

COUNCIL ON HOUSING
Public Session
In person at The Grey Fox Grille
Dover, DE
December 10, 2024

MOTIONS

- October 9, 2024 Minutes
- Resolution No. 659 – Foster Commons

Doug Motley, Chair, called to order the public session of the Council on Housing meeting at 3:09pm, Tuesday, December 10, 2024. In addition to Mr. Motley, the following Council members were present:

Amy Walls	Connie Harrington	Dianne Casey	Vincent White
Jaime Saylor	Van Hampton		

This was an in-person meeting held at the Grey Fox Grille, 140 South State Street, Dover, Delaware.

The following council members were absent from the meeting:

Lillian Harrison	Francis Julian	Barbara Cool
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Also attending:

Alex Modeas, DSHA	Rachael Preston, DSHA	Candace Collins, DSHA
Melissa Ziegler, DSHA	Anthony Williams, DSHA	Lynn Raikes, DSHA
Joseph M. Walls, Veterans Services		

APPROVAL OF MINUTES

Mr. White moved, and Ms. Casey seconded, that the Minutes of the October 9, 2024 meeting be approved.

DSHA Director’s Report – Alex Modeas
Budget and Legislative Updates

- **Legislative**
 - Affordable Housing Production Task Force – The five subcommittees are meeting in January; the full task force will reconvene to hear preliminary recommendations from the subcommittees. All items associated with the AHPTF may be found on our website. <https://www.destatehousing.com/about/housing-production-task-force/>

Housing Management

- On November 15th we were joined by Senator Coons, HUD Region III Director Matt Heckles, Senator Tizzy Lockman, former DSHA Director Sandy Johnson, and the other 4 PHAs as we announced the creation of our **Centralized Waiting List** through AffordableHousing.com. Delaware is the 5th state to have a Centralized Waiting List, allowing applicants to log into a single location to apply for any open HCV waiting list and DSHA’s public housing and project-based voucher housing waiting list. Applications with a

current application must update their information to remain on the lists.
[https://delaware.affordablehousing.com./](https://delaware.affordablehousing.com/)

- **Recently**, we announced the addition of 210 new Project-Based Vouchers (PBV) to Delaware’s affordable rental market. These vouchers are not available through partnerships with new and existing housing developers. **The 210 PBVs, and their associated funding, were allocated to the following partners after a comprehensive request for proposal process completed by DSHA:**

Name of Partner	Name of Community	Community Location	# of PBV	Type of Housing
Millsboro LIGHT, LLC	Foster Commons	Sussex County	15	Existing
Ingerman	Willow at Northstar	Sussex County		New Construction
Leon N. Wiener & Associates	Commerce Square Apartments	Kent County	25	Existing
Leon N. Wiener & Associates	Georgetown Apartments II	Sussex County	25	Existing
Leon N. Wiener & Associates	Milford Crossing Apartments	Kent County	25	Existing
Leon N. Wiener & Associates	Villas at Milford Crossing	Kent County	30	Existing
Leon N. Wiener & Associates	Villas II at Delmar	Sussex County	24	Existing
Severn Development Company, LLC	Brightway Commons II	Kent County	25	Existing
Severn Development Company, LLC	Misphillion Station II	Sussex County	16	New Construction

Housing Development

- DSHA recently completed construction closing on the following Low Income Housing Tax Credit (LIHTC) developments:
 - The Flats, Phase V – this is the fifth phase of the large redevelopment effort on the west side of Wilmington. This new construction development will result in 53 units of senior housing, all income restriction to 60% AMI and below. This property is supported by an allocation of 9% LIHTCs, HDF and ARPA-SLFRF funding.
 - Imani Village III (fka Riverside, Phase III) – this is the third phase of the large redevelopment will result in 101 units. In addition to the tax credits, DSHA was the bond issuer for the primary construction financing and provided ARPA-SLFRF funding and ARHP funding.
 - Dunbarton Station II – rehabilitation of twenty-four (24) existing garden style apartments in Georgetown, Delaware. The property will be substantially renovated to provide updated high efficiency units for the tenants and to preserve the existing USDA rental subsidy. All 24 units will be income restricted to 60% AMI and below and the Development, will exceed handicap accessibility requirements with five (5)

fully accessible units. In addition to the LIHTC, DSHA is providing HDF and ARPA-SLFRF funding to support the preservation of this development.

