the development to work successfully. Developments considered for grants must be highly targeted towards very low- and low-income persons.
- For developments using Tax Credits, DSHA requires that a minimum of eighty-eight (88) cents on the dollar of net equity raised be contributed to the development. However, DSHA reserves the right to amend this amount due to changing market conditions. Net equity is defined as all equity raised for the development less syndication fees imposed by syndicator and allowances by DSHA.
- The developer will be responsible for following the Department of Housing and Urban Development's guidelines as it relates to tenant relocation. If relocation is a part of the development, Developers must contact DSHA for consultation prior to application submission. DSHA will assist the developer in receiving all necessary relocation information.
- For developments involving Tax Credits and using HDF financing, DSHA requires a tenant income mix, with rents appropriately affordable, as follows: 20% of units rented to families at or below 50% of area median income at the published rent limits for 50% of median income tenants; and 80% of units rented to families at or below 60% of area median income at the published rent limits for 60% of median income tenants, unless otherwise approved by DSHA. Developments targeting lower tenant incomes, other than described above, must provide financing from other sources. NOTE: If a developer fee pledge is to be utilized to fill a funding gap, no more than 50% of the developer fee may be used. Developments using Rural Development project-based subsidies will be exempt from the above requirements.
- Developments proposed to be financed with tax-exempt mortgage revenue bonds (MRB) receiving Private Activity Volume Cap and requesting funding from the Housing Development Fund, must apply to DSHA during DSHA's annual Tax Credit application round for 9% credits. However, DSHA reserves the right to waive this requirement at its sole discretion. To the extent that such development does not receive 9% credits, DSHA will consider providing HDF funding under the following, but not limited to, conditions:
 1. DSHA will not provide funds for an MRB deal greater than DSHA otherwise would have provided if the development received 9% credits.

2. DSHA will fund no more than the proportionate amount of units below 60% of median income. In other words, if 30% of the units are at 60% of median income, DSHA will provide no more than 30% of the financing.
 3. DSHA reserves the right, in all cases, to limit the amount of funds available from the HDF.
- If DSHA elects to use HOME Program funds in a development, it may be necessary to adjust development rents to meet the requirements of the HOME Program.
 - DSHA will limit its total construction/permanent financing to \$ 2.75 million.
 - In accordance with Senate Bill 400, DSHA will notify the local government's Chief Executive Officer, State Senator and State Representative upon receipt of the application (attach as Exhibit MM).

APPLICATION PROCESS

- DSHA Tax Credit Applications may be used for Housing Development Fund requests and are available from and must be returned to: Delaware State Housing Authority, Housing Development Section, 18 The Green, Dover, Delaware 19901. Three complete copies of all documents must be provided. All sets should have original signatures.
- The applicant must complete all applicable questions and supply all documents that are requested in the application form. All documents are required, even if applicants have submitted similar documents to DSHA in the past (i.e. financial statements). Failure to do so may result in the application form being returned to the applicant for completion. Final review of the application will occur only after the application is complete and all necessary documentation is provided. DSHA reserves the right to waive certain documentation it deems not of critical importance for loan approval.
- The application is designed to be sufficiently comprehensive and precise to address all information necessary for a responsible funding decision. However, the Delaware State Housing Authority and the Council on Housing reserve the right to ask for additional information during the review process should it be deemed necessary.
- DSHA staff will be available to assist the developer in the application process. Once it is determined that an application is complete, review, including action by the Council on Housing, will take approximately two months to four months, depending on the number of applications currently under review. Applicants will be notified of the date of Council review so that they may be present to answer questions that may arise during the review.
- An application fee and processing fee is required at the time of submission for all funding requests. The fee structure is as follows:

Application Fee: \$1,000 (Non-refundable)

Processing Fee: ½% of the greater amount requested if development has different

construction and permanent loan amounts. Collected upon application submission, but may be financed as part of development costs upon loan approval.

Commitment Fee: $\frac{1}{2}\%$ of the greater approved loan amount if development has different construction and permanent amounts (payable in full at loan closing). Such fee shall be deemed as earned by DSHA upon loan approval by the Council on Housing. This fee may also be financed as part of the development costs.

- Applicants will be notified in writing as to the disposition of their funding requests. In the case of funding awards, the commitment letters will enumerate the documents that will be required for the initial and final closings. Normally, initial closing can be scheduled within four to six weeks of the commitment letter, assuming all necessary documents of the applicant are provided.

