Delaware State Housing Authority
Funding Supplement

The purpose of DSHA's funding is to efficiently provide, and assist others to provide, quality affordable housing opportunities and appropriate supportive services to low- and moderate-income households.

This supplement describes additional funding sources DSHA may utilize in conjunction with Low Income Housing Tax Credits. Because DSHA funding programs are limited, the developer must demonstrate that other potential sources of funding were explored to ensure that the DSHA funding sources are used only to the extent necessary for the development's financial feasibility and long-term economic viability. Where there are differences between the requirements of the Low Income Housing Tax Credit program and any of the programs described below, the most restrictive regulation, and/or requirement will apply.

Funding Requests

All applicants seeking DSHA funding for LIHTC developments must request a **Letter of Interest** (LOI) to include as part of the complete LIHTC application. All LOI requests for DSHA funding must be **submitted no later than three (3) weeks** prior to the LIHTC application due date. The LOI request must be a written request submitted via e-mail to the Director of Housing Development on letterhead of the applicant and must include the following information:

1. DSHA Construction Funding:
    a. Amount requested;
    b. Interest Rate;
    c. Loan Term;
2. DSHA Permanent Deferred Funding
    a. Amount requested;
    b. Interest Rate;
    c. Loan Term;
3. Other lender(s) contact information (name, address, phone number, and e-mail address);
4. Equity provider contact information (name, address, phone number, e-mail address);
5. Total number of LIHTC income restricted units; and
6. A copy of the proposed rent structure. This can be an attachment to the funding request.

Applicants *may not* specify a DSHA funding source as part of their funding request. All requests must comply with the DSHA lending limits (see *2025 DSHA Loan Limits* chart for additional details).

Uses of Funding
Funding may be utilized for construction and/or permanent deferred financing. DSHA will not consider requests for permanent amortizing debt or interest only permanent debt prior to preliminary allocation award announcements. Types of multifamily developments that will be considered for DSHA funding include, but are not limited to:

1. New construction;
2. Acquisition and rehabilitation, including conversion of market rate to affordable housing and preservation of existing affordable housing;
3. Adaptive re-use of non-residential buildings; and/or
4. Historic.

DSHA Funding and LIHTC requests are both considered in the same application. The application is comprised of a fillable-PDF application (Part I), a Cash Flow Pro Forma (Part II), LIHTC Score Sheet (Part III), and required additional documented exhibits. Applicants must consult the ~~LIHTC~~ QAP for complete information on application requirements.

Technical Assistance

Technical Assistance meetings are available, and encouraged, for all LIHTC applicants, especially applicants seeking DSHA funding as described by this Funding Supplement (see the QAP for additional details).

Funding Sources Used for LIHTC Developments

DSHA administers a variety of state and federal affordable housing financial resources including, but not necessarily limited to, state Housing Development Funds (HDF), Affordable Rental Housing Program (ARHP) funds, and federal HOME and National Housing Trust Fund (NHTF) monies. Because there are different requirements for each funding source, DSHA will determine which funding source best meets the needs and conditions of the applicant after LIHTC allocation.

1. **Housing Development Fund (HDF)**
   Established by Delaware's Housing Trust Fund Statute in 1986, HDF provides loans to 9% and 4% tax credit developments to assist them in achieving economic feasibility in serving families and individuals with incomes of up to 80% of area median income. Over the next two years, there will be approximately $8,250,000 available for 9% LIHTC developments, and approximately $6,000,000 available for tax exempt bond 4% tax credit developments.

2. **Affordable Rental Housing Program (ARHP)**
   The ARHP fund was established in 2009 and provides loans to 9% and 4% tax credit developments to assist them in achieving economic feasibility in serving families and individuals with incomes of up to 80% of area median income. ~~and~~ ARPH has ~~certain~~ deadlines by which funds must be committed and expended. These funds, typically derived from state bond issues, are not includable in basis for 9% LIHTC purposes. For 2025, ~~approximately~~ a minimum of $4 million will be available.

