

**Cabinet Committee on State Planning Issues
Haslett Armory, Room 219
September 30, 2014**

Minutes

Committee Members Present:

Andrew Lippstone, Office of the Governor, Chair
Connie Holland, Office of State Planning, Director
Anas Ben Addi, Delaware State Housing Authority, Director
David Small, Secretary, Department of Natural Resources and Environmental Control
Terry Pepper for Secretary Lewis Schiliro, Department of Safety and Homeland Security
Brian Maxwell for Director Ann Visalli, Office of Management and Budget
Valarie Watson for Tom Cook, Director of Finance
Jeff Stone for Director Alan Levin, Delaware Economic Development Office
Drew Boyce for Secretary Shailen Bhatt, Delaware Department of Transportation

Also Present:

Herb Inden, OSPC	Mathew Heckles, DSHS
David Edgell, OSPC	Karen Horton, DSHA
Stephen Bayer, OSPC	Diane Laird, DEDO
Laura Simmons, OSPC	Marc Cote, DelDOT
Dorothy Morris, OSPC	
Miriam Pomilio, OSPC	

Connie Holland opened the meeting at 2:10pm with a welcome and turned the meeting over to Chairman Andy Lippstone who asked for introductions.

Downtown Development District Update

Andrew Lippstone gave an overview of the Downtown Development District (DDD) program. He briefly discussed the legislation that was signed by Governor Markell and reviewed the goals of the program (see attached). The designated districts will qualify for development incentives and various other benefits.

Mr. Lippstone stated that the purpose of today's meeting was to discuss the program and what is expected of State agencies during the application review process. Under the Downtown Development Districts Act (the "Act"), the Committee will review each application for District designation and recommend to the Governor those applications that have the greatest potential for accomplishing the purposes of the Act.

The Office of State Planning Coordination ("OSPC"), which by law provides staff support to the Committee, will review the applications and provide staff reports to assist the Committee in making recommendations for District designation. This will be a multi-agency process; OSPC will solicit comments from other State agencies to help prepare the staff reports.

Mr. Lippstone then listed the questions each State agency should ask when reviewing and providing comments on applications—including the District Plan and Local Incentives proposed by each applicant. These questions include:

- Is the application ***inclusive***? In other words, does it include a District Plan and Local Incentives that will be used by residents from across the income spectrum, developers (large and small, profit and non-profit), businesses, and homeowners?
- Does the applicant’s plan ***maximize limited state resources*** by (a) concentrating benefits in a small area, (b) leveraging a significant amount of private dollars, or (c) offering meaningful Local Incentives that serve as a “multiplier” of the incentives offered by the State?
- Has the applicant ***built support for the proposed District*** among residents, businesses, non-profit organizations, and local government officials—including but not limited to evidence that investors will benefit from development incentives in the near future?
- Does the plan ***encourage accountability*** by establishing clear lines of responsibility for the applicant to meet its District obligations?
- Is the plan ***coordinated***, with clear lines of authority among local government agencies, members of the community, for- and non-profit organizations, and others?
- Is it ***user friendly***, with an emphasis on ease of use and minimizing red tape?
- Has the applicant ***made it easy to measure progress in the proposed District*** through the use of objective criteria?
- Is the plan ***sustainable*** over the long term, with a demonstrated commitment by the applicant and other stakeholders to the success of the proposed District? #

Following this discussion, OSPC Director Connie Holland summarized the DDD application process for cities, towns, and unincorporated areas. Under the Act, OSPC is responsible for administering the application process. Director Holland’s PowerPoint presentation is attached.

During her presentation, Director Holland noted that OSPC and DSHA will jointly host a public meeting in each county on Oct. 10 (New Castle County), Oct. 13 (Kent County), and Oct. 15 (Sussex County) to discuss the application process and DDD Grant program. Additional information, including specific dates, times, and locations, can be found on OSPC’s [Downtown Development Districts website](#) and on the [DSHA website](#).

After Director Holland’s presentation, Matt Heckles, Policy Director for the Delaware State Housing Authority (“DSHA”), walked the Committee through DSHA’s draft guidelines and procedures for DDD Grants—*i.e.*, the development grants that will be available to investors making qualified real property investments in Districts. Mr. Heckles’s PowerPoint presentation is attached. Among other things, Mr. Heckles stated that:

- DSHA is in the process of presenting the draft guidelines and procedures to various stakeholders. DSHA will accept comments through Oct. 31.
- For large “transformative” projects with significant private investment, grants will be offered in an amount up to \$1 million. Specific guidelines are set forth in the attached presentation.

- To ensure that the DDD program also benefits small investors, DSHA will set aside \$1 million for projects having qualified investments of no more than \$250,000. Small investors will be subject to a more streamlined process than large investors. Unlike large investors, small investors will apply for a grant after the project is completed.
- To ensure that investors in small Districts are not “crowded out” by investors in larger Districts, DSHA will provide modest set-asides for each District based on each District’s *pro rata* share of population.

Several minutes of discussion followed. Among other things, Director Holland stated that Kent County has agreed to offer incentives of up to \$10,000 for projects in Districts located within the county. Mr. Lippstone expressed appreciation for Kent County’s efforts, stating that additional local incentives help create the “multiplier” effect that is necessary to make this a successful program.

Diane Laird with the Delaware Economic Development Office (DEDO) discussed the Neighborhood Building Blocks Fund (NBBF). The NBBF was established to provide grants to support crime reduction, economic development, and neighborhood revitalization in communities statewide. Most relevant to the DDD program, Ms. Laird stated that up to \$350,000 from the Fund will be made available to pay for or reimburse cities, towns, and other stakeholders for the cost of comprehensive plans, strategic plans, and other planning efforts. Of that \$350,000, priority will be given to applications seeking reimbursement for the costs associated with generating DDD applications.

Ms. Laird stated that applications for NBBF funding will be made available to interested parties on or about December 15, 2014, with the award of funds by the NBBF board soon thereafter.

Following Ms. Laird’s presentation, Mr. Lippstone stated that additional State incentives for Districts will be discussed at next month’s meeting. He then stated that in connection with its review of District applications and its preparation of staff reports to the Committee, OSPC will request that other State agencies review and provide comments on applications (or portions thereof). In connection with that process, he requested that each agency provide a point of contact for the review of applications.