NOTE 1: Should HDF funds be used in conjunction with HOME Investment Partnerships Program funding, DSHA will charge an additional fee of \$1,000.00.

NOTE 2: DSHA charges a non-financeable \$500 one-time per unit fee on all Tax Credit eligible units for performing the service of compliance monitoring. This fee must be paid prior to the Tax Credit allocation. DSHA will allow the fee to be funded from proceeds raised from the syndication of Tax Credits to the extent the proceeds exceed DSHA's minimum required eighty-eight (88) cents equity contribution for financing. Should equity raised exceed the combined: minimum equity requirement, investor legal/accounting fees, 1% allocation/carryover fees and monitoring fee amounts, such excess may be used to fund investor/DSHA-required operating reserves upon consent of DSHA. Equity available beyond the aforementioned uses must be contributed toward the DSHA-approved project costs of the development, which would reduce the amount of HDF financing. DSHA requires an operating reserve calculated at four months of operating expenses, including debt service. If acquisition/rehabilitation, operating reserve escrow is established at construction closing, DSHA requires 30% of net equity raised be contributed at construction closing.

Equity raised from the syndication of Tax Credits may not be used to target lower income households in the development's financing structure; however, other non-DSHA related financial sources may be used.

NOTE 3: For Developments using Tax Credits, DSHA requires that the following documents be submitted to its offices in Dover by September 1: (1) copy of title binder and copies of all listed restrictions or easements; additionally, any new easements with accompanying legal descriptions must be submitted; (2) land survey; (3) plans/specifications; (4) subdivision plan, if applicable; (5) site plan; (6) organizational documents of the ownership entity and the general partner or managing member, as appropriate; (7) identification of all members of the development team, i.e. bonding company, insurance company, architect, engineer, surveyor, attorneys, general contractor, management agent, consultant, etc. Failure to submit all documents may result in borrower using non-project resources to meet the IRS 10% expenditure by year-end requirement. Documents must be in a settlement ready format. Construction closing will not be scheduled

until DSHA is satisfied with the completeness and accuracy of submitted documents.

NOTE 4: Payment and performance bonds are required for all construction activities. Letters of credit are not acceptable.

NOTE 5: A working capital letter of credit (LOC) or cash in the amount of 2½% of the combined construction financing will be required at construction closing. At permanent closing, an LOC or cash in the amount of 2½% of the combined permanent financing is required and will remain in place for three years thereafter, reducing by one-third each year. This amount cannot be financed by any lending, equity or grant sources involved in the development. However, LOC fees may be paid from construction financing sources but not from development operational funds.

NOTE 6: 10% of Total Development Cost excluding developer fee and land cost up to \$8,000,000. For identity of interest acquisitions of existing rental properties, the fee for acquisition is calculated at 8½% of the Total Development Cost excluding, developer fee and land cost up to \$8,000,000.

NOTE 7: DSHA requires the draft partnership agreement be submitted at least 15 working days before construction closing or closing will automatically be postponed.

NOTE 8: Borrowers will be charged a loan closing extension fee of \$250 per day on any and all extensions requested once construction/permanent closing dates are agreed upon. Such fee may not be funded from the project's loan proceeds, equity or operating funds.

APPENDIX A
SEED LOANS
Information Required

1. Project Description
 - A) Type of development (rental, housing sales, etc.)
 - B) Target groups being served
 1. Income
 2. Geographic area
 3. Other, as appropriate
 - C) Other information that would benefit application
2. Description of Your Organization
 - A) Past experience with housing developments
 - B) Background/experience of board officers/staff
 - C) Resolution of applicant's governing body approving request for loan
 - D) Legal status
 - E) Affiliations
3. Why is there a need for this development? (Demonstrate)
4. Written evidence of notification to the local government, community associations, housing authority (if other than DSHA), along with copies of responses from same (attach as Exhibit LL).
5. Timetable
 - A) Acquisition
 - B) Construction
 - C) Operations
6. Financial Information
 - A) Cost of land/building acquisition
 - B) Anticipated construction costs - Source and stage of commitment
 1. Hard costs
 2. Soft costs
 - C) Anticipated permanent financing - Source and status of commitment
 - D) Projected income and expenses
 - E) Developer's cash participation (equity)
7. Terms of financing requested (amount, term, etc.)
8. How will the loan be repaid?
9. Other sources of financing for this development (status of applications)