3. **HOME Investment Partnerships (HOME)**
   The HOME program is funded by the federal government and enables Delaware to assist in a variety of affordable housing programs in all areas of the state. DSHA expects to receive approximately $3 million in 2025 and 2026, of which approximately $2 million will be available to be utilized for affordable rental developments. Financing from HOME funds introduces program rules in addition to LIHTC rules, so in any event of conflict, the most restrictive rules will apply. The use of HOME funds may impose Davis-Bacon and related acts; Section 3; Build America, Buy America (BABA); and a variety of other federal HOME requirements.

   Note: DSHA may provide financing for up to eleven (11) units of HOME funds (amounts will depend on HUD's per unit limits at the time of application). HOME financing for more than eleven (11) units may be offered to a development at DSHA's sole discretion, but may trigger additional federal requirements, including Davis-Bacon prevailing wage requirements.

4. **National Housing Trust Fund (NHTF)**
   This federal source of funds comes from the profits of the Government-Sponsored Enterprises (Fannie Mae and Freddie Mac) making the annual allocation somewhat unpredictable; in 2023 and 2024, Delaware received approximately $3 million. Subject to NHTF fund availability, approximately $2 million may be available for developments that target (1) newly-created extremely low-income households (30% AMI); (2) family projects in areas of opportunity, or (3) 30% units that are created for Permanent Supportive Housing (PSH) and require supplemental funds to cover a substantial financing gap that cannot be met by deferring 25% of the developer fee. If no 9% housing tax credit applications can utilize NHTF financing, DSHA may make this funding source available to 4% tax-exempt bond applications under the same terms and conditions.

Developments receiving NHTF funds must comply with all federal requirements for use of these monies and with DSHA's NHTF Allocation Plan requirements, but payment of Davis-Bacon wages is not required under this program except as may be required by combination with other sources of federal funding.

5. **HOME-ARP**

   Congress allocated $5 billion through the American Rescue Plan to help address the continued impact of the COVID-19 pandemic on communities across the country. This funding is administered through HUD's HOME Investment Partnership Program (HOME).

   HOME-ARP funds are targeted to four eligible groups of recipients who are referred to as "qualifying populations" and include individuals and households experiencing homelessness; those at risk of homelessness; persons fleeing or attempting to flee domestic violence, dating violence, sexual assault, stalking, or human trafficking; and other groups as identified by HUD where supportive services would prevent homelessness or serve those at greatest risk of housing instability. HOME-ARP funds must primarily benefit individuals and families that meet one of the qualifying populations defined by HUD and DSHA's HOME-ARP Allocation Plan, however, not more than 30 percent of the total number of rental units assisted with HOME-ARP funds may be occupied by low-income households

   HOME-ARP funds may be used for multifamily housing including acquisition, construction and rehabilitation of affordable rental housing. Developments receiving HOME-ARP funds must comply with all federal requirements for use of these monies and with DSHA's HOME-ARP Allocation Plan requirements.

Tax-Exempt Bond Financing

DSHA can issue tax-exempt private activity bonds for 4% LIHTC developments. For all applicants seeking 4% tax-exempt bond financing, a minimum of 30% (but no more than 55%) of the development's aggregate basis must by financed by tax-exempt bonds and DSHA must be the bond-issuer. Applications seeking DSHA funding must compete in the annual allocation process and submit applications by the LIHTC deadline as set in the QAP.

If DSHA funding set aside for 4% tax credits is not oversubscribed after the competitive allocation awards are announced, the remaining funds will be available for applications submitted on a rolling basis until December 15 of that year. 4% LIHTC applications requesting DSHA funding **will not** be accepted between December 16 and the next year's competitive annual allocation submission deadline. 4% LIHTC applications that do **not** request DSHA funding may be submitted on a rolling basis between February 1 and December 15 of each calendar year. Acceptance of rolling applications is subject to the availability of bond cap volume.

During the rolling application process, 4% tax credits and DSHA funding may be awarded without participating in the annual competitive allocation process, but applicants must meet the minimum threshold requirements and must score a minimum of ~~seventy~~ninety-five (~~75~~95) points.

Tax-exempt bond-financed properties must make an application for tax credits prior to construction or rehabilitation of the property. In the event that a tax-exempt bond property is proposed in the same area as competing tax credit properties, the market study must provide an acceptable demand analysis.

