



**State and Local Fiscal Recovery Funds
Multifamily Preservation
Program Guidelines**

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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 up to \$15 million in gap financing to the Multifamily Preservation Fund (MP). The purpose of this program is to support LIHTC applications submitted on the April 28, 2023 deadline. DSHA will make up to \$35,000 per unit available in SLFRF to qualified applications for the preservation (including re-syndication) of Delaware's existing affordable multifamily rental development portfolio. Using Multifamily Preservation funds as a source in the financing of these developments promotes long-term stability of affordable housing projects. The SLFRF will supplement the existing Housing Development Fund permanent financing available to 9% and 4% LIHTC projects, as specified in the 2023-2024 Qualified Allocation Plan (QAP), and the HOME funds available to the highest scoring 4% application. All units receiving SLFRF under the Multifamily Preservation Program must meet tenant income eligibility requirements under the LIHTC program.

FUNDING AVAILABILITY

- Up to \$15 million State and Local Fiscal Recovery Funds (SLFRF) to establish the Multifamily Preservation Fund.
- Applications for the MP SLFRF funding will be on a rolling basis, after the April 28th LIHTC applications.
- Awards of up to \$35,000 per unit with no per project limit to financing.

ELIGIBLE ASSISTANCE

To be eligible for this financing, the proposed development must qualify under the definition of the Preservation pool in the QAP. Priority will be given to applicants in the following order:

- Areas of Opportunity, as defined in the QAP, in Kent and Sussex Counties
- Areas of Opportunity, as defined in the QAP, in New Castle County
- Projects in Year 22 or beyond of an existing Use Restriction
- Projects with existing federal rental subsidy contracts with at least 10 years remaining
- Projects with existing DSHA deferred debt where the combined principal and interest meets or exceeds the current per unit or per project limits established in the 2023-2024 QAP Guidelines
 - The per unit maximum is \$60,000 and the per project maximum is \$3,500,000
- Projects with existing DSHA deferred debt at an interest rate higher than 1%



APPLICATION INFORMATION

Applications will be received as part of the 2023 LIHTC Funding Round with a deadline of April 28, 2023. To the extent that MP Funding remains available once preliminary allocations are made, applications for 4% LIHTC will be accepted on a rolling basis in the manner described in the 2023-2024 QAP. All projects receiving this funding will be required to reach financial closing on or before December 31, 2024. Applications for both the 2023 and 2024 LIHTC cycles will be considered, as funding is available.

Should DSHA decide that an otherwise eligible application will not be able to complete construction by December 31, 2026, DSHA will not award SLFRF ARPA funds.

Eligibility

- Eligibility for the MP Program will be reviewed in conjunction with developers' LIHTC applications.
- Applicants may include in part II of their LIHTC applications the proposed request for SLFRF as a source for financial feasibility.
- All applications will be reviewed for financial feasibility and be required to demonstrate how the proposed project is effective and consistent with DSHA's housing development underwriting and project review procedures.
- To the extent that DSHA may determine that SLFRF ARPA funding is not necessary for financial feasibility, DSHA may determine that no SLFRF ARPA funding be awarded to the project.

OTHER INFORMATION AND REQUIREMENTS

- SLFRF ARPA funding will follow DSHA federal funding loan terms as outlined in the QAP funding supplement.
 - The loan will be subordinate to any other DSHA lending.
 - Interest will be deferred during construction and for all periods after the Conversion Date during which the development remains in compliance with the requirements of the LIHTC program, all restrictive covenants, and all other funding sources.
 - Failure to maintain such compliance will trigger repayment requirements.
- Funds will be disbursed at construction closing using DSHA's LIHTC construction draw process
- Applications for these SLFRF ARPA Preservation funds must document hard costs that exceed \$65,000 per unit.
- To the extent that SLFRF from this set-aside remain available once funding decisions have been made for applications received by the April 28, 2023, deadline, DSHA reserves the right to reallocate remaining funds as necessary to other authorized uses.



APPENDIX

Preservation Pool

To qualify for this pool, the development must meet either the following conditions of A or B:

- A. Tax Credits: any housing development financed in part by an allocation of credits in any previous year that has completed its compliance period and is:
 - a. In need of substantial rehabilitation; or
 - b. At risk of losing its affordability.
- B. Subsidized: any currently occupied subsidized housing development and/or demolition/new construction of subsidized units (see definition of subsidized housing) that is:
 - a. In need of substantial rehabilitation; or
 - b. At risk of losing its affordability (within two (2) years of application).

To qualify for A (Tax Credits), the applicant must meet the definition of Substantial rehabilitation or submit written confirmation from the tax credit allocation agency that the development's affordability expiration is imminent.

To be eligible for B (Subsidized) the applicant must:

- Meet the definition of substantial rehabilitation or provide written confirmation from the contract administrator of imminent expiration of affordability controls within two (2) years of application; and
- Provide a letter of confirmation that the funding source is interested in receiving an application for all applicable assistance; and
- Commit to making an application for continued project-based housing assistance payments and/or rental assistance payments for the longest possible period and to continue to apply for extensions.

NOTE: Properties that are not contiguous can apply under one application as long as the ownership entity is under common ownership for all properties.

Construction and Energy Standards

- The construction and energy standards for this program will be as listed in the attachments to the QAP.
- All projects must follow the Capital Needs Assessment (CNA) Process including the life expectancy chart. DSHA will not allow matrix rehabilitation for projects receiving funding from the MP Program.