



State and Local Fiscal Recovery Funds Catalyst Fund Program Guidelines

PROGRAM OVERVIEW

The Department of the Treasury has made available more than \$350 billion in Coronavirus State and Local Fiscal Recovery Funds (SLFRF), a part of the American Rescue Plan Act (ARPA) to state, local, and Tribal governments across the Country to support their response to and recovery from the COVID-19 public health emergency.

The Delaware State Housing Authority (DSHA) has allocated \$10 million to address vacant property in communities disproportionately impacted by the COVID-19 pandemic. The Catalyst Fund will promote neighborhood revitalization and equitable recovery. The Catalyst Fund will take steps to encourage the participation of new and emerging developers in order to expand the pool of local developers to help scale development activity and support equitable revitalization and inclusive economic opportunity. The Catalyst Fund will provide developers with a sales gap subsidy to bridge the gap between rising construction costs and the market sales price of finished homes through two avenues, Self-Funded and Development Loan. The self-funded option provides a sales gap subsidy to developers that are able to self-fund development. The loan option will provide a loan to those needing up-front capital to develop properties in addition to the sales gap subsidy offered by the program.

FUNDING AVAILABILITY

- \$10 million State and Local Fiscal Recovery Funds (SLFRF) to establish the Catalyst Fund
- Up to \$120,000 per unit in sales gap subsidy for each homeownership unit

ELIGIBLE ASSISTANCE

Developers' eligibility will be based on the funding route taken by the applicant. Project eligibility is consistent across both options and is enumerated below:

- **Eligible Locations:** Projects located in Qualified Census Tracts or areas with concentrations of vacant and abandoned properties as identified in Appendix A: Catalyst Fund Interactive Target Areas.
- **Eligible Properties:** Vacant, blighted, or abandoned buildings or land that have been unoccupied for a year or longer prior to the date of application.
 - Each planned unit must be located on its own individual parcel (i.e., no condos, duplexes, etc.).
 - Priority will be given to applications that aggregate multiple properties in close geographic proximity and contribute to a broader neighborhood revitalization.



- Eligible Projects: new construction or rehabilitation of single-family homes to be sold to eligible homeowners.
- Eligible Buyers: homebuyers with household income of up to 120% AMI.

The Self-Funded Option

The self-funded option will require developers to have 10 years of experience developing properties for sale. Applicants choosing this option must be in business for the sole purpose of developing affordable housing and will be required to provide entity formation documents as part of the application requirements.

- Eligible Entities: 501(C)(3) non-profit housing developers and for-profit developers able to self-fund or secure construction financing independent of the Catalyst Fund Loan Option.
- Priority will be given to:
 - Developers with experience working in the neighborhoods where the project is proposed,
 - Developers committing to hiring local labor.
- Fundraising sources must be, at minimum, 50% of total construction costs.
- In the event sales price exceeds construction costs, sales price/ Sponsor's first mortgage calculation will be based off of the lower of the appraisal or sales price.

The Loan Option

Development Loans will be administered by a partnering CDFI, Cinnaire Lending. Cinnaire will receive loan applications, underwrite, and evaluate the project prior to sending to DSHA for sales-gap funding approval. Upon closing, the developer is responsible for repaying the loan to Cinnaire in the amount of sales proceeds received, the sales gap subsidy will be provided directly to Cinnaire at closing. In the event that the sales proceeds and gap subsidy are insufficient to cover the entirety of the loan, the developer remains solely obligated to repay the loan to Cinnaire for the entire amount.

- Eligible Entities: For profit or 501(C)(3) non-profit housing developers. A developer (Owner) is any corporate entity, partner, or individual responsible for initiating and controlling a real-estate development project and ensuring that all phases of the development process are accomplished.
 - Priority will be given to:
 - Developers with experience working in the neighborhoods where the project is proposed,
 - New and emerging developers,
 - Developers committing to hiring local labor.

APPLICATION INFORMATION

- Application Period: March 31, 2023 through November 30, 2024
- Applications will be accepted on a rolling basis. Applications submitted must include the provided sources & uses schedule with documentation on sources of project financing and any other referenced supporting documentation.



- Application submissions are limited to 5 units.
- Prior to commitment of a subsidy, projects will undergo an underwriting review and developers must be approved for a loan
- Application must include a scope which outlines construction standards as identified in Appendix B.
- DSHA will review funding requests and make an award reservation for the estimated amount of the sales-gap subsidy.
- Projects will have a required 18-month construction completion period.
- Developers are responsible for advertising homes for sale and securing a buyer in order to receive the sales gap subsidy.
- Developers are responsible for determining the market sales price of the house and must be approved by DSHA for sales gap subsidy calculation.
- The reservation of the sales gap subsidy constitutes the entire obligation of SLFRF by DSHA.

