



## STRONG NEIGHBORHOODS HOUSING FUND (SNHF)

### *Program Guidelines*

## Notice of Funding Availability (NOFA)

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### OVERVIEW OF PROGRAM

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The Delaware State Housing Authority (DSHA) received **approximately \$5,500,000** from various financial mortgage settlements to maintain the Strong Neighborhoods Housing Fund (SNHF). The SNHF is set up as a revolving fund to be used for the acquisition, renovation, and sale of vacant, abandoned, foreclosed or blighted property throughout the State. The funds are targeted for efforts that:

- Support community development, and/or
- Transform neighborhoods that are experiencing blight or other forms of stress, including high crime.

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### TIMELINE

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|----------------------------|--|
| ▪ <b>August 8, 2016</b>    | <b>Public stakeholder meeting</b>              |
| ▪ <b>September 6, 2016</b> | <b>NOFA released to public</b>                 |
| ▪ <b>December 2, 2016</b>  | <b>Applications due to DSHA by 4:00 p.m. *</b> |
| ▪ <b>January, 2017</b>     | <b>DSHA award announcement</b>                 |

\* Applications received after posted deadline will **not** be eligible for funding.

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### FUNDING ALLOCATION PRIORITIES

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Funds will be disbursed through a competitive application process, with preference given to:

- Acquisition of multiple parcels, either adjacent to each other or in such concentration among adjacent blocks, that significant impact is demonstrated for an existing vacancy problem;
- Applications with significant private financing;
- Applications that demonstrate cooperation with the local government to provide resources and/or services in support of the proposed activities;
- Applications that demonstrate maximum community impact, including crime reduction; and
- Long-term gap funding and/or construction bridge financing.

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### AWARD CONDITIONS AND RESTRICTIONS

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- Minimum award for SNHF is \$500,000.
- Maximum award for SNHF is \$1,500,000 per project; maximum of \$50,000 per unit (of total SNHF and HDF award).
- Award recipients will have three (3) years from the award date to expend funds.
- Net proceeds from the sale, rental, redevelopment, rehabilitation or any other eligible use shall be returned to DSHA as program income and will be used to replenish the SNHF.
- Acquisition and holding costs incurred prior to this application will **not** be eligible for

reimbursement.

- Reimbursement of acquisition costs may **not exceed appraised value** unless approved by DSHA prior to acquisition. Furthermore, DSHA requires documented evidence, at time of reimbursement, demonstrating a property is vacant, abandoned, foreclosed, or blighted as defined by DSHA on page 7 of this document.
- SNHF funds may **not** be used to establish direct lending and/or grants to homebuyers or for applicant-sponsored loan programs.

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### ELIGIBLE APPLICANTS

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- 501(C)(3) nonprofit developers
- Local jurisdictions responsible for eligible targeted areas
- For-profit developers

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### ELIGIBLE USES

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- **Acquisition:** Purchase abandoned vacant, foreclosed, or blighted homes and residential properties, in order to sell, rent or redevelop such homes and properties. The purchase of vacant parcels for the purpose of holding for future development will only be considered if it is part of an affordable housing, neighborhood revitalization development strategy that includes other eligible activities. \*
- **Demolition:** Demolish blighted structures when part of a neighborhood revitalization development strategy that includes other eligible activities.
- **Financing:** Provide funds for new construction, acquisition or rehabilitation activities, including bridge financing, construction financing, or mortgage affordability targeting.
- **Land Banking Activities:** Purchase, secure, and/or demolish abandoned vacant, foreclosed, or blighted homes and residential properties for the purpose of holding for future disposition as part of an affordable housing, neighborhood revitalization development strategy. Land banking activities may only be included if the applicant (or partner) is considered a land bank in a Delaware jurisdiction.
- **Owner-Occupied Rehabilitation:** Improvements to low-income owner-occupied housing units that allow units to meet local housing code standards, significant modifications that maintain affordability, and/or modifications that allow owners to age in place. Façade/external improvements to housing units may only be included in partnership with interior modifications. This work must be part of a neighborhood revitalization development strategy that includes other SNHF eligible activities.
- **Redevelopment:** Redevelop demolished or undeveloped properties; includes new construction on previously demolished sites.
- **Rehabilitation:** Rehabilitate abandoned, vacant, foreclosed or blighted homes and residential properties, in order to sell, rent or redevelop such homes and properties. This includes properties currently owned or planning to acquire. \*

