

2011
Qualified Allocation Plan (QAP)
(Changes from 2010)

Application Package for Low Income Housing Tax Credits

COVER SHEET

Net Available tax credit amount changed to estimated \$ 2,197,920.

Timetable changes.

The following dates were changed/added:

- 02/04/11 - Deadline for pre-inspection notification if applying for 2010 rehabilitation credits.
- 03/15/11 - Community Outreach Notification due date (if using this notice for minimum threshold notice).
- **04/15/11 - Application due date.**
- 04/25/11 - Local and Community Notice for Acquisition/Rehabilitation Developments due date.
- 06/17/11 - DSHA will notify sponsors of their ranking in accordance with the QAP and designated set asides outlined in the application package.
- 10/07/11 - Commitments for all financing must be submitted to DSHA.
- DSHA will make Tax Credit reservations for selected projects 30-60 days after financing commitments are received by DSHA.
- 11/15/11 - Deadline for pre-closing documents for HDF-financed projects.
- On or before 11/15/11 - DSHA will allocate Credits to selected projects.

2011 QUALIFIED ALLOCATION PLAN

Cover page

Dates changed and estimated tax credit amounts.

Pages 2-3

Table of contents pages revised.

Page 7

- **Introduction (continued)** – Removed tax credit years and inserted general language.

Page 8

Clarified language for the state 30% basis boost from the QCT and DDA basis boost. Added new paragraph that states, “DSHA encourages all applicants to promote greater choice of housing opportunities and avoid undue concentration of assisted persons in areas containing a high proportion of low-income residents or in areas containing a high proportion of affordable rental units and build communities of opportunities for newly created (conversion or new construction) projects. DSHA also

encourages all applicants to consider building in communities with minimal affordable rental units relative to their housing needs for newly created affordable housing projects.”

Page 17-18

- Removed Livable Delaware and inserted Delaware Strategies for Policies and Spending.
- Changed dates and net available credits to \$2,197,920
- **Non-Profit Pool** – Modified pool amount to \$246,500
- **Preservation Rehabilitation Pool** - Modified definition and changed pool amount to \$1,101,420.
- Further defined Preservation and provided new factor points for require hard cost/rehabilitation expenses that exceed \$50,000/unit- 4 points*; have committed federal rental assistance contracts - 3 points; property was placed in service on or before December 31, 1994 – 2 points; property is non-elderly/disabled – 1 point. *All hard/rehabilitation costs will be for the building and units only. (Must be documented by the Capital Needs Assessment and proposed rehabilitation work must be past its 50% life cycle per DSHA’s Construction Standards. Attachment A – Cost Summary (Page 22 of Part II of the LIHTC application must also be completed).
- Clarified documentation requirement for a subsidized property - provide a letter of confirmation that the funding source is interested in receiving an application. Also clarified that the obligation to apply is for “rental” assistance as a condition of the tax credit application.
- Clarified that imminent expiration of affordability controls within two (2) years “of application submission” or meets the definition of substantial rehabilitation.
- Clarified that RD Section 515 properties that are not contiguous can now apply under one application as long as the ownership entity is under common ownership for all properties.

Page 20

- Moved paragraph, from under New Housing Creation and inserted after Chronically Homeless Set-Aside, “If there is insufficient demand for the Chronically Homeless Set-Aside, credits remaining in that set-aside will first be redistributed to the New Housing Creation or to any other respective set-aside or pool at DSHA’s discretion.
- Clarified credit limitation rule and added the word consultant.

Page 20

- **New Housing Creation Pool** - pool amount is \$600,000.
- Sentence was incomplete – completed sentence to read, The new housing creation pool was established to encourage new rental housing in response to new household growth and to relieve the conditions of "At-Risk" renter households. "At-Risk" renters are cost-burdened, residing in overcrowded or substandard units, or on assisted housing waiting lists.

Page 21

- Moved “contiguous property” paragraph from page 18 to Page 21

Page 22

- Added a clarification to the sentence -A checklist of required documents is provided “in the Attachment to the QAP” for complete application definition.
- Added a new definition for Consultant.

Page 24

- **Development Team** – Added clarification and new sentence -Any substitutions of Development Team members from original application or at any time during the construction period must be pre-approved by DSHA.
- Clarified language for the state 30% basis boost from the QCT and DDA basis boost.
- **Eligible Basis Limitations** - Updated table to reflect HUD's 221(d) 3 limits effective 01/01/10 and clarified are limits utilized under the HOME program.