In terms of substance, agencies will be asked to review applications in accordance with the attached guidelines. It is anticipated that the agencies will answer 4 questions regarding each application:

1. Which applications, in the words of the Act, have the greatest potential for accomplishing the purposes of the DDD program? (More on that below.)
2. From your agency's perspective, how well will this plan work?
3. What are the principal strengths of the application?
4. What are the principal weaknesses of the application?

State agencies should review each application and return a one- to two-page summary back to OSPC by a determined date. OSPC will then take the information received and create a staff report to the Cabinet Committee, which will meet in December to make recommendations to the Governor.

Approval of Minutes

A motion was made by Director Ben Addi to approve the draft minutes from the previous meeting of October 10, 2013. The motion was seconded by Terry Pepper and unanimously approved.

Adjournment

With no further business, a motion was made by Director Ben Addi; seconded by Secretary Small and unanimously agreed to adjourn the meeting.

The meeting was adjourned at 3:05 pm.

Draft Minutes posted to calendar: 10/3/2014

Minutes approved: 10/21/2014

Final minutes posted to public: 10/21/2014



Delaware Downtown Development Districts

Application Process for
Designation as a District
September 30, 2014

CCSPI Agenda

- Overview of Program Timeline
- Application for Designation as a District
- DDD Grant Process
- Neighborhood Building Blocks Guidelines
- State Incentives
- Agency Points of Contact

Timeline

- July 1 – DRAFT Application Released
- August 1 – Final Application Released
- November 1 – Applications Due
- November -OSPC reviews for completeness
- November – Distribute to Agencies for Review
- December – Staff Report completed
- December / January – CCSPI meeting
- After CCSPI – Governor designates districts

There are Three Processes

- Application for Designation as a District
 - OSPC Responsibility
 - Local Governments are applicants
 - CCSPI makes recommendations to Governor
 - Governor designates
- DDD Grants
 - DSHA responsibility (next presentation)
- Neighborhood Building Blocks
 - DEDO responsibility (following presentation)

Application for Designation

- Local governments must identify proposed Downtown Development Districts in accordance with the Act.
- Then they must complete the application
 - Size limits for Districts based on population
 - Application must include:
 - Need for District
 - District Plan
 - Local Incentives

Geographic Extents of District

- Must make sense from an urban planning and revitalization perspective
- Must include a Central Business District (CBD)
- Geographic concentration of incentives is encouraged
- Different size limits based on population

Need for the District

- Applicant must describe the need for economic incentives that are available for the District.
- Need must be documented with relevant data and other methods
- Examples of data include:
 - Homeownership
 - Poverty
 - Vacancy Rates
 - Abandoned Buildings

Need for District

- What we are looking for:
 - Applicant must describe potential positive impacts if the District is designated
 - Greatest need based on data

District Plan

- A plan used to guide redevelopment activities and revitalization efforts in the District.
- A detailed strategy for the overall development of the District
- Must be consistent with certified comprehensive plan and the *State Strategies*.
- Must demonstrate coordination with other governmental, non-governmental or quasi-governmental entities.

District Plan

- We are looking for:
 - Overall Vision
 - Clarity of actions to be taken
 - Capacity and will to implement plan
- Any changes to plan must be reviewed by CCSPI
- District Designations may be rescinded if District Plan is not adhered to

Local Incentives

- Local Government must implement an incentive package as described in their application.
- Incentives may include such things as:
 - Reduction in fees or taxes
 - Special zoning
 - Regulatory reform
- Should be targeted to the proposed DDD

Local Incentives

- What we are looking for:
 - Grant funds will not be available until the incentive package is adopted by the local government and made available to the project developer.
- Any changes to the Incentive Package must be reviewed by the CCSPI
 - Failure to adhere to approved Incentive Package is grounds for the District to be rescinded

Next Steps

- Applications are received on or before Nov. 1
- OSPC checks to make sure they are complete
- OSPC distributes to Agency Points of Contact (via Intra-Net)
- Timeframe for Agency Review is in November (dates TBD)
- OSPC creates staff report for CCSPI
- December CCSPI meeting to make recommendations to Governor



Downtown Development District Grant – Summary

Grants are available for up to 20 percent of Qualified Real Property Investments in excess of the Minimum Qualified Investment Threshold of \$25,000. The building or facility use must be commercial, industrial, residential, or mixed-use. Qualified Real Property Investments are capital costs, incurred after District designation, necessary for the rehabilitation or expansion of an existing structure, or new construction.

Small and Large Project Set-Asides

Small Project Set-Aside of \$1,000,000

Investors are eligible for this set-aside for total Qualified Real Property Investments less than \$250,000. Within 45 days of completion, Investor submits as part of the application:

- Placed in service documentation
- Confirmation of location and conformance with District Plan
- Type of District Investor – owner, tenant-owner consent, multiple owners, developer
- Proof of payment of Qualified Real Property Investments

DSHA distributes funds within 60 days of receipt.

Large Project Pool of \$5,650,000

Establishes a Reservation process based on each General Assembly appropriation to provide:

- Qualified District Investors assurance they will be funded once successfully completed.
- Each District reasonable access to District Grant funds.
- An opportunity to assess demand and make modifications to ensure program's success.

Applications for a Reservation are accepted once a year and include:

- Project description
- Type of District Investor – owner, tenant-owner consent, multiple owners, developer
- Confirmation of location and conformance with District Plan.
- Detailed budget with expected Qualified Real Property Investments clearly supported
- Proof of applicant readiness to initiate and complete the project within three years

Each District will have reasonable access to District Grant funds via a District Set Aside. Once each District Set Aside is met, projects will receive Reservations from the remaining pool of funds.

If Reservation requests **exceed** funding allocated, **then** requests that address one or more of the following priorities will receive special consideration:

<ul style="list-style-type: none"> • <i>Identified as a Key Priority Project in District Plan</i> • <i>Creates permanent jobs</i> • <i>Provides mixed-use development</i> • <i>Adaptively reuses existing structures</i> 	<ul style="list-style-type: none"> • <i>Expands housing opportunities</i> • <i>Protects historic resources</i> • <i>Promotes sustainable practices</i>
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Grant Fund Disbursement requests are due with 45 days of being placed in placed in service.