Subject to HOME funds availability, DSHA HOME funds may be available for 4% developments with a substantial financing gap that cannot be met by a deferral of 25% of the non-cash flow developer's fee. In such instances, DSHA may determine that the development is eligible for DSHA supplemental financing in the form of HOME funds of up to $1 million. This supplemental financing is in addition to the stated deferred DSHA financing limits but cannot be included as a source during the application period. Only the highest ranked 4% tax-exempt bond applicant during the annual allocation process may be eligible for the additional HOME funding.

Please see the QAP for additional information regarding application requirement for tax-exempt bond-financed LIHTC developments.

Funding Availability - DSHA Limits, Fees, Rates, and Term Schedule

~~2025~~ 2026 DSHA LOAN LIMITS	
Type of Funding	***Limit***
Construction Financing	Dependent on request and other funding sources but should not exceed 50% of total construction financing.
Permanent Deferred Financing	Unless otherwise stated, DSHA lending limits are as follows: • Lesser of $60,000 per unit up to $3.5 million for developments containing up to 70 units; • Lesser of $60,000 per unit up to $4 million for developments containing between 71 and 100 units; • Lesser of $60,000 per unit up to $4.5 million for developments containing 101 units or more. For 4% tax-exempt applications in Areas of Opportunity, DSHA will increase the per unit amount to $70,000 up to the aforementioned maximum amount based on development size: For applications with existing DSHA debt, DSHA will increase the per unit amount to $70,000 up to the aforementioned maximum amount based on development size. Existing DSHA debt will count toward the stated lending limits.

Fees, Rates, and Terms
The fees outlined herein are applicable to all applicants seeking DSHA resources and should be included in the development budget of the application. Interest rates and annual expenses are determined during underwriting based upon market conditions. All fees are non-refundable, non-transferable, and due as designated in the schedule below.

~~2025~~ 2026 DSHA FEE SCHEDULE

Application Fees		
9% and 4% Tax Credit Application Fee	**$1,500**	Due with submission
DSHA Financing Application Fee	**$2,000**	Due with submission
Tax Credit Program Fees		
9% and 4% Tax Credit LIHTC Allocation Fee	**1.50%** of carryover allocation **x 10 years**	Due no later than construction closing.
Monitoring, Compliance, and Asset Management Fees		
Compliance Monitoring Fee (one-time, per unit)	**$750** **$250**	Due no later than construction closing. Additional per unit fee for Income Averaging election, no later than construction closing.
Asset Management Fee (one-time, per unit)	**$250**	Due no later than construction closing. Developments utilizing only HOME and/or NHTF will be excluded from this fee.
Construction Financing* (standard term of 24 months unless otherwise approved by DSHA)		
ARHP/HDF Construction Loan Commitment Fee***	**1.25%** of approved loan amount	Due at construction closing
ARHP/HDF Construction Loan Interest Rate	**3.00%**	Due monthly
HOME/NHTF Construction Loan Commitment Fee	**0.00%**	
HOME/NHTF Construction Loan Interest Rate	**3.00%**	Due monthly
Loan Extension Fee	**0.25% of loan amount per extension** waived for first 3-month extension	Due prior to permanent closing. May be paid from development sources if sufficient funding is available. May not be paid from operating funds
Permanent Financing* (30-year term)		
ARHP/HDF Permanent Loan Commitment Fee (applied to fully amortizing or interest-only permanent loans)	**1.25%** of amortizing or interest-only loan amount	Due 50% at construction closing and 50% at permanent closing
ARHP/HDF Permanent Fully Amortizing or Interest-only Permanent Loan Interest Rate**	**5.5%**	Due monthly
ARHP/HDF Deferred Permanent Loan Commitment Fee***	**1.25%** of approved loan amount	Due at construction closing
ARHP/HDF Deferred Permanent Loan Interest Rate	**1.00%**	Deferred; accrued interest due from cash flow
HOME/NHTF Permanent Loan Commitment Fee	**0.00%**	
HOME/NHTF Deferred Permanent Loan Interest Rate	**1.00%**	USDA loans-Principal due in full at the end of maturity date; Non-USDA loans-Deferred accrued interest due from cash flow
Loan Extension Fee	**$250 per day**	Due at or prior to permanent closing and may not be paid from Loan Proceeds, Equity, or operating funds