Page 25

- Added new definition of Environmental Audit and Environmental Site Assessment.
- **Identity of Interest** - Revised language to match the HERA law of 2008.

Page 28

- **Related Party** – Clarified to also note Identity of Interest definition.
- **Special Needs Housing** - Revised wording for target special needs population
- **Social Services** – Removed regular basis and clarified frequency of social services to be provided at least 4 times a year.

Page 29

- **Substandard Housing** – Revised definition.

Page 30

- **Substantial Rehabilitation** – added unless otherwise approved by DSHA.

Page 32

- **DSHA Threshold Requirements** – Liveable Delaware removed and replaced with Strategies for State Policies and Spending. In addition, identified Level areas where tax credit developments should be located.

Page 34

- **Local and Community Notice** - Changed due date to April 25, 2011.

Page 35

- **Development Team** – Added additional income restrictions as noncompliance for the Declaration of Restrictive Covenant.

Page 36-37

- **Financial Feasibility** – Revised and clarified the documentation requirements for all financing sources and when the information will be used for financial feasibility and points. In addition, clarified how the ranking process will proceed without commitments from public or private subsidy. Removed requirements under displaced for income certifications. Added existing federal financing/rental subsidy contracts for current Section 8/USDA Rural Development projects will be considered for the leveraging category and financial feasibility.

Page 39 & 40

- **Additional Units for Families in Poverty** – clarified income and/or rents should be calculated at 30% of income.
- **Per Unit Cost Reductions** – Revised calculation based on new HUD 221(d)(3) limits effective 01/01/10 and clarified are limits utilized under the HOME program.

Page 41

- **Local Government Contribution** – Clarified that written commitments or other documentation are required for points. Also, revised requirements so that a local contribution must reduce the development or operating costs of a development by at least 1% and added may receive 1 point.

Page 42

- **Leveraging of Non-DSHA Administered Resources** – clarified that DSHA will round up to the nearest percentage.

Page 43-45

- **Preservation** – Removed former point category and replaced with new preservation point category.
- **Capacity of Development and Management Team** – Revised language to include “All members of the development team must provide documentation that services will be provided during all phases of the development. DSHA reserves the right to determine “satisfactory” development experience. Any substitutions of Development Team members from original application or during any time during the construction period must be pre-approved by DSHA.” Also clarified that Consultant and Broker Fees are not eligible development costs and must be paid from Developer Fees.
- **Social Services** - Removed regular basis and clarified frequency of social services to be provided at least 4 times a year.

Page 45-46

- **Sites and Neighborhood Standards** – Removed 2010 standards and replaced with revised criteria.

Page 47

- **Community Compatibility** – A new category was created for the applicant to clearly identify through the market study and capital needs assessment that the development is compatible in design and connectivity with their surrounding community.

Page 47-48

- **Development and Unit Amenities** – Additional examples were added and clarified.

Page 49

- **Qualified Census Tract** – reduce points from three to one.
- **Community Outreach** - Changed due date to March 15, 2011. Reduced points from five to three. Minimum point score was changed from fifty-five points to sixty points. Clarified that Town, City, County, or municipality meetings are eligible as community meetings/presentations only if the proposed development is the only item on the agenda and appropriate notification to all parties has been made.

Page 50

- **Application Process** - LIHTC application due date changed to April 15, 2011. Reduced the number of applications from three to two.
- Moved paragraph from FOIA page that clarifies that as long as the application meets minimum threshold requirements, DSHA reserves the right to request additional information during the review process should it be deemed necessary. Any such information requested and/or provided, shall be considered part of the Application.

Page 51

- **Freedom of Information** – revised and updated per State law and DSHA policy. Removed last paragraph to page 50.

Page 53

- **Review and Selection Process** - Clarified that the cost certification guide will be provided by DSHA for use by the developer and general contractor, and temporary certificates of occupancy are acceptable, clarified the penalty date for submitting cost certification after 90-day period.

Page 55

- **Placed- in-service date** - Changed dates for meeting the 10% test as an eligibility requirement for 2011 LIHTC applications. Changed 2010 dates to read as “2011”. Changed the word reservation to allocation. Clarified the 10% test date language. Clarified the applicable rates are for acquisition credits and that buildings will receive a 9% credit percentage until 2013 or upon Congressional amendment.

