



## HOUSING DEVELOPMENT FUND (HDF)

### 2020 Guidelines for HDF Special Population Loans (Non-LIHTC)

#### PROGRAM PURPOSE

The purpose of the Housing Development Fund (HDF) Loan program is to provide affordable, decent, safe and sanitary housing to low- and moderate-income households throughout the State of Delaware. The Special Populations HDF loan is to create and increase the supply of affordable housing for special needs populations.

#### ELIGIBLE APPLICANTS

- 501(c)(3) nonprofit organizations

#### AVAILABLE FUNDING AND ELIGIBLE ACTIVITIES

DSHA has **set-aside \$1,500,000** (subject to availability) in funding for the following eligible activities:

- Emergency Homeless Shelter;
- Permanent Supportive Housing for Persons with Disabilities (i.e. mental illness, physical disabilities, persons with intellectual/developmental disabilities, persons with HIV/Aids, etc.);
- Re-Entry Housing;
- Substance Abuse Recovery Housing/Facilities;
- Youth Aging out of Foster Care; and
- Other DSHA approved activities (must receive DSHA approval prior to application).

Applications will be accepted on a rolling basis until funds are no longer available.

#### LOAN TERMS

Financial viability of the project/development and the applicant's ability to repay must be demonstrated in the applicant's proforma and the application documents. The DSHA loan terms are as follows:

- Maximum Loan Amount: \$60,000 per unit, up to appraised value.

**NOTE:** Developments primarily housing special populations in configurations other than fully independent apartment units may be considered for a loan up to the appraised value, when the per unit limit is insufficient for project needs.

- Minimum Debt Service Coverage: 1.15
- Interest rate: Flexible, Current rate as defined by DSHA
- Loan term: Minimum 5-year term, maximum 30-year term
- Flexible Repayment Terms: Monthly Principal and Interest, Interest Only, or Deferred

- Fees:

- **Application Fee:** \$1,250 (Non-Refundable);

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

- Other applicable closing costs: Appraisal, Environmental, Title, Survey, and Legal (refer to Part II - cash flow proforma).

## APPLICATION SUBMISSION REQUIREMENTS

All applications must be considered **ready to proceed** and meet the following conditions **prior** to application:

- **SITE CONTROL:** All projects must have demonstrated site control (e.g. recorded deed, recorded long-term lease, municipal development agreement, an option to purchase, legal title or sales agreement\*).

*\*Must be a valid sales agreement signed by all parties. If awarded, buyer must purchase the property within 120 days of the award.*

- **ZONING/PLANNING APPROVALS:** All projects must have all of local zoning or planning approval. If variance or exception is required, applicants must provide documentation illustrating the present status of the proposed zoning change, description of the local planning and zoning process, and must submit evidence that appropriate approval can be obtained prior to timely closing.
- **ENVIRONMENTAL THRESHOLD:** All projects must have a Preliminary Environmental Assessment or a Phase I Environmental Assessment conducted prior to application. Environmental remediation recommendations must be included in the study as well as the costs associated with any environmental remediation.
- **PRELIMINARY PLANS AND SPECIFICATIONS:** 80% Plans and Specifications and/or Scope of Work Synopsis describing the work proposed.

*Applicants may be eligible for up to \$50,000 in Pre-Development lending from DSHA's Housing Development Fund. Interested applicants should review Pre-Development funding details by visiting the following: [http://www.destatehousing.com/Developers/dv\\_hdf.php](http://www.destatehousing.com/Developers/dv_hdf.php).*

## MINIMUM THRESHOLD REQUIREMENTS

All applications, applicants, and projects must meet the following criteria:

- Applicants agree to affirmatively further fair housing and comply with the provisions of all applicable federal, state and local law prohibiting discrimination including, but not limited to, Title VI of the Civil Rights Act of 1964 as amended.
- Projects must be financially feasible. No negative cash flow within first 20 years of loan will be accepted.
- Applicants must be in good standing with DSHA and will be considered ineligible to apply if they have failed to satisfactorily fulfill obligations as required under previously funded DSHA projects.
- Projects must adhere to DSHA's **Minimum Design and Construction Standards**. The criteria are available on DSHA's website at the following link:  
[http://www.destatehousing.com/Developers/developermedia/hdf\\_min\\_construction.pdf](http://www.destatehousing.com/Developers/developermedia/hdf_min_construction.pdf)
- **Projects must meet Minimum Income Targeting requirements.** At least 75% of units must be populated by persons at or below 60% Area Median Income (AMI) with a maximum of 80% AMI.