DSHA will conduct a compliance review of the final project requesting Grant Fund Disbursement. This on-site review will ensure the final project conforms to project scope outlined in the Reservation Agreement.

DSHA distributes funds within 60 days of receipt.



Eligible Expenses and Activities

Qualified Real Property Investments includes expenditures, incurred after District designation, that are properly chargeable to a capital account and are necessary for the rehabilitation or expansion of an existing structure, or new construction. Examples include:

- Exterior, interior, structural, mechanical or electrical improvements
- Excavations
- Grading and paving
- Installing driveways
- Landscaping or land improvements
- Demolition

Restrictions

The following types of projects and activities are not eligible for a District Grant:

- Adult bookstores, adult video shops, other adult entertainment facilities, check cashing facility, gambling facilities, liquor stores, massage parlors, pawn or gun shops, tanning salons, tattoo parlors.
- Soft Costs, including:

Appraisal, architectural, engineering, bids or interior design fees	Legal, accounting, realtor, sales, marketing or other professional fees	Permits, user fees, zoning fees, impact fees, inspection fees
Land or building acquisition	Loan fees, capitalized interest	Utility hookup or access fees
Well, septic or sewer systems	Machinery, tools or other equipment	Temporary facilities
Bonding, closing costs, insurance	Blinds or other window treatments	Furnishings
Outbuildings (if ancillary to function of the main building)	Signage, signs or roads	Rent loss

Investment Range

District Grants are calculated at 20 percent of the Qualified Real Property Investment in excess of the Minimum Qualified Investment Threshold up to \$500,000 per building or facility. District Grants in excess of \$500,000 will be determined according to the following investment ranges for a maximum of \$1,000,000.

Investment Range	Grant Amount	Investment Range	Grant Amount
\$2,525,000 - \$3,500,000	\$500,000	\$12,500,001 - \$13,500,000	\$785,000
\$3,500,501 - \$4,500,000	\$528,000	\$13,500,001 - \$14,500,000	\$814,000
\$4,500,001 - \$5,500,000	\$557,000	\$14,500,001 - \$15,500,000	\$843,000
\$5,500,001 - \$6,500,000	\$585,000	\$15,500,001 - \$16,500,000	\$871,000
\$6,500,001 - \$7,500,000	\$614,000	\$16,500,001 - \$17,500,000	\$900,000
\$7,500,001 - \$8,500,000	\$642,000	\$17,500,001 - \$18,500,000	\$928,000
\$8,500,001 - \$9,500,000	\$671,000	\$18,500,001 - \$19,500,000	\$957,000
\$9,500,001 - \$10,500,000	\$700,000	\$19,500,001 - \$20,000,000	\$986,000
\$10,500,001 - \$11,500,000	\$728,000	\$20,000,001 and over	\$1,000,000
\$11,500,001 - \$12,500,000	\$757,000		



Downtown Development District Grant

Overview

The Downtown Development District Act was created to leverage state resources in a limited number of designated areas in Delaware's cities and towns to: spur private investment in commercial business districts and other neighborhoods; improve the commercial vitality of our cities and towns; and, help build a stable community of long-term residents in our downtowns and other neighborhoods.

State and local incentives are available to businesses and district investors who invest in real property within the Downtown Development District (District) boundaries:

- **Downtown Development District Grant (District Grant):**
Eligibility for the District Grant is based on Qualified Real Property Investments (QRPI) made to commercial, industrial, residential, and mixed-use buildings or facilities located within the boundaries of a District. Qualified District Investors making a QRPI are entitled to a District Grant in an amount up to 20 percent of the QRPI in excess of the Minimum Qualified Investment Threshold of \$25,000.
- **Historic Preservation Tax Credits:**
The Act allocates 30 percent of the State's yearly allocation of Historic Preservation Tax Credits to be reserved for projects within a District.
- **State Incentives:**
State agencies will offer incentives to facilitate the revitalization of a District. In addition, there will be a review of agency programs to determine how they can be modified to further support a District as well as identified projects in a District Plan.
- **Municipal Incentives:**
Each municipality will implement incentives specific to the designated District within its jurisdiction and to the identified projects in the District Plan. Examples of municipal incentives include, but are not limited to:
 - reduction or waiver in fees or taxes,
 - permit process reform,
 - special zoning districts or
 - exemptions from local ordinances
 - façade improvement grants



Grant Summary

- Eligibility for the District Grant is based on QRPIs made to commercial, industrial, residential, and mixed-use buildings or facilities located within the boundaries of a District and in conformance with District Plan.
- To qualify for the District Grant, a Qualified District Investor must meet a Minimum Qualified Investment Threshold of \$25,000.
- Qualified District Investors making QRPIs are entitled to a District Grant in an amount of 20 percent of the QRPI in excess of the Minimum Qualified Investment Threshold up to \$500,000 per building or facility. District Grants in excess of \$500,000 will be calculated at a lower rate up to an additional \$500,000 for a maximum District Grant of \$1,000,000.
- The District Grant is limited to \$1,000,000 per building or facility within a five-consecutive-year period starting with the year in which a grant was first awarded or reserved.

Investment Range for District Grants up to \$1,000,000

Investment Range	Grant Amount
\$2,525,000 - \$3,500,000	\$500,000
\$3,500,501 - \$4,500,000	\$528,000
\$4,500,001 - \$5,500,000	\$557,000
\$5,500,001 - \$6,500,000	\$585,000
\$6,500,001 - \$7,500,000	\$614,000
\$7,500,001 - \$8,500,000	\$642,000
\$8,500,001 - \$9,500,000	\$671,000
\$9,500,001 - \$10,500,000	\$700,000
\$10,500,001 - \$11,500,000	\$728,000
\$11,500,001 - \$12,500,000	\$757,000
\$12,500,001 - \$13,500,000	\$785,000
\$13,500,001 - \$14,500,000	\$814,000
\$14,500,001 - \$15,500,000	\$843,000
\$15,500,001 - \$16,500,000	\$871,000
\$16,500,001 - \$17,500,000	\$900,000
\$17,500,001 - \$18,500,000	\$928,000
\$18,500,001 - \$19,500,000	\$957,000
\$19,500,001 - \$20,000,000	\$986,000
\$20,000,001 and over	\$1,000,000



General Limitations

- A Qualified District Investor may apply for **both** the District Grant and State/Federal Historic Tax Credits.
- DSHA is authorized to establish additional qualifying criteria with respect to uses (residential, commercial, industrial, etc.) or types of projects (rehabilitation, new construction, etc.).
- DSHA is authorized to prioritize particular types of uses or project in one or more Districts.
- DSHA is authorized to establish such other limitations in one or more Districts as DSHA shall determine from time to time, but no more often than once per year.