Page 58-65

- **Compliance Monitoring Procedures** – Revised procedures to require all owners to use DSHA’s MITAS integral database system for providing all required tax credit data. In addition, clarified the requirements of DSHA to annually report to the United States Department of Housing and Urban Development (HUD) all resident and project data for all tax credit projects that are being monitored by DSHA. DSHA will report annually the data to HUD in a format established by HUD.
- Revised the contact person from Cynthia Deakyne to Alice Davis.
- Clarified that the compliance monitoring fee is required during the second 15 years of the extended use period.

Page 65

- **Program Approval** - Changed Governor’s name, approval date, newspaper ad dates, public hearing date and location.

Page 67 & 68

- Removed Volume Cap Credits and replaced with Tax-Exempt Bond Financed Developments.
- Revised tax-exempt bond requirements to allow DSHA the right to waive other requirements in the QAP and the project otherwise qualifies for 4% tax credits under Section 42.
- Added “federal funding” for waiving the applying for 9% credits for HDF funding.
- Revised application fee to \$1,000

ATTACHMENTS TO THE QUALIFIED ALLOCATION PLAN

Page 3

- Revised Working Capital requirements.

Page 4

- **Equity Factor** – set at .72 cents net.
- **Relocation** - Added language to define relocation expenses and allowance for \$3,000 per unit as a line item expense.

Page 5

- **Relocation Operating Deficit Reserve** – Added new underwriting criteria and defining what the reserve is used for and the maximum amount allowed (\$1,500 per unit).
- **Bond Pre-Payment Fees** – clarified Bond Prepayment Fees must be supported in the appraisal as part of acquisition price.

Page 7

- **Difficult Development Areas** – Added Sussex County as a DDA.

Page 9

- **Eligible Basis Limits** - Changed to reflect 2010 HUD 221(d) (3) limits (most current).

Page 10

- Removed Livable Delaware and inserted State Strategies for Policies and Spending.

Page 13

- **Exhibit 11** - Affirmative Fair Housing Marketing Plan – now a separate exhibit.
- **Exhibit 13** - Changed due date for local and community notification.

Page 14

- **Exhibit 19 – Social Services** - Removed regular basis and clarified frequency of social services to be provided at least 4 times a year.

Page 15

- **Exhibit 22** - Changed due date to March 15, 2011. Clarified that Town, City, County, or municipality meetings are eligible as community meetings/presentations only if the proposed development is the only item on the agenda and appropriate notification to all parties has been made.

Page 16

- **Exhibit 25** – Changed Liveable Delaware to State Strategies for Policies and Spending.
- **Exhibit 33** - Clarified definition of Preservation to match the Preservation/Rehabilitation Pool new point requirements.

Page 18-20

- **Exhibit 53** - Details of Debt Financing, changed due date for financing commitments to 10/07/11. Clarified that sponsors must provide letters that construction and permanent requests were made.
- **Exhibit 55 & 56** –clarified language from letter of intent to commitment letter.
- **Exhibit 57** - Clarified written documentation needed for local contributions.
- **Exhibit 62** - Clarified that the cost certification guide will be provided by DSHA for use by the developer and general contractor, and temporary certificates of occupancy are acceptable, clarified the penalty date for submitting cost certification after 90-day period.

Page 21

- **Attachment 7/Market Study Guidelines** – Added new access to services areas for market study to include.

Page 24

- **Attachment 8** – Removing contacts for local civic associations. There are no known directories being maintained by any agency in the state. All Developers should contact their local state representatives/legislators for information on their communities.

Page 25

- Changes Attachment 9 to Attachment 8. Revised dates for community notice and meetings for points and for threshold. Reduce points from a total of 5 to 3.

Page 28

Attachment 10 was changed to Attachment 9 - Added and clarified many construction requirements.

Minimum Construction/Rehabilitation Standards

Page 29 & 30

- Added Architect Certification
- Clarified General Contractor Policy and Bidding Protocol. Listed website address for materials.
- **Added when feasible, segregate all recyclable construction debris, materials and waste.**

Page 31

- **Doors and Windows** - Clarified - Peep/viewer to be provided for solid rear door. Unit numbers shall be provided on all rear doors.
- **Finishes** - Clarified floor finish requirements that VCT flooring shall be used for entry areas, bathrooms and dining areas. Doorstops - the use of hinge pin type doorstops are prohibited.
- **Carpet** - Added minimum carpet weight, grade and standards. (Removed carpet cut sheet).