- Project must adhere to DSHA **Underwriting Criteria**. The criteria are available on DSHA's website at the following link:  
[http://www.destatehousing.com/Developers/developermedia/hdf\\_underwrite.pdf](http://www.destatehousing.com/Developers/developermedia/hdf_underwrite.pdf)
- All projects/developments must be located in **Level 1, Level 2, or Level 3 Investment Areas** as defined by State Strategies for Policies and Spending to be eligible to apply for funding.
- All projects must be all non-smoking buildings and units.
- Applicants agree to list their project prior to placed-in service or certificate of occupancy on [www.DelawareHousingSearch.org](http://www.DelawareHousingSearch.org).
- Management firms must be approved by DSHA.
- Summary Appraisal Reports may not be more than **twelve (12) months** old.

### FUNDING RESTRICTIONS AND GENERAL CONDITIONS

Funding restrictions and conditions other than those listed below may apply if and when funding is awarded and will be outlined in the Loan Agreement.

- HDF loans may be used for new construction, acquisition, and/or rehabilitation;
- HDF loans are not available for establishing direct lending and/or grants to applicant-sponsored programs.
- Project partners are encouraged, but not required.
- Applications must be complete and include all required and applicable exhibits at time of submission. *DSHA reserves the right to eliminate any application deemed incomplete at time of submission.*
- Applications must include a completed self-score sheet demonstrating a minimum threshold score of **55 points** for funding consideration. The final score will be determined during DSHA's application review process.
- In accordance with Title 31, Chapter 40, Subchapter III, DSHA will notify the local government's Chief Executive Officer, State Senator and State Representative upon receipt of the application.
- New construction applications containing four or less units may be subject to House Bill No. 227, adopted on April 24, 2012, which amended Titles 9, 22 and 31 of the Delaware Code by defining Universal Design Standards. House Bill 227 requires application processes for public financing of affordable housing to include Universal Design Standards. DSHA has established a category to provide points for including, at a minimum a no-step entry and accessible routes for the bathroom, bedroom, and kitchen areas, and points for additional Universal Design criteria.
- Per the Delaware Council on Housing Resolution 398, adopted on December 9, 2009, all HDF recipients are encouraged to partner with minority-, veteran- and women-owned businesses by coordinating with the State of Delaware's Office of Supplier Diversity to maximize the number of minority-, veteran- and women-owned businesses participating in projects or programs funded by the HDF, when applicable.
- Other Rebates, payments or contribution requirements. Other funds received at any time after construction completion and calculated using costs included in the Total Development Cost shall be allocated to payment of DSHA's loans in the order and priority set forth in a DSHA Regulatory Agreement, unless such funds were included as a source of construction funding, in which case the funds may be used to pay seller financing or deferred developer fee. Such payments specifically include the Downtown Development Districts Rebate Program.

- In order to promote balanced housing investments and encourage the creation of affordable housing opportunities within the State of Delaware in areas that contain little or no affordable housing, but which may offer economic opportunity, proximity to the workplace, high performing schools, or supportive infrastructure, DSHA has defined areas of the State as follows:
    - Distressed – ‘Racially/Ethnically Concentrated Areas of Poverty’\*1, G and H Markets\*2, Downtown Development Districts, and isolated Rural Communities. These areas are where sustainable long-term homeownership opportunities should be supported. These are the same areas where development that furthers highly concentrated areas of minorities or poverty should be limited.
    - Stable – D, E, and F Markets\*2. These areas are where a balance of market rate with subsidized housing should be supported.
    - Areas of Opportunity – A, B, and C Markets\*2 and/or areas where students are attending schools achieving a proficiency level\*3 of 90% or higher. These are strong, high value markets where new affordable housing opportunities should be supported.
- \*1 - As defined by U.S. Department of Housing and Urban Development
- \*2 - As identified in *Delaware Housing Needs Assessment, 2015 – 2020*
- \*3 – School Attendance Boundary Information System (SABINS), 2012. Values are percentile ranked and range from 0 to 100. The higher the score, the higher the quality of the school system.