Taxability of Grants

- Under Internal Revenue Service regulations, grant awards may be considered taxable income. A 1099 IRS Form will be issued to all District Investors for the grant awards received. For tax-related questions, please contact your tax professional for guidance.

Eligible Expenses and Activities

The District Grant is available for investments necessary for the rehabilitation, expansion, or new construction of commercial, industrial, residential (including multi-family), or mixed-use buildings or facilities located within the boundaries of Districts.

Qualified Real Property Investments includes expenditures, incurred after District designation, that are properly chargeable to a capital account. Examples include:

- Exterior, interior, structural, mechanical or electrical improvements
- Excavations
- Grading and paving
- Installing driveways
- Landscaping or land improvements
- Demolition



Ineligible Expenses and Activities

The following types of projects and activities are not eligible for a District Grant:

- Adult bookstores, adult video shops, other adult entertainment facilities, check cashing facility, gambling facilities, liquor stores, massage parlors, pawn or gun shops, tanning salons, or tattoo parlors.
- Soft Costs, including:

Appraisal, architectural, engineering, bids or interior design fees	Legal, accounting, realtor, sales, marketing or other professional fees	Permits, user fees, zoning fees, impact fees, inspection fees
Land or building acquisition	Loan fees, capitalized interest	Utility hookup or access fees
Well, septic or sewer systems	Machinery, tools or other equipment	Temporary facilities
Bonding, closing costs, insurance	Blinds or other window treatments	Furnishings
Outbuildings (if ancillary to function of the main building)	Signage, signs or roads	Rent loss



Small Project Set-Aside – FY 2015 \$1,000,000

Regulations required for larger more complex projects can be cost prohibitive to smaller investors. As a result, a small project set-aside is established to ensure that smaller investors have ample access to District Grant funds. Investors are eligible for this set-aside provided that their total Qualified Real Property Investments do not exceed \$250,000 per building or facility. Only Qualified Real Property Investments incurred after the date of District designation are eligible. An Investor applying for the small project set-aside must apply within 45 days of the building/facility being "placed in service".

The placed in service date is one of the following:

- The date in which the final, approved **Certificate of Occupancy (CO)** is issued for work done to the respective building or facility.
- The date the final approved **building inspection** is issued for the work done to the building or facility.
- In cases where a project does not require permits, documentation by the local building official stating that the project is complete.

The required application materials include:

- SP Grant Application**
- Placed in Service Documentation
- W-9
- Multiple Owner Form *
- Tenant-Owner Consent Form *
- Tenant Coordination Form *
- Developer Site Control Form*
- Proof of Payment for Qualified Real Property Investments (receipts, paid invoices, cancelled checks)

* When Applicable

** SP Grant Application is **required** to be submitted electronically **and** as a signed hard copy.

Grant funds will be distributed within 60 days of successful receipt of Grant Application materials, which will include any DSHA inspection and/or confirmation of Qualified Real Property Investments.

The small project set-aside is limited to \$1,000,000. Once the set-aside funding is exhausted, applications will be placed on hold. DSHA may fund applications with unused funds from the large project set-aside or other sources of funds.



Placed in Service Documentation

Applicants for the Small Project Set-Aside must apply with the final placed in service document **required** by the locality. If the nature of the project requires a Certificate of Occupancy, a District Investor cannot apply with a final building inspection even if a final building inspection was issued prior to a Certificate of Occupancy. **DSHA is able to verify the final placed in service documentation issued/required for each project with local building code departments.**

It is the applicant's responsibility to verify as soon as possible with the locality's Building Code office if permits are needed for a rehabilitation or expansion project.

Large Project Set-Aside – FY2015 \$5,650,000

Large Project Investors must first receive a Reservation prior to beginning activity in a Designated District in order to be considered for a District Grant. This Reservation process, based on each General Assembly appropriation, is established to provide:

- Qualified District Investors assurance their projects will be funded once successfully completed.
- Each District reasonable access to District Grant funds.
- An opportunity to assess demand and make modifications to ensure program's success.

DSHA may offer a Reservation waiver for projects identified by the State as an economic generator of regional significance. The project must provide capital investment on a scale significant enough to affect the entire region and result in the development of permanent (non-construction) high-wage and high-skill jobs. The Investor must demonstrate that the construction timeline is unfeasible to apply by the deadline for Reservation applications.

Reservation Timeline

Applications for a Reservation are accepted once a year. However for the initial year, there will be an additional Reservation opportunity. The timeline for each is as follows:

Initial Reservation Timeline

- Reservation application released 7 days after District designation
- Reservation applications due 75 days after initial District designation (If designated January 1, then due March 15)
- Reservations announced 60 days later (estimate May 15)



Ongoing Reservation Timeline

- Reservation applications due September 1
- Reservations announced November 1

Applications for a Reservation will include:

- Project description
- Physical address of project and parcel(s) identification
- Proof of site control or property owner consent
- Confirmation of location within District *
- Demonstration that project is in conformance with District Plan *
- Detailed budget with expected Qualified Real Property Investments clearly supported.
- Projected timeline

* The burden will be on applicant to demonstrate both the location within and conformance with District Plan. DSHA will make final determination.

All Projects must meet the following threshold criteria for Reservation consideration:

- Confirmation of its location within District
- Demonstration that project is consistent with objectives and strategies outlined in District Plan
- Applicant readiness to initiate and complete the project within three years

Projects that have "substantially commenced" at the time of Reservation application are not eligible for consideration. Exceptions will be considered for District Investors who intend to resume failed projects where progress has been made, but the prior investor was unable to complete the project.