***Interest rates are subject to change. Loan repayment schedules may be influenced by the income mix of the persons served and the financial viability of the development. Terms listed here are for reference purposes only; the final and executed loan documents will define and control all terms.**

****DSHA Amortizing debt interest rates are subject to change based on market conditions. DSHA maintains a minimum interest rate of 5%. Amortizing debt and interest only debt cannot be requested prior to LIHTC allocation.**

*****Commitment fee will be charged on the greater amount of the construction lending or the deferred lending.**

Administration Fees (These fees are not project-eligible and may not be submitted for reimbursement)		
Waiver Request Fee (per each item from DSHA's Design and Construction / Rehabilitation Standards or Underwriting Guidelines).	**$1,000**	Due upon request submission.
Re-design Review Fee (per each re-review of plans and specifications)	**$1,500**	Due at submission of revised plans
Incomplete Draws and Change Orders (re-processing fee)	**$500**	Due prior to approval of draw or change order
Re-inspection Fee (after initial inspection and rewalk)	**$1,000**	Due prior to re-inspection or issuance of approval to occupy
Cost Certification Penalty Fee	**$2,500** **$2,500** **$500**	Due each from mortgagor and contractor if cost certification is not submitted within time frame required by the Cost Certification and Draw Guide ***plus*** Due for each additional week cost certification remains outstanding and as required by the Cost Certification and Draw Guide
Cost Certification Re-Review Fee	**$1,000**	Each additional review, as required
Forward Reservation Fee	**$15,000**	Due at submission of request

~~2025~~ 2026 DSHA FEE SCHEDULE – Tax-Exempt Revenue Bonds		
Application Fee	$1,500	Due with submission
Issuance Security Deposit	40 basis points of total proposed issuance amount	Due upon application approval, refunded if bonds are issued within 100 days of allocation, not financeable through project loans/sources.
Issuance Fee*	35 basis points of issuance amount or $100,000, whichever is less	Due at bond closing
Monitoring Fee*	5 basis points of issuance amount	Due at bond issuance
Annual Issuer Fee*	12.5 basis points of total bond issue during construction then outstanding bond principal amount after conversion	Due annually, payable in arrears
Additional Costs of Issuance	May include, but are not limited to, fees of bond counsel, underwriter, trustee, financial advisor, and rating fees. Only 2% of the proceeds of the bond issuance may be used to pay these costs.	

'* Short-term bond issues (defined as less than 3 years may have an alternative fee structure. Please see the bond policy for additional information.

Criteria for DSHA Funding

All programmatic housing tax credit rules and regulations apply, as do the following Project and Neighborhood Standards:

1. All LIHTC applicants seeking DSHA funding must properly satisfy the requirement of the QAP threshold and all other requirements described in the QAP;

2. ~~DSHA promotes the use of the State Strategy Levels areas by tailoring programs based on those levels. All proposals for affordable rental communities (new construction and/or rehabilitation) must be located in Investment Levels 1, 2, or 3.~~ DSHA funding programs cannot be used for proposals located in ~~Investment Level 4~~ Saturated Distressed areas; DSHA reserves the right to refuse funding for new creation proposals in Distressed areas;

3. The development shall facilitate and further full compliance with the applicable provisions of Title VI of the Civil Rights Act of 1964; Title VIII of the Civil Rights Act of 1968; Delaware Code Chapter 46, Title 6, The Equal Right to Housing provisions; and the Violence Against Women Act, each as may be amended from time to time;

4. New Creation (conversion or new construction) units must promote greater choice of housing opportunities and avoid undue concentration of lower-income persons in areas containing a high proportion of low-income persons or high proportion of affordable rental units. Due to the high saturation of affordable units combined with low-homeownership rates and lack of economic and educational opportunities, new creation applications requesting DSHA funding will not be accepted. Note: Preservation applications will continue to be accepted;