*\* DSHA has elected to consider only voluntary acquisitions. Foreclosed properties that are not vacant will not be considered for acquisition under this program.*

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### PRIORITY AREAS






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Funds will be disbursed through a competitive process, with preference given to the following:

**Interactive Homeownership Priority Areas (HPA) Map Link:**

<http://delaware.maps.arcgis.com/apps/webappviewer/index.html?id=ee8f3c87cb8b4fc9b318d7fec973b4b>

This map identifies highly distressed neighborhoods suffering from blight and concentrated poverty where strategies should be focused on stabilizing neighborhoods through increased homeownership, investment in existing homes and commercial areas, and people-based intervention strategies, to provide increased mobility, supportive services and community wealth.

- Projects that target **specific areas** identified in DSHA's Interactive HPA Map will be considered a DSHA funding priority for homeownership this funding cycle:
  - **Downtown Development Districts (DDD)**
    - Priority area for projects located in New Castle, Kent and Sussex Counties **including** the City of Wilmington. Dover, Georgetown, Harrington, Laurel, Milford, Seaford, Smyrna, and Wilmington currently have DDD designations.
    - Highly-distressed areas targeted by local governments for redevelopment and designated by the Governor under the DDD Act of 2014.
    - Designated on map as 
  - **Delaware MVA (2014) G and H**
    - Priority area for projects located in New Castle, Kent and Sussex Counties **excluding** the City of Wilmington.
    - As identified in the Delaware Market Valuation Analysis, developed by The Reinvestment Fund (TRF), and included in the *Delaware Housing Needs Assessment, 2015-2020*.
    - Designated on map as 
  - **Wilmington MVA (2015) F, G and H Markets**
    - Priority area for projects located in the City of Wilmington only.
    - As identified in the Wilmington Market Valuation Analysis, developed by The Reinvestment Fund (TRF) in 2015.
    - Designated on map as 
  - **Racially/Ethnically Concentrated Areas of Poverty (R/ECAP)**
    - Priority area for projects located in the City of Wilmington only.
    - As defined by U.S. Department of Housing and Urban Development, Census tracts with:
      - A family poverty rate  $\geq 40\%$  or
      - A family poverty rate  $\geq 300\%$  of the metro tract average (whichever is lower)
      - AND a majority nonwhite population ( $>50\%$ )
    - Designated on map as   
\* *The map reflects HUD-defined R/ECAPS as of November, 2015.*
  - **Rural Communities**
    - Priority area for projects located in Kent and Sussex Counties.
    - Highly distressed predominantly minority communities located in Kent and Sussex Counties typically in isolated areas
    - Designated on map as 

DSHA strongly encourages applicants to target areas within the above areas that have active community revitalization plans currently underway where the proposed intervention will impact a substantial portion of the identified need for the overall community plan.

If a previously existing neighborhood or community plan targeted an area substantially contained within eligible areas (listed above) the entire area targeted by the plan is eligible.

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## PARTNERSHIPS

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*In an effort to more efficiently use the limited resources available throughout the State of Delaware, DSHA encourages applicants to increase collaboration by forming partnerships.*

Due to the scope of work required and the short timetable for implementation of SNHF, DSHA **strongly** suggests that applicants join together and submit one application using a strong lead applicant and partners with experience in the areas of expertise that will lead to a solid proposal that will have the ability to transform neighborhoods that are currently experiencing blight, crime and other forms of stress. While understanding that there are currently many groups that have established successful partnerships, we encourage applicants to join together in new partnerships and to whenever possible coordinate activities to strengthen these efforts and partnerships, for the greatest community impact. Those efforts include, but are not limited to:

- Blueprint Communities;
- Downtown Development Districts; and
- Local initiatives and documented community plans such as Restoring Central Dover, East Side Rising, Wilmington Creative District, West Side Revitalization Plan, Wilmington RISE program, and others.