All appropriated funds for the District Grant will be evenly divided into a District Set-Aside and a General Pool. This is to ensure that each District will have reasonable access to District Grant funds. Once each District Set-Aside is met, projects will receive Reservations from the remaining General Pool. Any unallocated funds from a District's Set-Aside will be placed in the General Pool for distribution.

In the event that Reservation requests exceed the funding allocated, then Reservation requests that address one or more of the following priorities will receive special consideration in the Reservation process for both the District Set-Aside and the General Pool. See Appendix A.

- **Identified as a Key Priority Project in District Plan**
- **Creates permanent jobs**
- **Provides mixed-use development**
- **Expands housing opportunities**
- **Protects historic resources**
- **Actively reuses existing structures**
- **Promotes sustainable practices**

Reservations can be lost due to:

- Not "substantially commencing" within 12 months of Reservation application.
- Change from original application
- Not being completed within three years.

The investor may receive one 6-month delay with written approval. Where it is determined that the project has not been "substantially commenced" within the required time frame, DSHA will send a letter indicating that the project has forfeited its Reservation. Any forfeited funds may be reallocated to the General Pool.



Final Reservation amounts will be determined by DSHA. If actual costs exceed Reservation amount, the Qualified District Investor can request a review. However, cost overruns will be based on funding availability. In any case, costs associated with project changes not included in original Reservation application will not be considered.

DSHA reserves the right, at its sole discretion, to reserve a portion of funds available for Reservation for a year subsequent to the current year to a highly ranked project that received only partial Reservation in the current year due solely to limited funding availability. DSHA shall only "forward commit" funds from the immediately following year's allocation and not in an amount greater than the balance of the funds available in the current year, after the highest ranked projects have received their full Reservation.

Reservation Compliance Review and Grant Fund Disbursement

Grant Fund Disbursement requests are due within 45 days of final project being "placed in service" and will include the following:

- LP Grant Disbursement Form
- Reservation Confirmation
- Placed in Service Documentation
- W-9
- Multiple Owner Form *
- Tenant-Owner Consent Form *
- Tenant Coordination Form *
- Developer Site Control Form *
- CPA Attestation Report Form of Qualified Real Property Investments

* When Applicable

DSHA will conduct compliance review of the final project requesting Grant Fund Disbursement. This process will include an on-site review to ensure the final project conforms to the project scope outlined in the Reservation Agreement. The review will include, but is not limited, to the following:

- Square footage
- Building/Facility use
- If residential, number and square footage of residential units
- Parcel location
- Number of stories
- Confirmation that projects granted special consideration in the Reservation process based on certain objectives met those objectives

Grant funds will be disbursed within 60 days of completed Grant Fund Disbursement request.



APPENDIX A – Priority Consideration Scoring Guidelines

PRIORITY	POINTS	WEIGHT	SCORE
IDENTIFIED AS KEY PRIORITY PROJECT			
<ul style="list-style-type: none"> Identified in District Plan as Key Priority Project 	1	X1	
CREATES PERMANENT JOBS			
<ul style="list-style-type: none"> Creates permanent jobs 	1	X1	
PROVIDES MIXED-USE DEVELOPMENT			
<ul style="list-style-type: none"> Includes residential above 1st floor 	1	X1	
<ul style="list-style-type: none"> Includes at least 2 uses vertically mixed 	1	X0.5	
<ul style="list-style-type: none"> <u>And</u> street level pedestrian friendly uses 	1	X0.5	
EXPANDS HOUSING OPPORTUNITIES			
<ul style="list-style-type: none"> Provides two or more housing types 	1	X1	
PROTECTS HISTORIC RESOURCES			
<ul style="list-style-type: none"> Preserves or reuses buildings of historical significance 	1	X1	
ADAPTIVELY REUSES EXISTING STRUCTURES			
<ul style="list-style-type: none"> Adapts old structures for new purposes while retaining architectural uniqueness 	1	X1	
PROMOTES SUSTAINABLE PRACTICES			
<ul style="list-style-type: none"> Residential achieves a HERS Index of 70 	1	X1	
<ul style="list-style-type: none"> Commercial or Industrial achieves “Designed to Earn the ENERGY STAR” certified 	1	X1	



APPENDIX B – FY 2015 Timeline

Timeline and Responsibility Overview			
Partner Entities	Office of State Planning	Delaware State Housing Authority	Other Agencies
Fall 2014	<ul style="list-style-type: none"> • DDD application • solicit applications • review application • prepare staff report 	<ul style="list-style-type: none"> • Public Review/Comment • Final program manual • Final application • IT development completed 	<ul style="list-style-type: none"> • Modify programs create processes to incentivize DDD activity
CY 2015			
Jan	<ul style="list-style-type: none"> • Governor designates Districts 	<ul style="list-style-type: none"> • DDD Reservation Application available (7 days after designation) 	
Feb			
Mar		<ul style="list-style-type: none"> • March 15 Reservation Deadline (75 days after District Designation) 	
Apr		<ul style="list-style-type: none"> • Project review and ranking • Light underwriting 	<ul style="list-style-type: none"> • April 1st SHPO Tax Credit priority for DDDs is lifted
May		<ul style="list-style-type: none"> • May 15 Reservations Announced (60 days after Reservation Deadline) 	
June		<ul style="list-style-type: none"> • Reservation Agreements Executed 	
FY 2016		New Funding Appropriation	
July			
Aug			
Sept		<ul style="list-style-type: none"> • Sept 1 Reservation Deadline 	
Oct		<ul style="list-style-type: none"> • Project review and ranking • Light underwriting 	
Nov	<ul style="list-style-type: none"> • Work with DSHA to draft Governor Report 	<ul style="list-style-type: none"> • Nov 1 Reservation Announced • Work with OSPC to draft Governor Report 	
Dec	REPORT TO GOVERNOR ON ACCOMPLISHMENTS, BENCHMARKS, DISTRICT IMPROVEMENTS		



APPENDIX C - Definitions

DSHA

Means the Delaware State Housing Authority.

Downtown Development District or District

Means an area within a municipality or unincorporated area designated as a Downtown Development District by the Governor in accordance with Chapter 19 of Title 22.