5. The site must be free from adverse environmental conditions, natural or manmade, such as instability, flooding, septic tank backups, sewage hazards, mud slides, harmful air pollution, smoke or dust, excessive noise vibration or vehicular traffic, rodent or vermin infestation, and/or fire hazards. The neighborhood must not be one that is detrimental to family life or in which substandard dwellings or other undesirable elements dominate, unless there is activity in progress to remedy the undesirable conditions. Phase I and Phase II environmental audits may be required;

6. The site must be adequate in size, exposure, and contour to accommodate the number and type of units proposed and must conform to all local zoning ordinances/laws;

7. Adequate utilities (water, sewer, gas, and electricity) and streets will be available to the site.

8. The housing must be accessible to social, recreational, educational, commercial, and health facilities and services, as well as other municipal facilities that are at least equivalent to those typically found in neighborhoods consisting largely of unassisted, standard housing of similar market rents/sale prices;

9. Travel time and cost via public transportation or private automobile from the neighborhood to places of employment providing a range of jobs for the targeted population must not be excessive. (While it is important that elderly housing not be totally isolated from employment opportunities, this requirement need not be adhered to rigidly for such developments.);

10. Developments that require permanent or temporary relocation of current households, homeowners, and/or businesses will be considered only if HUD relocation guidelines are followed;

11. The development may not be in an area that has been identified as having special flood hazards and in which the sale of flood insurance has been made available under the National Flood Insurance Act of 1968, unless the development is covered by Flood Disaster Protection of 1973, and meets any relevant HUD standards and local requirements; and

12. For USDA developments, DSHA may approve deferred financing; however, pending availability of cash flow, DSHA may, at its sole discretion, require debt to be recast as Interest Only or Amortizing debt. DSHA may also require that at least 50% of the RTO be used to make debt service payments on DSHA deferred debt.

13. All affordable units in developments with DSHA funding and LIHTC, and excluding any market rate units not financed by any DSHA funding, must meet the following minimum income targeting:

    - 5% of units rented at or below 40% of AMI at the published rent limits for 40% of median income households; <u>and</u>
    - 20% of units rented at or below 50% of AMI at the published rent limits for 50% of median income households; or
    - 40% of units rented at or below 60% of AMI at the published rent limits for 60% of median income households or below; or
    - The average of the imputed income limitations, across the development, cannot exceed 60 percent of the area median gross income. DSHA may require a lower percentage for purposes of underwriting.

Criteria for Federal Funding

All developments receiving federal funds must comply with the Sites and Neighborhood Standards and with federal environmental review standards, but must also meet additional requirements including, but not limited to:

- Affordability Periods and Income Targeting;
- Subsidy Limits;
- Reporting requirements including Section 3 and Minority/Women/Veteran-Owned Business Outreach Programs inclusive of compliance with Davis-Bacon prevailing wage rates as applicable;
- Affirmative Fair Housing Marketing Plan requirements; and
- Subsidy Layering Review.

DSHA Underwriting and Additional Policies

All LIHTC Applicants must observe strict adherence to the LIHTC Underwriting Guidelines (see Underwriting Guidelines for additional information) and all processes and procedures stated in the QAP. In addition to the standard LIHTC Underwriting Guidelines, the following conditions apply to any applicant accepting DSHA funding described by this Funding Supplement.

a. Existing Debt
   i. For properties with existing DSHA debt, all existing debt will be paid off at construction closing and new DSHA loans will be issued.
   ii. All debt (new and existing) will count toward the DSHA lending limits. Total DSHA debt cannot exceed stated lending limits.
   iii. Pro Forma Rent Approvals
      1. Rents should be affordable for the market area and not exceed the LIHTC maximums. When utilizing DSHA funds, rents must be established at 95% of the permissible LIHTC

maximum rent, $50 below the maximum permissible rent, or the maximum amount supported by the market study, whichever is lowest.
2. Applicants must include their proposed rent structure as part of their DSHA funding request submission. Failure to provide may result in a denial of DSHA funding.
3. DSHA reserves the right to further adjust the rent structure during underwriting.