- On Tuesday, October 29, 2024, DSHA Director Cynthia Karnai and Housing Development Director Stephanie Griffin joined Congresswoman Lisa Blunt Rochester, Lt. Governor Bethany Hall-Long, and the Carson Development team to celebrate the groundbreaking of **The Reese Apartments in Felton**. This 48-unit Low Income Housing Tax Credit (LIHTC) development in Felton, Delaware will create affordable housing for tenants at or below 80% AMI while also representing a some DSHA firsts: it is the first new construction LIHTC deal in Kent County in more than 10 years, and it is being completed in partnership with Delaware's first Woman-Owned Business Enterprise (WBE) developer Carson Development. In addition to the LIHTC, DSHA is providing HDF, Housing Trust Fund (HTF) and ARPA-SLFRF funding to support this development. With 48 affordable units, the Reese Apartments will not only provide quality housing with rent rates from \$345 to \$1,550 but will also offer essential social services, including health education and financial counseling. The completion of the Reese Apartments is set for Spring.
- In late October DSHA hosted its **Developer Forum**, an event where our development community comes together to provide feedback, suggestions, and ideas regarding the Qualified Allocation Plan (QAP). The QAP governs the funding allocation process for DSHA's Low Income Housing Tax Credit (LIHTC) program, and the Forum is held every two years as part of the biannual QAP update as a way of gaining and incorporating valuable insight from our partners. This year's event was well attended with approximately 40 of our developer (for profit and non-profit), financial, and construction partners in attendance.
- On Friday, October 25, 2024, DSHA Director Cynthia Karnai and Director of Housing Development Stephanie Griffin attended the grand opening of Splash! Laundromat in Milford. The site was a former Rite Aid pharmacy in downtown Milford that had been vacant for several years before being renovated into a mixed-use development with support from a Large Project Downtown Development District (**DDD**) reservation. This new space now consists of a laundromat on the first floor and 10 new apartments on the second floor. Splash Laundromat will serve as a hub for community engagement with biweekly book readings hosted by the Milford Library for local youth and daily living skills workshops to empower individuals with intellectual disabilities.
- DSHA announced the opening of the Downtown Development District (DDD) Round 16 Large Project Reservation application period. Eligible projects can submit their applications to DSHA no later than February 27, 2025, by 4:00 p.m. Approximately \$5.5 million in rebate funding is currently available to qualified investors, with \$3.5 million set-aside for Large Project reservations. The Large Project Reservation Application process is a competitive process. DSHA anticipates receiving applications will in excess of the funding available for the round; therefore, DSHA cannot guarantee a Rebate Reservation will be awarded or the rebate reservation will be for the amount requested with the application. Applications will be awarded to the top ranked applications based on criteria and priority as outlined in the program guidelines.

Additionally, DSHA has set-aside \$2 million for Small Project applications. This set-aside is for investors making a qualified investment between \$25,000 and \$350,000 may apply on a rolling basis, as long as funding is available.

Homeownership Programs

- Home Sweet Home – **Home for the Holidays** is 0%, 2nd mortgage in the amount of \$10,000 that is forgivable over 10 years. Each year the borrower occupies the property as their primary residence, 10% of the balance is forgiven up to year 10. This special program will run December 1, 2024 – January 17, 2025 and was shared with lenders at our lender summit yesterday.
- DSHA helped 248 families through **Delaware Diamonds** with \$2,480,000 in down payment assistance and \$71,377,637 in 1st mortgage financing.
- To date since the launch of **Welcome Home**, we have a total reservation in the amount of 1,350 loans for \$373,089,238 of 1st mortgage loans. Of those 1,171 have down payment assistance totaling \$11,180,182.
- DSHA priced its **4th Single Family Mortgage Revenue Bond (MRB)** transaction in the amount of \$75,000,000, on October 16th, this is a total of \$375,000,000 since January. We currently have mortgage rates as low as 5.625% vs. the current market rate of 7.00%. We continuously monitor our rate compared to market.
- The **2024 Annual Lender Meeting/Event** took place on November 14th at White Creek Cray Country Club. We thanked veterans, announced reduced mortgage rates for veterans, and recognized lenders with annual awards. Major General Berry offered impactful remarks about the service of our active and veteran armed forces, and the important role housing plays in supporting not only our 2,700 men and women currently in uniform, but our veteran and future service members as well.

COMMITTEE REPORTS

OPERATIONS – Ms. Harrington

Nothing to report.

COMMUNICATIONS – Ms. Casey

We are looking for full vote from Council on the annual report. It has been through several revisions through Policy, Communications and the final draft went out to the full Council late last week. You should have received the report for review. We are recommending Council approve the Annual Report as presented today but if there are any edits or points of discussion now is the time. We like to thank Alex for his work to make sure we stayed on task.

Motion to accept the Annual Report was moved by Ms. Walls and seconded by Ms. Casey. The motion passed with eight (8) in favor and no abstentions.

POLICY – Mr. White

Nothing to report.

LOAN REVIEW – Mr. Motley

Loan Review was held December 3, 2024, at 2pm. All participants joined the meeting by video conferencing, following guidance provided in the Governor's declaration of public health emergency on March 12, 2020. There is one HDF low funding request for consideration by Loan Review:

Foster Commons

This is a new construction mixed-income family development in Millsboro, DE that had DSHA funding previously approved by Council on July 14, 2021 (Resolution No. 620) with additional funding approved on October 13, 2021 (Resolution No. 624) and July 10, 2024 (Resolution No. 652). This request replaces Resolution No. 652, effectively making that approval null and void.