DSHA maps that include all defined areas are available under Balance Housing Opportunities Maps at the following link: <http://destatehousing.com/Developers/dv/lihtc.php>.

**TECHNICAL ASSISTANCE MEETINGS REQUIRED OF ALL APPLICANTS**

- The purpose of required Technical Assistance (TA) meetings is to provide applicants with the opportunity to discuss their project in detail with DSHA and to answer applicant questions pertaining to the HDF program and the application process.
- Applicants may attend an in-person TA Meeting or attend by teleconference.

**APPLICATION AND REVIEW PROCESS**

- The application is comprised of a fillable-PDF application (Part I) and a Cash Flow Pro Forma (Part II) and requires additional documented exhibits.
- Program guidelines, application Part I and Part II, applicant self-score sheet and exhibit checklist may be accessed online at <http://destatehousing.com/Developers/dv/hdf.php>.
- Please refer to the Application Exhibit Checklist for exhibit information and requirements.
- Applications must include a completed self-score sheet demonstrating a score of **55** points or more. The final score will be determined during DSHA’s application review process. **If the final score is less than 55 points, the application will be considered ineligible for funding.**
- Please make sure all applicable questions are completed and that all responses are clear, organized and relevant. **Incomplete applications will be considered ineligible for funding.**
- **Both a paper copy and an electronic copy** of the application (Part I and II) and all applicable exhibits must be submitted to DSHA.
  - **Instructions for Paper Copy Submission**  
Paper submission must be bound in a three-ring binder that includes a table of contents, appropriately labeled tabbed dividers and includes the following documentation:

1. A copy of the completed and signed application (Part I)
2. A copy of the completed application (Part II)
3. A copy of each exhibit with a labeled cover sheet. Exhibits must be indexed (tabbed dividers) and in numerical order. If an exhibit is not applicable, please label the exhibit cover sheet “not applicable”. A fillable form for cover sheets may be found at [http://destatehousing.com/Developers/dv\\_hdf.php](http://destatehousing.com/Developers/dv_hdf.php).

▪ **Instructions for Electronic Submission**

Electronic submission must be on a CD or USB flash drive **and** must accompany the paper copy submission.

1. A PDF copy of the completed and signed application Part I labeled “App Part I-Project Name”
2. An Excel and PDF copy of the completed application, Part II, labeled “Pro forma-Project Name”
3. Individual PDF copies of all applicable exhibits. Create a separate file for each exhibit and label it with the exhibit number and exhibit name. (i.e. Exhibit 3-Applicant Experience).

▪ **Submission Locations**

Proposals may be submitted in person to DSHA’s Dover or Wilmington offices.

**Dover Location**

18 The Green  
Dover, DE 19901

**Wilmington Location**

Carvel State Office Bldg.  
820 N. French St., 10<sup>th</sup> Floor  
Wilmington, DE 19801

- DSHA will review and evaluate all completed applications for conformity to DSHA’s guidelines and underwriting procedures. ***Applications that do not meet minimum threshold requirements will not be scored.***
- All approved applications will be presented to the Council on Housing (COH) Loan Review Committee for recommendation of consideration. The COH Loan Review Committee will then present their recommendations to the full COH for recommendation to approve or disapprove grant request.
- Assuming complete applications are received, applications are expected to be presented to the Delaware Council on Housing within approximately 120 days from receipt of application.
- Applicants are encouraged to attend the COH meetings when their applications are brought before the Council.
- DSHA’s Director will take the COH’s recommendation under advisement and approve or disapprove the loan request, at which time a Loan Closing will be scheduled.
- Assuming funding is approved, DSHA will provide the necessary loan documents to the funding recipient within 60 days, depending upon the complexity of the financial structure of the funding.
- Assuming funding is approved, applicant may draw HDF funds for construction purposes utilizing DSHA’s Mortgagor’s Draw Requisition and Cost Certification process available at the following link or as otherwise approved by DSHA:  
[http://www.destatehousing.com/Developers/developermedia/cost\\_cert\\_guide.pdf](http://www.destatehousing.com/Developers/developermedia/cost_cert_guide.pdf)
- To improve the overall viability of a project or program, DSHA may suggest that a nonprofit sponsor joint venture the project/program with another acceptable entity. This request will be made if the project/program has merit but the sponsoring nonprofit entity lacks experience in one or more of the areas needed to maintain the long-term viability of the project/program.