OTHER INFORMATION AND REQUIREMENTS

- A developer fee is allowable in an amount that is the lesser of 15% of total development costs or \$20,000 per property
- DSHA will provide technical assistance to developers participating in the program who need support with the sales gap subsidy portion of the application process and final construction cost certification.
- Property construction must meet DSHA Construction and Energy Standards as defined in Appendix B
- 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 in this program will undergo the standard environmental review procedures dictated by the sources of funding used in the project and which apply to the renovation of single-family homes.
- Projects will undergo interim inspections during the construction period.
- Projects are subject to a 5-year compliance period whereby the property must remain as the buyer's primary residence for a 5-year period following the date of sale.
- Loans will be interest only construction financing for the construction term.
- The final subsidy may be less than the original reservation, depending upon the actual amount of qualified expenses in excess of the home sale price.
- DSHA will approve sales gap subsidy awards, which will be committed to a project prior to construction. Actual calculated sales gap subsidy will be paid at closing when all required program requirements have been met and the home is sold to an eligible homebuyer.
- The following documents must be provided by the Developer to DSHA for the subsidy to be released. The Developer must furnish these documents to DSHA no later than 60 days prior to the buyer closing on the property. Failure to provide any one of the following four documents may result in the Reservation being rescinded. Release of funding requires the following:
 - a. Draft Purchase Contract
 - b. Fully Executed Retention Agreement



- c. Final Total Development Cost Documents (Final Subsidy Calculation Worksheet)
- d. Certificate of Occupancy
- e. Developer's Form W-9 (Self-Funded Route Only)



APPENDICES

A. Catalyst Fund Interactive Target Areas

Projects that target properties located in specific areas identified in [DSHA's Interactive Catalyst Fund Priority Areas Map](#) will be eligible. The map in the link below identifies highly distressed neighborhoods suffering from high levels of vacancy and abandonment where strategies should be focused on stabilizing neighborhoods through reducing vacancy and promoting increased homeownership.

B. Minimum Construction & Energy Standards

The Catalyst Fund has established Minimum Construction and Energy Standards that must be met in addition to local building code standards in the development of homeownership units through the Catalyst Fund. DSHA will inspect units during the construction process to ensure that all applicable standards are met. Any deviation from these standards must be pre-approved by DSHA in writing.

Minimum Construction Standards

Bathrooms: Exhaust fans shall meet building code air exchange requirements. DSHA suggests the use of Energy Star rated products that have timers that assist in meeting air exchange requirements and single piece bathtub/shower units to eliminate a caulk joint.

Doors: All entry doors shall have a "frame saver" rot-proof door frame and shall meet applicable energy code requirements.

Electrical Fixtures: DSHA suggests the use of LED fixtures, since they generally provide a pay back with annual cost savings.

Energy-Efficiency: Energy Star appliances, products and best practice methods similar to Energy Star Certified Home, as amended, shall be used when applicable in constructing and/or rehabilitating the structure. Consider, third-party verification testing to assess the energy-efficiency of the structure (air-sealing).

Environmental Issues: All environmental issues shall be addressed (i.e. asbestos, lead based paint, radon and mold).

Equipment/Appliances: All appliances shall be ordered "pre-wired" for direct plug-in to outlet. This will eliminate the need to use a Master electrician for appliance installation (i.e. dishwasher, electric stoves, and garbage disposals). Dryer vents shall be exhausted to the exterior per code.

Exterior Surfaces: Maintenance free building materials shall be used for all exterior surfaces.

Insulation: Insulation shall meet local building code requirements.

Interior Finishes: Choice of flooring (i.e. carpet, vinyl flooring, ceramic tile, and pre-engineered flooring products) shall be determined by developer/homebuyer. If using vinyl flooring products, DSHA suggests



the use of products labeled “pure vinyl”, since some products made outside the USA have been known to use heavy metals in the manufacturing process.

Kitchen Cabinetry: All cabinetry shall be made of solid wood construction (combination of hardwood/plywood allowable, no particle board). DSHA suggests the use of concealed hinges which have a longer life span.

Landscaping: A minimum of \$500 per unit shall be spent on landscaping for new construction projects. The use of drought resistant and minimal water consumption landscaping is preferred.

Roofing: Roofs shall have a minimum of 30-year warranty and meet all applicable wind code requirements. The use of standard or architectural style shingles shall be the developer/homebuyer’s choice. For flat roofs, EPDM roofing material is an acceptable alternative. For Rehab projects, old roofing material must be removed prior to the installation of new roof. A second layer of shingle generally voids the new shingle warranty and multiple layers of roofing.

Vinyl Siding: All siding shall have a minimum thickness of 0.044 inches. The profile style of the siding (Dutch Lap, Carolina Bead, etc.) may be determined by the developer/homebuyer.

Windows: All windows shall be thermal insulated with a minimum “U” value of 0.33 or better. Windows must meet all egress codes.

Minimum Energy Standards

- All appliances will be Energy Star with pre-wired power source.
- Energy Star qualified heat pump, furnace, air conditioning and/or ventilation equipment
- High-efficiency HVAC units with a furnace efficiency of 90% or greater. Minimum SEER 14%.
- High-efficiency air filters for mechanical blower units
- Hot water heating shall have a minimum Energy Factor between 0.82 and 0.91 EF.
- Minimum warranty period 5 years
- Energy Star qualified windows or windows rated by the national Fenestration Rating Council with a U-Factor greater than 0.33.
- Slider windows not allowed
- Windows must meet all egress codes
- Insulation shall meet all applicable codes for new construction and rehabilitation.
- Energy Star qualified doors with a U-Factor greater than 0.33.
- Non-mercury programmable thermostats
- Energy Star qualified lighting
- Showerheads rated 2.0 GPM or less
- Faucet aerators rated 0.5 GPM or less



VERSION HISTORY

Version	Date	Changes
1	5/16/23	N/A
2	12/15/23	Language in first paragraph, total allocation amount, addition of 50% of sources must be fundraising for self-funded option, addition of rule regarding when sales price exceeds construction costs for self-funded projects, change in beginning date of application period.
3	6/20/24	Added language to clarify that units must be located on individual parcels, amended to allow for-profit developers to partake in the self-funded option, and clarified that applications are limited to 5 units.