In addition, for-profit developers are encouraged to partner with nonprofit organizations to assist them with activities such as homebuyer readiness and financial literacy training. All partnerships are also encouraged to include local government jurisdictions.

For the 2016 funding round, partners are limited to participating in a maximum of two projects that are awarded SNHF.

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## HOMEOWNERSHIP/RENTAL ACTIVITIES

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### TARGETED INCOME

Properties assisted with funding for the purpose of homeownership and/or rental must target households with incomes below 120% AMI. Owner-occupied rehabilitation activities included in applications must target households with incomes below 80% AMI. All applications should consider activities that will assist households at various income levels along the income spectrum.

A strong application will factor in the local market when determining the project's income targeting levels, sales prices and/or rents.

### CONTINUED AFFORDABILITY

SNHF requires that the sale (rental) or redevelopment of abandoned, vacant, blighted or foreclosed upon homes and residential properties remain affordable to individuals or families whose incomes do not exceed 120% of AMI or, for units originally targeted to meet households with lower incomes, that these units remain affordable to households with similar incomes.

DSHA encourages applicants to identify and implement long-term affordability restrictions that maintain affordability for future homebuyers and as long-term as possible. Applicants should consider the appropriateness of the proposed affordability restrictions for the local markets of the neighborhoods where their work will be targeted and the target household incomes. Applicants should also plan for and consider marketing and homebuyer education issues and administration and monitoring issues in the development of these restrictions.

Applications that can demonstrate the households moving into assisted units will not be cost burdened and include a mechanism that allows for at least a portion of the units to remain affordable beyond the first buyer will have a scoring advantage.

### HOMEOWNERSHIP

- Applications for new construction or rehabilitation projects must provide affordable homeownership opportunities for **at least 70%** of the project's units. Acquisition and

holding costs incurred prior to this application will **not** be eligible for reimbursement.

- The SNHF is a revolving grant fund program; therefore, net proceeds from the sale of new construction or acquisition/rehabilitation are required to be returned to DSHA as program income and will be used to replenish the SNHF.
- A ten (10) year recapture restriction in an amount equivalent to the SNHF per unit investment will be placed against each property. The restriction amount will be reduced by 10% each year and will be forgiven at the completion of ten (10) years. DSHA will provide award recipients with restriction agreements and will review all agreements prior to their execution and recording.

In the event the unit is resold to a new homebuyer, whose household income exceeds 120% AMI, prior to the expiration of the ten (10) year restriction agreement, the remaining portion of the restriction must be recaptured from the net proceeds of the sale and returned to DSHA.

- Homebuyers must be income eligible and receive a minimum of eight (8) hours of homeownership and financial literacy training provided by a HUD-certified agency. Costs for these services may be included in the proposed budget.

### **OWNER-OCCUPIED REHABILITATION (OOR) ACTIVITIES**

- Funding is available to eligible applicants for rehabilitation improvements to low-income owner-occupied housing units that meet at least two of the following criteria:
  - Local housing code standards;
  - Significant modifications that maintain affordability; and/or
  - Modifications that allow owners to age in place.
- SNHF funding is limited to \$25,000 per unit for rehabilitation type modifications on owner-occupied homes and must be part of a broader application. OOR activities are limited to 25% of the total SNHF application request.
- Manufactured homes are eligible if the home and the lot the home is situated on are owned by the occupant and the home is located on a permanent foundation. If no permanent foundation exists, then the total rehabilitation must include the installation of a permanent foundation.
- Façade/external improvements to housing units may only be included in partnership with interior modifications.
- For OOR projects, property owners must be income qualified within 120 days prior to the start of the repair or rehabilitation. Income of all household members 18 or older must be included in the calculation.
- All projects receiving SNHF funding will have a restrictive lien agreement placed upon the homeowner's housing unit for all OOR costs.