APPENDIX B
CONSTRUCTION AND PERMANENT LOANS
Information Required

1. Development Description
 - A) Type of development (rental, housing sales, etc.)
 - B) Target group being served
 1. Income
 2. Geographic area
 3. Other, as appropriate
 - C) Other information that would benefit application
2. Description Of Your Organization
 - A) Past experience with housing developments
 - B) Background/experience of board officers/staff
 - C) Resolution of applicant's governing body approving request for loan
 - D) Legal Status
 - E) Affiliations
3. Developments competed or currently under construction by your organization.
4. Title of development will be held in what name/manner.
5. Why is there a need for this development? (Demonstrate)
6. Written evidence of notification to the local government, community associations, housing authority (if other than DSHA), along with copies of responses from same (attach as Exhibit LL).
7. Proof of compliance with local/state building codes; also zoning approval. All state-financed developments must be reviewed by the State Architectural Accessibility Board.
8. Financial status/report of organization and other developments.
9. Purpose of Loan
 - A) Acquisition
 - B) Construction
 - C) Permanent
 - D) Other - explain
10. Timetable
 - A) Acquisition
 - B) Construction
 - C) Operations

APPENDIX B (CONTINUED)
CONSTRUCTION AND PERMANENT LOANS

11. Financial Information
 - A) Cost of land/building acquisition
 - B) Anticipated construction costs - Source and status of commitment
 1. Hard costs
 2. Soft costs
 - C) Anticipated permanent financing - Source and status of commitment
 - D) Projected income and expenses
 - E) Developer's cash participation (equity)
12. How will the loan be secured/guaranteed?
13. How will the loan be repaid?
14. Other sources of financing for this development (status of applications).
15. Position of DSHA. Information documenting positions of other funding sources must be provided.
16. Independent Marketing Study - show financial viability.
17. All developments involving rehabilitation must submit a physical needs assessment completed by an architectural firm. The assessment must include itemized costs. (Exhibit AA)

FOR CONSTRUCTION LOANS ONLY:

18. Proof permanent financing is in place, and how long is the commitment.

APPENDIX C
HUD INCOME DEFINITIONS
(Effective 2/11/05)

New Castle County (Median Income = \$74,700*)								
	1 person	2 person	3 person	4 person	5 person	6 person	7 person	8 person
30%	15,950	18,200	20,500	22,750	24,600	26,400	28,250	30,050
40%	21,240	24,280	27,320	30,360	32,800	35,200	37,640	40,080
50%	26,550	30,350	34,150	37,950	41,000	44,000	47,050	50,100
60%	31,860	36,420	40,980	45,540	49,200	52,800	56,460	60,120
80%	40,600	46,400	52,200	58,000	62,650	67,300	71,900	76,550
100%	53,100	60,700	68,300	75,900	82,000	88,000	94,100	100,200
115%	61,065	69,805	78,545	87,285	94,300	101,200	108,215	115,230

*In accordance with federal regulations, some DSHA programs use the state median income (\$67,350), as opposed to the county median income. Please refer to specific program guidelines to determine which median income is used.

Kent County (Median Income = \$56,650)								
	1 person	2 person	3 person	4 person	5 person	6 person	7 person	8 person
30%	11,900	13,600	15,300	17,000	18,350	19,750	21,100	22,450
40%	15,880	18,120	20,400	22,680	24,480	26,280	28,080	29,920
50%	19,850	22,650	25,500	28,350	30,600	32,850	35,100	37,400
60%	23,820	27,180	30,600	34,020	36,720	39,420	42,120	44,880
80%	31,750	36,300	40,800	45,350	49,000	52,600	56,250	59,900
100%	39,700	45,300	51,000	56,700	61,200	65,700	70,200	74,800
115%	45,650	52,100	58,650	65,200	70,375	75,575	80,700	86,025

Sussex County (Median Income = \$54,900)								
	1 person	2 person	3 person	4 person	5 person	6 person	7 person	8 person
30%	11,550	13,200	14,900	16,550	17,850	19,150	20,500	21,800
40%	15,440	17,640	19,840	22,040	23,800	25,560	27,320	29,080
50%	19,300	22,050	24,800	27,550	29,750	31,950	34,150	36,350
60%	23,160	26,460	29,760	33,060	35,700	38,340	40,980	43,620
80%	30,850	35,250	39,650	44,100	47,600	51,150	54,650	58,200
100 %	38,600	44,100	49,600	55,100	59,500	63,900	68,300	72,700
115%	44,375	50,700	57,050	63,375	68,425	73,475	78,550	83,600