b. Net Equity Contribution Requirements
   i. DSHA requires that a minimum amount of net equity raised be contributed to the development depending on current market conditions. DSHA shall determine and publicize the equity factor to be used in underwriting application during that funding round.
   ii. DSHA reserves the right to deny DSHA financing where proposed net equity to the development is below current market standards. Net equity is defined as all equity raised for the development less syndication fees imposed by the syndicator and allowances by DSHA.

c. Gross Equity Contribution Requirements
   i. Any equity contribution made for the benefit of the Development in excess of the net equity contribution and the additional equity contributions to fund the syndicator costs, tax credit monitoring fee, the tax credit allocation fee, replacement reserve, the operating reserve, tax and insurance escrows (the "Gross Equity Contribution"), and other DSHA approved costs before or after the permanent loan closing will be:
      1. Allocated to the payment of DSHA's loans in the order and priority set forth in the Regulatory Agreement; or
      2. In the event there are insufficient funds to pay for eligible development costs (as determined by DSHA), and there are no other available monies in any of the funds, accounts or reserves related to the development, which have been previously approved for such use by DSHA and all other development-secured lenders and such eligible development costs could otherwise only be paid through the developer's fee, then at the discretion of DSHA, such excess equity contribution may be used to pay such eligible development costs. Any equity contribution remaining after paying such eligible development costs must then be allocated to the payment of the DSHA loans in the order and priority set forth in the Regulatory Agreement.
   ii. In the event the equity contributions are less than the Gross Equity Contribution, then such equity shortfall shall solely be the responsibility of the developer. No monies in any of the funds, accounts or reserves related to the development may be used to pay any such shortfall.
   iii. In the event a payment from the Gross Equity Contribution occurs after the construction loan closing but prior to the conversion date, such payment may only be made to the owner/borrower or affiliate with the prior consent of DSHA. Such consent will be at the sole discretion of DSHA and made only through draw requisition forms and processes as approved by DSHA.

d. Partnership Agreement
   i. A draft partnership agreement must be submitted to DSHA no later than fifteen (15) working days before construction closing or the closing will be delayed.

e. Other Rebates, Payments, or Contribution Requirements
   i. Other funds received at any time after construction closing 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 the Regulatory Agreement. Such payments specifically include the Downtown Development Districts Rebate Program.

f. Construction Closing Requirements
   i. The following is a list of final and completed documents required 30 days prior to construction closing. The documents must be in "settlement ready format" must be submitted to DSHA's Dover office and/or DSHA counsel by the date established in the approving resolution. Construction closing will not be scheduled until DSHA is satisfied with the completeness and accuracy of all submitted documents.
      1. Approved ALTA Survey, signed and sealed by licensed Surveyor;

2. Environmental Summary with approved Work Plan;
3. Owner-Architect AIA Agreement;
4. Architect/Consultant Agreement;
5. 100% Architectural Plans and Specifications;
6. Building Permit;
7. Architectural Accessibility Board Approval;
8. DelDOT Entrance Permit;
9. DNREC Permit and/or NOI Permit;
10. NESHAP Permit;
11. Approved asbestos abatement project design;
12. Public Utilities, letter for each service;
13. Zoning Letter;
14. Flood Plain Designation;
15. Wetland Delineation;
16. Sediment Control and Storm Water Management Plan Approval;
17. Fire Marshal approval for both structure and site.
18. Copy of the title binder and all listed restrictions and/or easements;
19. Land survey;
20. Subdivision plan, if applicable;
21. Site plan;
22. Organizational documents of ownership entity; and
23. Identification of all development team members

g. Permanent Closing Requirements
   i. The following is, but not limited to, a list of final and completed documents required thirty (30) days prior to permanent closing:
      1. **Construction Documents**
         a. Construction completed and all COs issued;
         b. Construction cost certification completed and approved;
         c. Construction Closeout Manual (can be submitted on a USB drive) with the following documentation:
            - Copy of all Permits;
            - Copies of all TCOs and COs;
            - Certification of Substantial Completion (G704);
            - Final As-Builts;
            - Subcontractor contact list;
            - All warranty letters/information;
            - Copies of all O&M Manuals;
            - Environmental Clearances (asbestos, lead, radon, etc.);
            - Erosion and Sediment Control Approvals;
         d. Fire Marshal Approval;
         e. Final releases of Liens for all subcontractors, materialmen, and the General Contractor;
         f. Final MBE/WBE/VBE, Section 3, and Employing Delawareans reporting (as applicable); and
         g. Updated Attestation Statements from all subcontractors reflective of final contract amounts.
      2. **Mortgagor Documents**
         a. Mortgagor cost certification completed and approved;
         b. Updated ALTA for review and approval;
         c. Copy of current Operating Budget;
         d. Copy of current Rent Roll;
         e. Evidence of property registration on www.destatehousingsearch.org;
         f. All tenant data uploaded to MITAS;