## APPLICATION NOTIFICATIONS

- All applications will be subject to threshold requirements, scoring, and financial feasibility. Submission acceptance of the application by DSHA does not constitute approval for funding.
- All funding amounts are established at DSHA's sole discretion.
- DSHA reserves the right to increase or decrease loan amounts depending on the application and DSHA underwriting. DSHA may reject any application should information become available that conflicts with information submitted with the application or if DSHA becomes aware of an organization's financial instability. Funding conditions will be established at DSHA's sole discretion.
- DSHA may substitute Federal HOME funds for HDF funds at DSHA's discretion.
- If DSHA receives multiple applications in the same cycle, DSHA reserves the right to score the applications. Applicants with the highest scores will be awarded funding, if less than one-half of the lower scored applicant's request is available, DSHA will determine, at its sole discretion, the most effective way to fund the lower scored requests.
- Applicants receiving DSHA funding will be subject to monitoring and/or site visits which may include an on-site audit to determine if HDF loan funds were used in accordance with the executed loan agreement.

## PRIORITIES FOR APPLICATIONS AND RANKING PROCESS

DSHA requires all applicants to self-score their application based on the criteria detailed below to ensure minimum threshold score has been met.

1. **Collaboration of Resources:** Total possible points = 20 (Exhibit #4)

Provide evidence of project's financial commitments or obligations with government entities or private sources.

- Priority 1: Applicant has federal sources committed for project development or federal rental subsidies. Evidence of commitment is to be documented by letter, contract, or MOU. The documentation must be dated within the last 9 months, be project specific, and provide details regarding the amount and terms of funds committed and/or received (20 points).
- Priority 2: Applicant has state, local municipal, private, or other funds committed for project development. Evidence of commitment is to be documented by letter, contract, or MOU. The commitment must equal at least 20% of the HDF loan request and the documentation must be dated within the last 9 months, be project specific, and provide details regarding the amount and terms of funds committed and/or received (10 points).
- Priority 3: Applicant has financial commitments of less than 20% of the HDF loan request. The documentation must be dated within the last 9 months, be project specific, and provide details regarding the amount and terms of funds committed and/or received (5 points).

2. **Income Targeting:** Total possible points = 20 (Exhibit #6)

Preference will be given to projects that serve the lowest income populations. At least 75% of the total units must fit the definition listed in the priority to be considered for the point allocation.

- Priority 1 will be given to projects that serve those at or below 30% AMI (20 points);
- Priority 2 will be given to projects that serve 31%-50% AMI (18 points);
- Priority 3 will be given to projects that serve 51%-60% AMI (16 points); and/or
- Priority 4 will be given to projects if at least 75% of the units are at 60% AMI and balance may serve 61%-80% AMI (8 points).

3. **Promoting Balanced Housing Opportunities:** Total possible points = 15 (Exhibit #11)

To promote balanced housing investments and encourage the creation of affordable housing opportunities in areas that contain little or no affordable housing, but may offer economic opportunity, proximity to the workplace, high performing schools, or supportive infrastructure, ten (10) points will be awarded to developments that are in Areas of Opportunity.

DSHA has defined areas of the State as follows:

- **Distressed** – ‘Racially/Ethnically Concentrated Areas of Poverty’<sup>\*1</sup>, G and H Markets<sup>\*2</sup>, Downtown Development Districts, and isolated Rural Communities. These areas are where sustainable long-term homeownership opportunities should be supported. These are the same areas where development that furthers highly concentrated areas of minorities or poverty should be limited.
- **Stable** – D, E, and F Markets<sup>\*2</sup>. These areas are where a balance of market rate with subsidized housing should be supported.
- **Areas of Opportunity** – A, B, and C Markets<sup>\*2</sup> and/or areas where students are attending schools achieving a proficiency level<sup>\*3</sup> of 90% or higher. These are strong, high value markets where new affordable housing opportunities should be supported.

\*1 - As defined by U.S. Department of Housing and Urban Development

\*2 - As identified in *Delaware Housing Needs Assessment, 2015 – 2020*

\*3 – School Attendance Boundary Information System (SABINS), 2012. Values are percentile ranked and range from 0 to 100. The higher the score, the higher the quality of the school system in a neighborhood.