### **RENTAL**

- Applications for new construction or rehabilitation may include rental opportunities for **no more than 30%** of the project's total units.
- For the purposes of the SNHF program, rental income is considered program income and must be repaid as it is earned. All rental income above the needed costs for operations, maintenance and reserves must be returned to DSHA, no matter how small the amount. Therefore, DSHA encourages applicants to consider the long term feasibility of using these funds for rental housing. Operating subsidy is not an eligible use for SNHF funding.
- All SNHF rental developments/units will be required to execute a twenty (20) year regulatory agreement with DSHA and participate in DSHA's asset management and compliance process.

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## DEMOLITION ACTIVITIES

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Demolitions will only be considered if they are part of a neighborhood revitalization development strategy or plan for redevelopment into affordable housing or some other public purpose that impacts the community such as a community garden or park. Furthermore, demolitions for the purpose of removing nuisance properties in an effort to reduce crime will be considered when accompanied by a strategic plan that meets the goals of an existing community plan.

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## LAND ACQUISITION AND LAND BANKING ACTIVITIES

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Land acquisition activities include the purchase of abandoned, vacant, foreclosed, or blighted parcels for the purpose of holding for future development. Land acquisition activities will only be considered if part of an affordable housing, neighborhood revitalization development strategy that includes other eligible activities. Strategies must include a proposal for redevelopment of vacant properties within five (5) years of purchase. Vacant land acquisitions are limited to 20% of the total SNHF application request.

DSHA has elected to consider only voluntary acquisitions. Foreclosed properties that are not vacant will not be considered for acquisition under this program.

Land banking activities include the purchase, securitization, and/or demolition of abandoned vacant, foreclosed, or blighted homes and residential properties for the purpose of holding for future disposition (within 5-10 years from the date of purchase) as part of an affordable housing, neighborhood revitalization development strategy. Land banking activities may only be included if the applicant (or partner) is considered a land bank in a Delaware jurisdiction. A land bank is defined as a nonprofit organization created by a political subdivision of the State, or through an intergovernmental agreement between two or more political subdivisions of the State, and serves as the repository for vacant, abandoned, and tax-delinquent properties within the State.

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## DEFINITIONS

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- **Abandoned:** a property is considered abandoned when mortgage or tax foreclosure proceedings have been initiated for that property, no mortgage or tax payments have been made by the property owner for at least ninety (90) days, **and** the property has been vacant for at least ninety (90) days.
- **Affordable Housing:** housing which does not create a cost burden (> 30% of income) for households at 120% AMI or below.
- **Blighted Structure:** a structure is blighted when it exhibits objectively determinable signs of deterioration sufficient to constitute a threat to human health, safety and public welfare. Furthermore, DSHA considers a structure to be blighted if it does not meet the State of Delaware Housing Code or the local building code.
- **Current Market Appraised Value:** the current market appraised value of a home or residential property that is established through an appraisal made in conformity with the appraisal requirements of the State of Delaware by an appraiser certified and licensed in Delaware, or as otherwise approved by DSHA. Appraisals up to six (6) months prior to acquisition will be accepted.
- **Foreclosed:** a property is considered foreclosed upon at the point that, under State or local law, the mortgage company or a tax authority has seized the property through legal proceedings. A foreclosure is considered complete at the point after the title for the property has been transferred from the former homeowner under some type of foreclosure proceeding or transferred in lieu of foreclosure, in accordance with State or local law.
- **Vacant:** a property is considered vacant when it is empty and has been listed for sale for a

minimum of one (1) year. SNHF funding may not be used to pay taxes or utilities in arrears.

- **Program Income:** any net proceeds or revenue from the sale, rental, redevelopment, rehabilitation or any other eligible use of the SNHF program.