g. Copies of all final invoices (must be submitted 2 weeks prior to closing);
h. Compliance with the DSHA Loan Agreement and DSHA Building Loan Agreement (most requirements are outlined here);
i. At least three (3) months of debt service coverage available in the operating account. Note DSHA will also be collecting the first month of escrow payments (taxes, insurance, RR) as part of closing;
j. Compliance with all Operating Agreement/Equity Contribution requirements;
k. Confirmation from equity provider of their readiness to fund and the total amount of equity;
l. Additional 4% LIHTC Requirements:
   i. Compliance with the bond indenture;
   ii. All bond tax opinions must be issued;
   iii. Review and approval of the 50% test;
   iv. A final good cost/bad cost analysis (95-5 Test), with final tax allocations, must be completed; and
   v. At least two (2) months of DSC to be escrowed with the trustee.
m. Regulatory Requirements
   i. LIHTC applicants must agree to retain the development as rental housing for the longer of at least thirty (30) years after permanent closing, the extended use period as elected at application, or the duration of the loan(s).
   ii. LIHTC applicants will agree to all DSHA monitoring and compliance requirements, including, but not limited to, rent increase approvals, tenant income targeting, reporting requirements (including financial and tenant data), physical inspections, reserve policies, and all other policies, requirements, and processes of DSHA.

Loan Approval and Council on Housing (COH) Process

DSHA will review and evaluate all completed applications for conformity to DSHA's LIHTC QAP for threshold and underwriting guidelines. Applications that **<u>meet</u>** threshold will be scored and reviewed by DSHA's Ranking Committee. ***Applications that do <u>not</u> meet minimum threshold requirements will <u>not</u> be scored***.

The following items will be taken into consideration when determining the merits of funding requests:

- Organization's past performance;
- Community comments, if any;
- Demonstrated need for development;
- Suitability of development location;
- Cost efficiency of the development;
- Amount of loan per unit serving very low/low/moderate-income persons;
- Length of payback period;
- Position of the loan and how it is secured/length of repayment;
- Source of permanent financing (if appropriate);
- Percentage of total development cost funded by DSHA;
- Cash and noncash 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/low/moderate-income housing available;
- Extent to which the funding request will assist in revitalization of deteriorating neighborhood; and
- Extent to which any current DSHA loans of the LIHTC applicant 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. Developments that fail to adequately address these items will not be considered for funding.

After the LIHTC awards are announced, DSHA will hold a kick-off meeting to discuss deadlines and requirements for LIHTC carryover agreements and DSHA funding.

DSHA will review and complete final underwriting on all awarded LIHTC applications seeking DSHA funding in order to present fully to the Council on Housing ("COH"). The application is designed to be sufficiently comprehensive and precise to address all information necessary for a responsible funding decision. However, DSHA and the COH reserve the right to ask for additional information during the review process should it be deemed necessary.

All awarded LIHTC applicants requesting DSHA funding will be presented to the 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 the financing request. 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. If approved, a funding Resolution will be executed by all parties.

Assuming funding is approved, DSHA will provide the necessary loan documents to the funding recipient within sixty to ninety (60 – 90) days, depending upon the complexity of the financial structure of the funding. Once funding is approved and construction closing has occurred, applicant may draw DSHA funds for construction purposes utilizing the process outlined in DSHA's Cost Certification and Draw Guide.

All questions regarding these funding sources or the application process should be directed to the Housing Development Section, by phone at (302) 739-4263, by mail to the Delaware State Housing Authority, 18 The Green, Dover, Delaware 19901, or by email to Tara.Rogers@delaware.gov.