Page 32

- **Specialties** – Added concealed blocking is to be provided for all items such as tissue paper holders, grab bars, and medicine cabinets. One inch diameter grab bars properly mounted to in-wall blocking shall be used in lieu of standard towel bar.
- **Furnishings** - added provide plastic laminate on wall between wall and base cabinet for all areas adjacent to cabinets. Added - wet wall at mop sink shall have FRP board on walls.

Pages 33

- **Mechanical** – Added - provide a main water supply shutoff for each building. Clarified Existing utility connections shall be field verified to receive new equipment. ***Existing condensate lines shall be cleaned, tested, and discharge connections verified. (REPLACE IF NECESSARY)***
- Added - Hot water heaters shall have a minimum Energy Factor between 0.82 to 0.91EF.
- Added - Floor drains and/or sump holes shall be provided in all basements. The floor shall be pitched to these drains or sumps and the drains or sumps shall be connected to a positive drainage system, or to the exterior of the building. Sump pumps must be installed, ½ Hp minimum.
- **Electrical – Clarified ARC Fault** -or where code mandates, most stringent shall apply.

Page 34

- **Miscellaneous** – Clarified Contractor shall supply rechargeable 2.5 ABC fire extinguishers (minimum size) for each unit, or where code mandates, most stringent shall apply.
- Added All emergency exit signs shall be LED.
- Added - Automatic light controls in the community building should minimize energy use.
- Clarified that Dryer venting must meet all applicable codes for venting.
- Note 3 – Clarified that the following “Plans/Specifications Review” checklist for informational purposes as to the key areas DSHA will review for compliance to DSHA’s minimum construction/rehabilitation standards.

Page 47

- **Energy Efficiency Table** – Revised entry door and hot water heater exceeding the standard criteria.

Page 49-50

- Added new Green and Energy Certifications for applicant and architect to clearly certify all DSHA green and energy standards.

Page 52

Relocation

- Revised policy for per unit charge for relocation expenses from a management entity since a larger per unit cost is now allowed as a line item to include this cost.

Page 64

Updated relocation form.

2010 LIHTC APPLICATION Part II

Page 2

Development Team

- Clarified that Processing Agent/Brokers/Consultant’s must be paid by the seller or from Developer Fee. Also clarified any substitutions of Development Team members from original application or during any time during the construction period must be pre- approved by DSHA.

Page 13

- Other Non-Eligible Tax Credit Basis Costs - added a new line item for the Relocation Operating Deficit Reserve.

Page 22

Cost Summary

Added third column for building and unit cost and defined both for determining the Preservation/Rehabilitation points. Also added, the Capital Needs Assessment (CNA) should be developed based upon the architect's site inspection and existing material life span (see pages 37-45 of the 2011 QAP Attachments). The CNA is a tool that should capture the information above and will assist in compiling the information for unit and building costs.

POINTS WORKSHEET

- Added new Community Compatibility and Preservation/Rehabilitation points. Revised points for Qualified Census Tract, Community Outreach and Local Government Contribution. Clarified total possible points are now 135.

2011 HOUSING DEVELOPMENT FUND SUPPLEMENT

Page 7

- Note 3 – Clarified that operating reserve escrow is established at construction closing unless otherwise approved by DSHA.
- Revised equity requirement - DSHA requires, at a minimum 15%, of net equity raised be contributed at construction closing.
- Processing fee – eliminated ½% fee collected at application and revised commitment fee of 1% to be collected in full at construction closing.

Page 8

- Note 5 – Revised working capital requirements - The working capital will be released at permanent closing, subject to not having outstanding construction or financial issues.
- Note 7 – Added new note on DSHA policy on increased equity contributions or shortfalls.

Page 10

- Clarified that the cost certification guide will be provided by DSHA for use by the developer and general contractor, and temporary certificates of occupancy are acceptable, clarified the penalty date for submitting cost certification after 90-day period.

Page 11

- HDF Standards #2 – Revised language to include New Creation (conversion or new construction) of 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 saturation of affordable units, new housing creation applications within census tracts 1, 4, 17, 20, 21, 409 and 425 will not be accepted for funding from the HDF. Note: does not apply to preservation or replenishment of public housing applications.