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## REPORTING AND RECORDKEEPING

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Each awardee will be expected to collect and report information about the uses of funds, including, but not limited to:

- Project name;
- Activity (including owner-occupied rehabilitation amounts and scope of services);
- Location;
- Funds budgeted and expended;
- Funding sources and total amount of any leveraged funds;
- Numbers of properties and housing units;
- Beginning and ending dates of activities;
- Evidence of income verification;
- Number of low- and moderate-income persons or households served;
- Purchase amount for each property;
- Appraisal amount for each property;
- Evidence property is vacant, abandoned, foreclosed, or blighted;
- Sales amount for each property (HUD-1);
- Data needed to support performance measures; and
- Subsidy amount.

### **Quarterly Reporting**

Each awardee must submit a quarterly performance report, as DSHA prescribes, no later than fifteen (15) days following the end of each quarter, beginning thirty (30) days after completion of the first full calendar quarter after award and continue until the completion of the project, as determined by DSHA.

### **Monthly Reporting (Drawdown of funds)**

In addition to this quarterly performance reporting, each awardee will be permitted to draw funds on a monthly basis, provided documentation on obligations and expenditures has been provided and determined to be acceptable by DSHA. Awardee agrees to follow DSHA's draw process as necessary.

### **Recordkeeping**

The address, appraised value, purchase offer amount, and costs associated with acquisition, rehabilitation or new construction of each property must be documented in the awardee's program records and any additional information DSHA may request.

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## **SUBMISSION OF PROPOSAL**

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Applications are due to DSHA on **November 4, 2016** by no later than 4:00 p.m. Applications submitted after this deadline or incomplete applications will **not** be considered for funding.

### **Proposal Submission Checklist**

1. Application, Part I (Fillable Word format)
2. Application, Part II (Excel format)
3. Application, Part III (Narrative and support documentation)

### **Submission Format**

Applicants must submit **one bound and indexed, paper copy** and **one electronic copy (CD or thumb drive)**.

- The paper copy must be bound in a three-ring binder in an indexed format, with a table of contents and organized in the following manner:
  - Table of Contents;
  - Application, Part I (Signed copy);
  - Application, Part II; and
  - Application, Part III (Narratives and support documentation).
    - Project
      - Description
      - Targeted Area
      - Affordability
    - Leverage, Capacity, and Performance
      - Proposed/committed leverage
      - Capacity and partnership
      - Performance (previous experience)
    - Community Development
      - Proposed community impact
      - Inclusion in community redevelopment plan or similar plan
    - Readiness to Proceed
    - Universal Design
- The electronic copy may be in the form of a CD or thumb drive and should follow the same organizational format as the paper copy described above.

### **Submission Location**

Applications may be submitted in person to DSHA's Dover or Wilmington office.

#### **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

<b>Submission Deadline</b> <b>November 4, 2016</b> <b>by 4:00 p.m.</b>
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### **DSHA Contact for Program Questions and Assistance with Application Process**

Ruth Ann Jones, Housing Program Specialist  
Phone: (302)739-0205  
Email: [ruthann@destatehousing.com](mailto:ruthann@destatehousing.com)



# STRONG NEIGHBORHOODS HOUSING FUND (SNHF)

## APPLICATION INSTRUCTIONS

The application process for the SNHF program consists of three parts:

**Part I:** This part of the application is a fillable Word format and collects general information about the primary applicant and partners, the project name and location, proposed activities and the funding request amount.

**Part II:** This part of the application is an Excel spreadsheet and collects information about the project's proposed sources and uses. Policies established for DSHA's Housing Development Fund (HDF) funding on allowable costs and fees will be used for the SNHF program and are available at [http://destatehousing.com/Developers/developermedia/hdf\\_underwrite.pdf](http://destatehousing.com/Developers/developermedia/hdf_underwrite.pdf)

**Part III:** This part of the application consists of narratives and documentation provided by the applicant. DSHA will use this information to determine if the proposal meets the overall priorities of the SNHF program and for the purposes of scoring/ranking the proposal.

Applicants should base their narratives on the following scoring categories. **Applicants are responsible for determining and providing sufficient support documentation.**

### **Project Description (Maximum score: 28 points)**

- **Description (10 points):** Provide a summary of the proposed project. The summary should include, at a minimum, a description of the project and how the project will work; targeted income levels; how the project meets the objectives of the SNHF program; how the project meets the goal of reducing criminal activity (if applicable); provisions for long-term affordability; appropriateness of proposed project activity to local market; the proposed production schedule and any other relevant information.