District Plan

Means the strategic plan or other detailed description of the overall strategy for the development of a proposed district submitted by the municipality or unincorporated area as part of its application for District designation.

District Grant

Means a Downtown Development District Grant

Facility

Means a complex of buildings, co-located at a single physical location within a District, all of which are necessary to facilitate the conduct of the same residential, trade, or business use. This definition applies to new construction as well as to the rehabilitation and expansion of existing structures.

Minimum Qualified Investment Threshold

Means the minimum level of Qualified Real Property Investments required to be made by a Qualified District Investor in a building or facility in order to qualify for a District Grant, as determined by DSHA. Notwithstanding the foregoing, for the fiscal year ending June 30, 2015, the Minimum Qualified Investment Threshold shall be \$25,000 with respect to a single residential or mixed-use building or a facility. No more often than once per year, DSHA may amend the Minimum Qualified Investment Threshold with respect to uses (residential, commercial, industrial, etc.), types of projects (rehabilitation, new construction, etc.), or other criteria determined by DSHA to be necessary or convenient to accomplish the purposes of this program.

Minimum Qualified Investment Threshold

Means the minimum level of Qualified Real Property Investments required to be made by a Qualified District Investor in a building or facility in order to qualify for a District Grant, as determined by DSHA. Notwithstanding the foregoing, for the fiscal year ending June 30, 2015, the Minimum Qualified Investment Threshold shall be \$25,000 with respect to a single residential or mixed-use building or a facility. No more often than once per year, DSHA may amend the Minimum Qualified Investment Threshold with respect to uses (residential, commercial, industrial, etc.), types of projects (rehabilitation, new construction, etc.), or other criteria determined by DSHA to be necessary or convenient to accomplish the purposes of this program.

Mixed-Use

Means a building or facility that blends a combination of residential, commercial, or industrial uses.

Municipality

Means any incorporated town or city of this State.



Qualified District Investor

Means an owner or tenant of real property located within a District who expands, rehabilitates or constructs such real property for residential, commercial, industrial or mixed use. In the case of a tenant, the amounts of qualified real property investment specified in this section shall relate to the proportion of the building or facility for which the tenant holds a valid lease. In the case of an owner of an individual unit within a common interest community, as such term is defined in 25 *Del.C.* § 81-103(11), the amounts of qualified real property investments specified in this chapter shall relate to that proportion of the building for which the owner holds title and not to common elements.

Qualified Real Property Investment or QRPI

Means the amount in excess of the Minimum Qualified Investment Threshold that is properly chargeable to a capital account for improvements to rehabilitate, expand or construct depreciable real property placed in service within a District. Specific inclusions and exclusions from the definition of "Qualified Real Property Investments" shall be determined by DSHA, but such definition shall generally include expenditures associated with (i) any exterior, interior, structural, mechanical or electrical improvements necessary to construct, expand or rehabilitate a building or facility for residential, commercial, industrial, or mixed use; (ii) excavations; (iii) grading and paving; (iv) installing driveways; (v) landscaping or land improvements; and (vi) demolition. Notwithstanding the foregoing, no investment in the rehabilitation, expansion, or construction of any building or facility in a District shall be a Qualified Real Property Investment unless it is performed in accordance with the District Plan.

Substantially Commence

For purposes of this Program, "substantially commencing" means that work accounting for a minimum of 15% of the estimate of "qualified" expenditures. This status may be verified through site inspection and request for written verification of expenditures.



APPENDIX D – Frequently Asked Questions

When is a project considered too far along in the process to be eligible?

Large Projects are considered ineligible when the project has “substantially commenced” at the time of Reservation application. Exceptions will be considered for investors who intend to resume failed projects where progress has been made, but the prior investor was unable to complete the project.

What is the difference between a building and a facility?

A facility is a complex of building, co-located at a single physical location within a Downtown Development District, all of which are necessary to facilitate the conduct of the same use. A facility typically represents a group of building under common ownership, management, and operations.

Common management and operations means that the group of buildings is designed to function as a unit. Examples of facilities: hotel with multiple buildings, multi-family rental development with several buildings, shopping malls, office buildings.



Delaware State Housing Authority

Downtown Development District Grant

Delaware State Housing Authority
18 The Green  Dover, DE 19901
(302) 739-4263  (888) 363-8808
www.DESateHousing.com



Downtown Development District Act Overview

Created to leverage state resources in a limited number of designated areas in Delaware's cities and towns to:

- spur private investment;
- improve commercial vitality; and,
- build a stable community of long-term residents.

Accomplished by designating Downtown Development Districts and offering state and local incentives to investors who invest within the Districts.





District Grant Summary

Grant is available to investors undertaking rehabilitation, expansion, or new construction projects within a District.

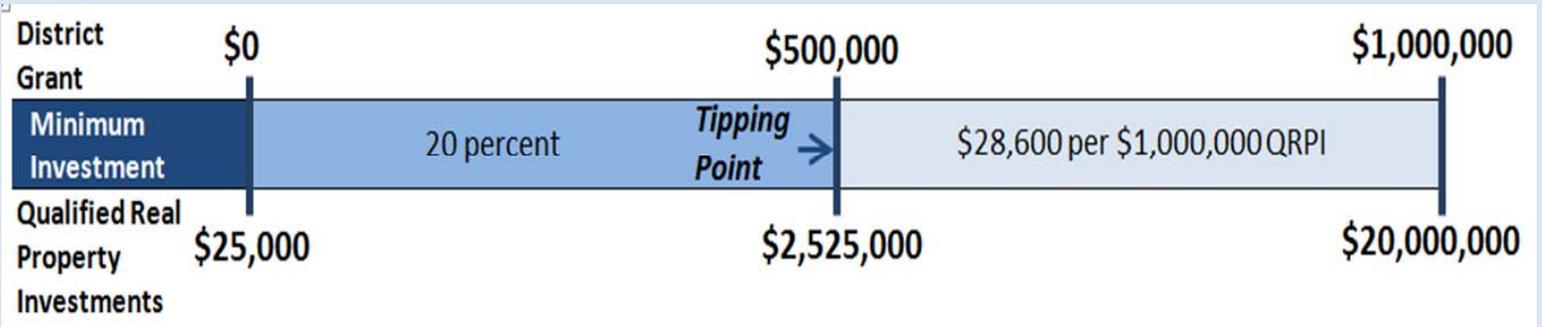
- Building/facility must be commercial, industrial, residential, or mixed-use
- Minimum Qualified Investment Threshold - \$25,000
- Grant is up to 20% of Qualified Real Property Investments (QRPI) over Threshold
- Activity must conform to District Plan





