

**2015**  
**Qualified Allocation Plan (QAP)**  
**(Changes from 2014)**

**Application Package for Low Income Housing Tax Credits**

**COVER SHEET**

Net Available tax credit amount changed to estimated \$2,491,203

Timetable changes:

The following dates were changed/added:

- 02/13/15 - Deadline for pre-inspection written notification if applying for 2015 rehabilitation credits.
- **04/30/15 - Application due date.**
- 07/01/15 - DSHA will notify sponsors of their preliminary ranking in accordance with the QAP and designated set asides outlined in the application package.
- 10/23/15 - 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.
- 12/18/15 - Deadline for pre-closing documents for HDF-financed projects.
- On or before 12/18/15 - DSHA will allocate Credits to selected projects.

**2015 QUALIFIED ALLOCATION PLAN**

**Cover page**

Dates changed and estimated tax credit amounts.

**Pages 5 -6**

- Removed 9% credit percentage and replaced with previous Section 42 language on present value of credit and applicable rate that will be used by DSHA for application purposes.

**Page 9-11**

- Added new Needs Assessment Summary and removed previous assessment.

**Page 12-14**

- Changed dates and net available credits to approximate amount of **\$2,491,203**.
- **Preservation Rehabilitation Pool** – revised amount to \$1,111,602 and **the New Creation** pool to \$1,111,601; Non-Profit Set-Aside \$268,000.
- Clarified New Housing Creation Category.
- Revised Elderly requirement to 25% subsidized units or 25% of newly created units at 30% of AMI for new creation properties.

### Page 15 – 25 - Definitions

- Added the definition of a Downtown Development District.
- Revised Elderly Development definition for new creation developments.
- Clarified New Housing Creation and added definition of newly created elderly units 25% may be at 30% of AMI or subsidized.

### Page 26- 33 - Threshold Requirements

- Changed the word family to household.
- Added the word lofts to be included as efficiency.

### Page 34 - 50 - Ranking and Points

- **Balanced Weighted Income Category** – Revised category as an average weighted income for the overall project.
- **Mixed Income Category** – Clarified that if the HDF is being utilized mixed income and market rate units are to be at a level of 80% of AMI.
- **Cost Containment** – Revised the per unit average numbers based on cost certifications through 2013.
- **Integrated Housing for Special Populations** – Added that applicants will need to sign a certification and rental assistance contract with DSHA prior to being placed in service.
- **Promoting Balanced Housing Opportunities** – Revised category to 10 points to spur investment in these areas.
- **Preservation** - Revised placed in service date to December 31, 1994.
- **Sites and Neighborhood – Access to Services** – revised areas from the County level to incorporated vs. unincorporated areas.
- **Location** – clarified forest, farm land, and other undeveloped parcels surrounding sites do not count as “developed land” – regardless of zoning classification.
- **Protecting Environmental Resources** – Clarified land or development having current environmental issues (i.e., superfund site, brownfields, greyfields, arsenic or chemical, lead in water, lead-based paint, asbestos, close proximity or adjacent to railroad within 1,000 feet.
- **Access to Transit** – Clarified that applications to DTC must be made by March 15, 2015 or the applicant will fail to qualify for receiving points in this category. Also added, for applications with more than one non-contiguous project (i.e. two or more USDA Section 515 projects under one application), similar points will be awarded to the applicant if an MOA can be executed for at least one or more of the projects in an application.
- **Community Compatibility** – Added two new choices for points including, detail to design and planning, including full height brick, stone, articulations in the facades, bay windows, detail at the eaves and cornices and Developments should have a variety of bedroom sizes that include one, two and/or three bedrooms. A mix of bedroom size promotes opportunities for various household sizes in a community. Also removed the complete streets choice. Added technical assistance on how to achieve points for connectivity is available from the Delaware Department of Transportation (Del DOT), but requests must be made by 3/15/15.
- **Development and Unit Amenities** – Added for elderly properties, regular (at least 3 times a week), site-provided bus service for residents for shopping, appointments, etc. and;
- **Downtown Development District** – Added new category for new housing creation for 3 points.

### Page 52

- **Application Process** - LIHTC application due date changed to 4/30/15.

### **Page 53-59**

- **Cure Period** – Clarified paragraph and re-arranged page.
- **Placed In Service Date** – Clarified the IRS Placed In Service Requirements and DSHA Placed In Service Requirements. Revised dates for meeting the 10% test as an eligibility requirement for 2015 LIHTC applications. Changed 2014 dates to read as “2015”.
- **Cost Certifications** – revised due date to due 90 days after DSHA issues the “ Permission to Occupy” approval(s) on the last building and must include all sources and uses, including all syndicator fees.

### **Page 60**

- **Compliance Monitoring Procedures** – Revised to include HUD Tenant Data Collection reporting requirements.

### **Page 66**

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

### **Page 68**

- **Tax-Exempt Bond Applications** - Revised Applications for both 4% and 9% will be due on the same due date of April 30, 2015. Process and requirements for both types of 4% applications were noted. DSHA’s goal is for all 4% tax-exempt applicants to meet threshold in as many point scoring categories as possible. An application must score a minimum of fifty (50) points. For 4% tax-exempt applications, revised that projects must demonstrate that the initial 15-year compliance period requirement will be met by proposed construction closing date.