Substantial housing, demographic and housing data is available at [policymap.com](http://policymap.com)

**Targeted Area (15 points):** Provide a description and detailed map of the proposed target area and justification for choosing this area. Applications that demonstrate a concentrated pattern of investment will have a scoring advantage. The description should also demonstrate an understanding of the local market and a clear connection between the realities of the market and the proposed activities.

**Affordability (3 points):** Please explain and provide documentation on how affordability will be extended beyond the 10-year minimum affordability period.

### **Leverage, Capacity, and Performance (Maximum score: 30 points)**

- **Proposed/committed leverage (15 points):** Provide a summary of how the proposed project will be funded. Include information regarding committed funds (copies of commitment letters) and proposed (applied for or planning to apply for) funds. Provide copies of letters of support from municipalities that include an estimated dollar value, when applicable, to the project such as: waiver of fees (i.e. vacant unit fees, permit fees); tax exemptions; funding for demolition; land/building donations; funding or services for crime reduction, and expedited inspections/services.

**Capacity and partnerships (10 points):** Provide a summary of the partnerships and collaborations formed to complete the proposed project. Describe how these partnerships increase the project's overall capacity to implement the proposed project effectively and for the benefit of the overall targeted community. Partnerships

described should be an integral part of the project. Provide resumes of those people and firms expected to be involved in the implementation of key elements of this proposal, including resumes of people in partnering organizations. Describe how partnerships will function; which partner will take the lead, etc.

**Performance (5 points):** Provide a summary of previous experience and performance in the development and administration of affordable housing programs/projects for families of low or very low income, or similar programs. Provide project development, sales, and homebuyer statistics based on historical data. If no affordable housing experience, please provide a brief summary demonstrating related experience developing and selling market rate housing.

Provide a status report on all active DSHA grants and/or other DSHA-administered funding. Provide documentation confirming percentage of construction completed for grants with original expiration dates of December 2016 (FY15 Grants) and December 2017 (FY16 Grants), (i.e. copy of last draw, copy of signed settlement statement(s), TILA/RESPA, narrative that includes pictures and accounting records, etc.)

### **Community Development (Maximum score: 30 points)**

- **Proposed community impact (20 points):** Provide a summary of how the proposed project will have a positive impact on the targeted community. The summary should include, but not be limited to, a description of the community's current condition, community's conditions after completion of the proposed project, and the proposed project's impact on the community.

**Inclusion in community redevelopment plan or similar document (10 points):** Provide a summary along with supportive documentation which demonstrates how the proposed project supports the goals of a community redevelopment plan. The project should be identified as appropriate and desired for the proposed location.

### **Readiness to Proceed (Maximum score: 10 points)**

- Provide a summary describing the proposed project's readiness to proceed. The summary should include, but not be limited to: project funding; established memorandums of understanding; status of site control; zoning and utility verification; construction team established; bids received; status of permits; plans and specs, etc.

### **Universal Design (Maximum score: 2 points)**

- Universal Design is a design concept that encourages the construction or rehabilitation of housing and elements of the living environment in a manner that makes them usable by all people, regardless of ability, without the need for adaptation or specialized design. The intent of universal design is to simplify life for everyone by making products and the building environment more usable to as many people as possible at little or no extra cost.

Chapter 42, Title 31 (<http://delcode.delaware.gov/title31/c042/index.shtml>) of the Delaware Code requires that all applications for public financial assistance to be used in the construction of new dwelling units shall include the extent of the proposed construction's use of the standards of universal design, as defined in Title 31.

Provide a summary describing how the proposed project meets the standards of Universal Design as described in Chapter 42, Title 31 of the Delaware Code.

To be awarded points in this category, applicants must complete and include as support documentation the Universal Design Score Sheet found at [http://destatehousing.com/Developers/dv\\_snhf.php](http://destatehousing.com/Developers/dv_snhf.php)