All 2020 LIHTC allocations experienced unprecedented cost increases and delays due to labor and material cost increases driven by the COVID-19 pandemic which resulted in significant budget shortfalls. To help offset the budget increases, DSHA secured additional funding to aid all 2020 LIHTC allocations from the Coronavirus Relief Fund (“CRF”) as allocated to the State under the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). DSHA was able to grant \$2,275,186 in COVID Gap funding. To help offset the remaining funding gap, the developer agreed to increase the deferred developer fee to 50% of the total fee, or \$500,00; secure a lower first lender interest rate, allowing an increase to the first mortgage; and secure a preliminary rebate allocation of \$69,000 through the Energize Delaware program for energy efficiencies in the development design. Upon approval all lenders and the syndicator, the deferred fee was increase to \$569,000 to reflect the rebate.

The lower permanent interest rate secured prior to construction closing instituted restrictive conversion timelines. The construction delays caused by material and labor shortages prevented the development from converting within the stated terms to retain the stated permanent interest rate, resulting in an increased permanent interest rate to more than 7%. Developer reached out to other lenders who quoted similar interest rates. The development cannot support debt service at that interest rate. The Developer requested that DSHA provide HDG interest only amortizing debt to replace the permanent financing previously secured at construction closing.

The Developer successfully applied to DSHA under the Project Based Voucher (PBV) Request for Proposal (RFP) to secure fifteen (15) PBVs. This rental subsidy increases the available cash flow to the property to support additional debt services. As such, the developer has updated their request to DSHA for permanent first position financing as follows:

- ***HDF first position amortizing permanent loan in an amount not to exceed \$2,256,000 at 5.5% simple interest for 30 years.***
- ***The loan amount cannot increase but may decrease subject to final conversion underwriting.***

Based on the information provided in the synopsis and during the discussion, the members of the Loan Review agreed to present for the full Council’s approval the funding request for HDF permanent amortizing debt not to exceed \$2,256,000 at 5.5% simple interest for 30 years.

Mr. Motley moved, and Mr. Hampton seconded Resolution No. 659, Foster Commons. The motion was passed with seven (7) in favor and no abstentions.

OLD BUSINESS

- **Strategic plan update – Mr. Motley**

- Strategic plan is finalized and on the website. Thanks to all involved.
- Barbara Cool has resigned from the Council. Stephanie and Alex will work with the new administration 1st quarter to backfill her spot.
- Amy Walls will attend Chapel Branch groundbreaking this coming Thursday. Also, regarding the Housing Production Task Force, Ms. Walls is chairing the Finance and Development Committee. In the last session is available online and some of the developers show some of their models with cost projections to meet the amount of units which is staggering.

NEW BUSINESS

- **Anthony Williams – COO, Delaware State Housing Authority**

- Director Cynthia Karnai sends regards for not being here due to a prior engagement. Thanks for all the work the Council is doing and is looking forward to 2025.

- **Public Comment (letter) – Joe Walls, CEO Veterans Services**

This letter is to inform the Council on Housing of the difficulties that property developers and landlords are having in dealing with DSHA's funding capabilities:

1. MIMF Funding: As a small affordable housing developer we have found insurmountable barriers to obtaining funding through DSHA. Specifically, under the MIMF program, we were denied funding because:
 - A. Both of our projects were designated by us to be 100% affordable units whereas DSHA limits the number of affordable units to only 20%.
 - B. One of our projects was designed to bring 10 affordable units to market within 6 months, whereas DSHA requires a minimum of 35 units to be brought to market with a longer time frame.
 - C. Both of our projects were to rehab and convert existing non-affordable housing to affordable housing whereas DSHA will not fund the conversion of existing housing; or one of our projects exceeded the available funding, with no partial funding offered.
2. HCV Funding: As a landlord who focuses upon proving affordable, safe and clean housing to low-income tenants we have found insurmountable barriers to obtaining the HCV funds that we are entitled to from DSHA. Specifically, under this HUD/DSHA program we were shortchanged or denied eligible funding:
 - A. We have not received any last month rent (we did receive the first month rent).
 - B. We have not received any security deposit.
 - C. We have not received any landlord leasing bonus for accepting HCV tenants.
 - D. We have not received any property rehabilitation cost reimbursements.
 - E. We have not received any utility allowance.
 - F. We have not received any exception payments.
 - G. We have not received any success rate payments.

While traveling the state and speaking to other developers and landlords, it seems that DSHA is not living up to their mission statement, regulations or rules. Delaware has thousand of HCV recipients who cannot find a place to rent either because there is no affordable housing available, or small developers or landlords are so frustrated with DSHA that the developers or landlords are leaving the program faster than they can be replaced. Something needs to be done to remedy this situation. We request that the COH begins the job of getting DSHA back on track by removing these bottlenecks and having DSHA be a real partner with landlords.

SCHEDULING OF THE NEXT MEETING

- The next meeting is scheduled for Tuesday, January 14 at 2:00 p.m. via conference call with the anchor location for those wishing to attend in person in the conference room of the Delaware State Housing Authority, 18 The Green, Dover, Delaware.

ADJOURNMENT

There being no further business to come before the Council, the meeting was adjourned at 3:35 p.m.

Respectfully submitted,

Candace Collins

Candace Collins

Note: Copies of materials referenced as “attached” in these Minutes are available upon request.