District Grant Summary

Investment Continuum



- *Grant is calculated at 20% of the Qualified Real Property Investments for grants up to \$500,000*
Reflects a \$2,525,000 investment
- *District Grants over \$500,000 calculated at lower rate*
- *Grant limit \$1,000,000*
- *Capped per building/facility over a 5-consecutive year term*





Eligible Applicants

A Qualified District Investor is any entity or individual capitalizing on the costs associated with real property investment:

- Property Owner
 - Occupant or non-occupant
- One of multiple owners
 - Must coordinate grant request with all other owners of the property
- Tenant
 - Tenants with capital lease may apply with the owner's permission
- Developer





Qualified Real Property Investments

Eligible Expenses and Activities

- Expenditures chargeable to a capital account *necessary* for expansion, rehabilitation or new construction
- Hard construction costs
- Structurally part of the building or facility

EXAMPLE:

Exterior, interior, structural, mechanical or electrical activities





Two Set-Asides

Small Project Set-Aside – FY2015 \$1,000,000

- Available to investors whose total Qualified Real Property Investment does not exceed \$250,000 per building/facility.
- Application submitted after project is complete.

Large Project Set-Aside – FY2015 \$5,650,000

- Allocated through a Reservation process prior to beginning project.
- Assures investors their projects will be funded once successfully completed.



Small Project Set-Aside

Within 45 days of completion, Investor submits:

- **Placed in Service** documentation
- Confirmation of location/conformance with District Plan
- Type of District Investor
- Documentation of Qualified Real Property Investments incurred **after** District designation

DSHA confirms information provided is accurate and work compliant with Grant Program

DSHA distributes funds within 60 days





Placed in Service

- Date the final approved **Certificate of Occupancy (CO)** is issued for work done to the respective building or facility.
OR
- Date the final approved **building inspection** is issued for the work done to the building or facility.
OR
- When a project does not require permits, documentation by the local building official stating that the project is complete.

Important that Investor apply with the final placed in service document required by the locality!





Small Project Set-Aside

EXAMPLE:

Investor spends \$300,000 to expand an existing commercial building. \$230,000 of the investment is chargeable to a capital account.

Qualified Real Property Investment	\$230,000
Minimum Qualified Investment Threshold	<u>- \$25,000</u>
Grant Eligible	\$205,000
	<u>X .20</u>
GRANT	\$41,000





Large Project Set-Aside

Applications for a Reservation are accepted once a year.

All projects must meet **threshold criteria** for consideration

- Confirmation of location within District
- Demonstration that project conforms with District Plan
- Applicant readiness to begin and finish project in three years





Large Project Set-Aside

When Reservation applications exceed the funding allocated, then applications that address one or more of the following priorities will receive special consideration.

- *Identified as a Key Priority Project in District Plan*
- *Creates permanent jobs*
- *Provides mixed-use development*
- *Expands housing opportunities*
- *Protects historic resources*
- *Adaptively reuses existing structures*
- *Promotes sustainable practices*





District Set-Aside

Created to ensure each designated District reasonable access to District Grant funds.

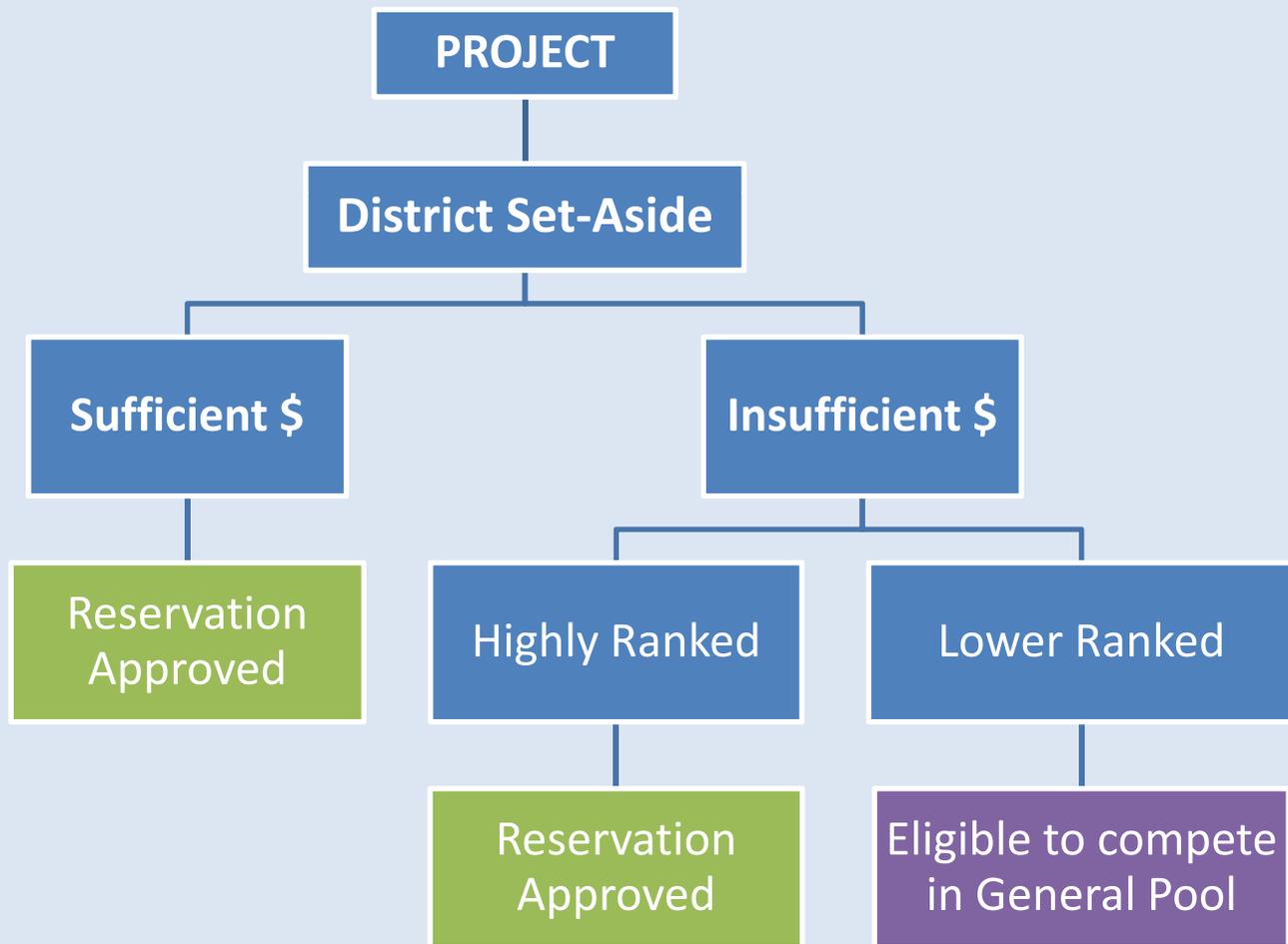
- Funds evenly divided between District Set-Aside and General Pool.
- Projects located in same District are ranked for that District's Set-Aside.
- Highest ranked projects receive funds from that District's Set-Aside.
- Once District Set-Aside funds are allocated, lower ranked projects are ranked with other projects in General Pool.