## **ATTACHMENTS TO THE QUALIFIED ALLOCATION PLAN**

Noted that all applicants must utilize DSHA's LIHTC Part II Application - Pro Forma. No addition of tabs, changes to formulas, or manipulations of any kind are allowed. Any deviations from DSHA's version posted on its website will be deemed a violation and the complete application will be considered ineligible.

### **Page 3 – 8 - DSHA Underwriting Criteria**

- **Operating Reserve** – Distinguished between subsidized and non-subsidized properties in number of months needed to fund reserve.
- **Equity Factor and Equity Raised** – Revised minimum equity to 93 cents net.
- **Operating Expense Per Unit** – Revised per unit range.
- **Debt Coverage Ratio** – Added language to include projects financed with USDA debt, where 90-100% of the units are subsidized with rental assistance, DSHA will allow 1.15:1 Loan to Value ratio of 51%-80%. In addition, all first mortgages must have a term of 20 years or more amortized over 30 or 35 years unless otherwise approved by DSHA.
- **Annual Replacement Reserves** – Increased percentage for new construction projects to .008.
- **Operating Pro forma** – For projects with approved debt service coverage lower than 1.20:1, or longer amortization periods, the annual equity distribution will be calculated at 1% of initial investment; this will also include all tax-exempt/HDF projects.
- **DSHA HDF** – added new section to remind to check the HDF Supplement for additional underwriting criteria, if utilizing the HDF or State HOME funds.
- Added general language to applicants to review the 2014 Audit Guide for new IRS interpretations of Section 42.

### **Page 9**

- Revised there is no DDA for 2015.

### **Page 10**

- Added Census tract 149.08 and 502 as eligible QCT. Removed 505.03 and 144.03

### **Page 13-23 Application Checklist**

The Exhibit/Attachment checklist was revised and the order of Exhibits was changed to reflect the order of the QAP, from threshold requirements, ranking items, construction information and financing information. New Exhibits were also added to reflect new requirements and old Exhibits were removed as applicable.

### **Page 24 – 26 Market Study Requirements**

- Clarified that the market study should include documentation of whether the project is located in an unincorporated area or incorporated area.

### **Page 27-55 Minimum Construction Standards**

- Added a new section that includes the minimum square footage requirements of units from the QAP and a new description of a bedroom.
- Updated the date for which General Contractors must be approved – March 12, 2015.
- Doors – removed the requirement of solid doors.
- Flooring – Added solid vinyl (plank or tile) and removed VCT. Added that all floor preparation for new flooring installation is the responsibility of the General Contractor.
- Specialties – clarified grab bars should be one inch minimum in diameter. Exhaust fans should have a Sone rating of < 1.0.
- Vertical blinds – will review on a case-by-case basis.
- Appliances – must be Energy Star with pre-wired power source.
- Plumbing – Sump pump covers must be provided.
- Lighting – LED fixtures where available.
- Electrical – General – added that automatic openers for ADA compliance were required.
- Security and Surveillance systems were required and have the capability to be monitored by the police.

### **Page 56 & 74 – Added a DDD and Section 811 Certification**

- Forms must be completed and included as an exhibit to the application.

### **POINTS WORKSHEET**

- Revised/removed several categories. Total possible points are now 137.

### **2014 HOUSING DEVELOPMENT FUND SUPPLEMENT**

#### **Page 5**

- 9% Tax Credit Projects - DSHA revised the limit of its total deferred permanent financing to \$3 million or \$50,000 per unit, whichever is less.
- Added income targeting of 5% at 40% of AMI; 15% at 50% of AMI and 80% at 60% of AMI.
- Added applicants must contact DSHA for rent comparable by 3/15/15.
- Added new loan requirements for USDA financing.

#### **Page 7-9**

- **4% Tax-Exempt Bond Properties with DSHA Financing** – DSHA revised the limit of its total deferred permanent financing to \$3 million or \$50,000 per unit, whichever is less.
- Added income targeting of 5% at 40% of AMI; 5% at 50% of AMI and 90% at 60% of AMI.
- Added applicants must contact DSHA for rent comparable by 3/15/15.
- Added new loan requirements for USDA financing.
- Added additional financing opportunities for HOME funds of up to \$2 million for highest ranking projects for those projects who have a gap issue after deferring developer fee.
- For 4% tax-exempt applications, revised that projects must demonstrate that the initial 15-year compliance period requirement will be met by proposed construction closing date.

#### **Page 14**

- **Cost Certifications** – revised due date to due 90 days after DSHA issues the “ Permission to Occupy” approval(s) on the last building and must include all sources and uses, including all syndicator fees.

#### **Page 15**

- DSHA added language on how DDD rebates will be treated.

#### **Page 19**

- For projects with approved debt service coverage lower than 1.20:1, amortization periods in excess of 30 years, the annual equity distribution will be calculated at 1% of initial investment. This will also include all tax-exempt/HDF projects.