APPENDIX D
FAIR MARKET RENTS FOR SECTION 8 CERTIFICATES*
Effective 10/1/05

These are rents that are set by HUD and are used in various Section 8 programs. In general, landlords must set rents far enough below these amounts so that when tenant-paid utilities are added to them, the total does not exceed the FMR.

<u>Unit size</u>	<u>Kent County</u>	<u>Sussex County</u>	<u>New Castle County</u>
Efficiency	\$ 566	\$ 525	\$ 694
1 Bedroom	616	572	792
2 Bedroom	682	635	947
3 Bedroom	892	869	1158
4 Bedroom	1198	894	1397

*Provided as guidance for Sponsors anticipating attracting tenants from the Section 8 existing programs.

APPENDIX D (CONTINUED)
MAXIMUM TAX CREDIT AND HOME RENTS

	# of Bedrooms	40%	50%	60%	65%	FMR	* LESSER OF RENT
NEW CASTLE COUNTY	0	531	663	796	844	694	
	1	569	711	853	905	792	
	2	683	853	1024	1088	947	
	3	789	986	1184	1249	1158	
	4	880	1100	1320	1374	1397	
KENT COUNTY	0	397	496	595	625	566	
	1	425	531	637	671	616	
	2	510	637	765	807	682	
	3	589	736	884	924	892	
	4	657	821	985	1011	1198	
SUSSEX COUNTY	0	386	482	579	606	525	
	1	413	516	620	651	572	
	2	496	620	744	784	635	
	3	573	716	859	897	869	
	4	639	798	958	981	894	

Effective dates:

10/01/2005 FMRs
02/11/2005 Tax Credit Rents
03/31/2005 HOME Rents (65%)

* In this column, compare the FMR to the applicable median rent per bedroom size (40%, 50%, or 60%).

The lower (lesser) figure should be used as the gross Tax Credit/HOME rent.

Example: New Castle County 1BR - 50% rent = \$ 711
 New Castle County 1BR - FMR = \$ 792

Which is less??? Use \$ 711 for the Maximum Allowable calculation.

Note: The Low HOME Rent and the Tax Credit 50% rent are the same.

The High HOME rent (65%) is not applicable to Tax Credit projects and should not be used for comparing the lesser of.

For Applicants applying to the Housing Development Fund, Applicant covenants and agrees that, in the event Applicant makes false statements or otherwise provides information to DSHA with the intent to mislead DSHA, or otherwise violates the rules and regulations of DSHA, in addition to any other contractual remedies available to DSHA, DSHA may impose such sanctions as the Housing Director shall seem reasonable under the circumstances as are authorized by DSHA's rules and regulations. In the event Applicant objects to any such sanctions in writing within thirty (30) days after notice of their imposition, Applicant shall have the right to have the imposition of sanctions reviewed at a public session of the Council on Housing, and the parties agree that the Council on Housing shall have the right to modify, increase, suspend, or cancel such sanctions and such decision shall be binding upon DSHA and Applicant. Similarly, should Applicant be denied a funding recommendation from DSHA, Applicant may submit a written appeal (within 30 days of funding denial) to the Director of Housing. Such appeal will be presented to the Council on Housing and will be reviewed at a public session of the Council on Housing, and the parties agree that the Council on Housing shall have the right to modify, approve or deny such appeal and such decision shall be binding upon DSHA and Applicant.

All percentages for fees stated in this application (i.e., General Contractor's Profit and Overhead, General Requirements, Management Fees, etc.) are required to meet DSHA's underwriting criteria and may not be deviated from unless approved by DSHA.

I/we fully understand that it is a Class A misdemeanor or punishable by fine up to \$2,300, up to one year in prison, restitution, and other conditions as the court deems appropriate, to knowingly make any false statements concerning any of the above facts as applicable under the provisions of Title 11, Delaware Code, Section 1233.

	_____ (Signature)
_____ (Date)	_____ (Printed Name)
	_____ (Title)
	_____ (Legal Name of Applicant)