Large Project Set-Aside

Projects where *Qualified Real Property Investments* meet threshold criteria compete in District Set-Aside.





Large Project Set-Aside

Grant Fund Disbursement

- Requests are due within 45 days of final project being placed in service
- Includes an independent CPA Attestation of investments
- DSHA will conduct compliance review of the final project – including site visit - to ensure final project conforms to project scope outlined in Reservation Agreement
- Grant funds are disbursed within 60 days





Large Project Examples

EXAMPLES:

	<u>Rehab</u>	<u>New Construction</u>
Investment	\$600,000	\$10,000,000
Threshold	<u>-\$25,000</u>	<u>-\$25,000</u>
Grant Eligible	\$575,000	\$9,975,000
	<u>X .20</u>	<i>reference Investment Range</i>
GRANT	\$115,000	\$700,000



Investment Range	Grant Amount
\$9,500,001 - \$10,500,000	\$700,000



Grant Timeline

FY 15 (first year)

(Approximate Dates Based on District Designation)

March 15

- Reservation Application Deadline

May 15

- Reservations Announced

FY 16 (and future years)

Sept 1

- Reservation Application Deadline

Nov 1

- Reservations Announced



Contact Information

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Thank you!



Agency Guidelines for the Review of Applications for DDD Designation

➤ *What is the process for reviewing applications for DDD designation?*

Applications for designation as a Downtown Development District are due on November 1, 2014. In accordance with the Downtown Development Districts Act (the "Act"), applications will be reviewed as follows:

1. The Office of State Planning Coordination ("OSPC") will review all applications with the assistance of various state agencies, as set forth below.
2. For each application, OSPC will prepare a report and recommendations to the Cabinet Committee on State Planning Issues (the "Committee").
3. Following a review of each application and OSPC's report and recommendations, the Committee will recommend to the Governor those applications with the greatest potential for accomplishing the purposes of the Act.
4. The Governor will immediately designate at least 1 but no more than 3 applications. Designation of the first 3 Districts shall include 1 District in each county.

➤ *What role will state agencies play in the review process?*

As part of its review and recommendations for each application, OSPC will ask state agencies to weigh in with comments regarding each application—including the District Plans and Local Incentives proposed by each applicant. Not every state agency will be requested to provide comments. Only those agencies having subject matter expertise for specific applications will be asked to provide input.

When reviewing applications, the most important questions for reviewing agencies to address are:

1. **Which applications, in the words of the Act, have the greatest potential for accomplishing the purposes of the DDD program?** (More on that below.)
2. **From your agency's perspective, how well will this plan work?**
3. What are the **principal strengths** of the application?
4. What are the **principal weaknesses** of the application?

➤ *What are the purposes of the DDD program?*

As set forth in the Act, the purposes of the DDD program are as follows:

1. **To help build a stable community of long-term residents** in districts and neighborhoods by:
 - a. **Improving housing opportunities for persons of all incomes and backgrounds;**
 - b. **Increasing homeownership rates;** and
 - c. **Reducing the number of vacant houses.** 22 Del.C. § 1901(c).
2. To spur private capital investment in commercial business districts and surrounding neighborhoods. *Id.* § 1901(a).
3. **Improve the commercial vitality** of districts and neighborhoods by:
 - a. **Stimulating job growth;**
 - b. **Building a diverse array of successful businesses;**

c. **Harnessing the attraction that vibrant downtowns hold** for talented young people, innovative small businesses, and residents from all walks of life. 22 *Del.C.* § 1901(b)-(d).

➤ ***How should agencies determine which applications have the greatest potential for accomplishing the above purposes?***

Each agency should use its own specific metrics for determining which applications (including District Plans and Local Incentives) that are most likely to succeed. However, the proposed Districts that are most likely to succeed are ones that:

1. Are ***inclusive***—*i.e.*, the proposed District will benefit residents from across the income spectrum, developers (large and small, profit and non-profit), businesses, and homeowners.
2. ***Maximize limited state resources*** by:
 - a. ***Concentrating benefits*** in a small area, as opposed to diffusing benefits over a larger area,
 - b. ***Leveraging private dollars*** to the maximum extent possible; and
 - c. ***Providing meaningful local incentives***.
3. Are ***accountable***, in that cities and towns will establish clear responsibilities for meeting their District obligations.
4. Are ***coordinated***, with clear lines of authority among various branches of local government and, if applicable, private and non-profit entities.
5. Are ***user friendly***, with an emphasis on minimizing red tape and making the DDD program (including its incentives and benefits) easy to understand.
6. Are ***measurable*** through the use of objective criteria, including number of residents, homeownership rate, number of vacant houses, and other measures.
7. Are ***sustainable***, with the public and private sectors both demonstrating commitment to the long-term success of the District.