DSHA maps that include all defined areas are available under Balance Housing Opportunities Maps at the following link: [http://destatehousing.com/Developers/dv\\_lihtc.php](http://destatehousing.com/Developers/dv_lihtc.php).

4. **Accessibility:** Total possible points = 15 (Exhibit #10)

a. **For applications with 5 units or more**, the minimum construction standards describe the requirements regarding accessibility standards. Priority will be given to applications that exceed Delaware and Federal standards:

- **Priority 1** – Projects that include fully accessible units of 20% or more (15 points).
- **Priority 2** – Projects that include fully accessible units of 10% or more (10 points).

b. **For applications with 4 units or less, points will be awarded based on the newly designated Universal Design Standards (Please complete the Universal Design Score Sheet and attach as Exhibit #10):**

- **Priority 1** – Applicants providing for a no-step entry AND an accessible route through the interior of the dwelling unit AND a combination of Universal Design points equal to 25 or greater points (15 points).
- **Priority 2** – Applicants providing for a no-step entry AND an accessible route through the interior of the dwelling unit AND a combination of Universal Design points totaling between 17 and 24 points (10 points).
- **Priority 3** – Applicants providing for a no-step entry AND an accessible route through the interior of the dwelling unit OR any combination of Universal Design points equal to 16 points (5 points).

**Note:** Special Population projects that are fully accessible will receive the maximum 15 points in this category.

5. **Sites and Neighborhood Features:** Total possible points = 12 (Exhibit #15)

Exhibit #15 must include a map or other form of visual aid, the name of the feature, address and distance between the applicable feature and the project. **If the project does not have at least 4 site and neighborhood standards, the project will fail to meet minimum threshold, and will not move forward in the ranking process.**

Projects that exhibit close proximity to the highest number of site and neighborhood features or services listed below will be given preference. (For New Castle County, the services must be within a one-half (1/2) mile radius of the project. For Kent and Sussex, services must be within one and one-half (1 ½) mile radius of the project):

- Supermarket
  - Public schools (family sites only)
  - Library
  - Licensed child care center (family sites only)
  - Senior center (elderly sites only)
  - Usable park space
  - Bank
  - Walk-in medical facility or hospital
  - Post office
  - Laundry/dry cleaner
  - Pharmacy
  - Community, civic or town center that is accessible to residents.
  - Supportive service or counseling agencies
  - Community facilities, Community gardens
  - Places of Worship
  - Police/Fire station
  - Cultural Arts facility
- Priority 1 – Project is located closely to 8 or more out of 13 site and neighborhood standards (12 points).
  - Priority 2 – Project is located closely to 6 or 7 out of 13 site and neighborhood standards (8 points).
  - Priority 3 – Project is located closely to 4 or 5 out of 13 site and neighborhood standards (6 points).

6. **Site Amenities:** Total possible points = 6 (Exhibit #16)

Exhibit #16 must include the name and type of each applicable amenity which exceeds DSHA's minimum construction/rehabilitation standards. Also provide detail as to how the amenity exceeds DSHA's standards.

- Priority 1 – At least five new features that exceed DSHA's Minimum Construction/Rehabilitation Standards and benefits 100% of all units. Examples include, but are not limited to, a community building/room, exercise room, walking or bike path and connectivity, recycling, washer/dryers in units for seniors, WIFI for all units, etc. Amenities must benefit 100% of all units (6 points).
- Priority 2 – At least three new features that exceed DSHA's Minimum Construction/Rehabilitation Standards and benefits 100% of all units. Amenities must benefit 100% of all units (3 points).



7. **Repayment of HDF:** Total possible points = 12 (Cash Flow Pro forma)

- Priority 1 – Applicant demonstrates ability to repay loan with a monthly principal and interest payment based on a 30-year term or less (12 points).
- Priority 2 – Applicant demonstrates ability to make interest payments based on a term of 30-years or less with a principal balloon payment at end of term (6 points).

**Note:** If DSHA determines during underwriting, the cash flow can support a higher interest rate than requested by the applicant, DSHA reserves the right to increase the interest rate. No interest rates will exceed 3%.

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<b>CONTACTS FOR PROGRAM QUESTIONS AND APPLICATION ASSISTANCE</b>
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