Downtown Development Districts

October 7, 2016

Visit us at www.destatehousing.com
Downtown Development District (DDD) Program

- 3 districts designated in January 2015
- 5 added in August 2016
- Incentives offered by districts:
  - Expedited permitting
  - Fee waivers
  - Tax abatements
  - Façade improvement loans and grants
Downtown Development Districts (DDD) Grant

Grant is for investors making real property investments within a designated District

- Investments must be for the expansion, rehabilitation or new construction of a **commercial**, **industrial**, **residential**, or **mixed-use** building or facility

- Grant is **up to 20%** of the **Qualified Real Property Investment** (QRPI)*

*QRPI is the total of eligible costs.
DDD Grant
Minimum Requirements

• QRPI must be:
  – made within the boundary of a District
  – made in conformance with the District Plan
  – in excess of the required MQIT (deductible) or the minimum QRPI depending on set-aside
  – made after the date the real property location is officially incorporated within the boundary of a designated District

• Investor must demonstrate site control
  – legal title, sales agreement or owner’s consent
Eligible Applicants

A **Qualified District Investor** or Investor is any entity or individual making a real property investments in a District:

- **Property Owner**
  - Occupant or non-occupant

- **One of multiple owners**
  - Must coordinate with all other owners of the property

- **Tenant**
  - Tenants with a valid lease may apply with the owner’s permission

- **Developer**

**State and local governments are not eligible for a DDD Grant Award.**
Program Requirements

Threshold requirements:
- Location within a designated DDD
- Conformity with the DDD plan
- Site control at time of application for Large Projects

Minimum investment of $15,000
- Deducted from Large Project qualified investment
- Small Projects include in qualified investment

Large Projects must submit, with final disbursement request, a Cost Attestation prepared by a CPA

No payments made until project is placed in service
Qualified Real Property Investment (QRPI)

Eligible Expenses and Activities

• Capital expenditures *necessary* for expansion, rehabilitation or new construction

• Only costs incurred *after* the real property location is officially incorporated within the boundary of a designated District

• Hard Costs only

• Structurally part of the building or facility
  - Exterior, interior, structural, mechanical or electrical improvements to the building or facility
  - Demolition (must result in a new building), excavations, grading and paving

*Capital expenses associated with ensuring accessibility, per Federal and State ADA regulations, are eligible.*
Qualified Real Property Investment (QRPI)

Ineligible Expenses and Activities

• ‘Adult Entertainment Establishments’*, check cashing facilities, liquor stores**, pawn or gun shops, tattoo parlors

• Soft costs, such as:
  – Site acquisition, architecture and engineering fees, impact fees, furnishings, permit and zoning fees, utilities, utility hookups, well, septic or sewer systems
  – Refer to DDD Program Guidelines for full list.

* As defined in 24 Del. C. 16
** Businesses can sell alcohol as long as food is also sold.
Two Set-Asides

Small Project Set-Aside

- Qualified Real Property Investment less than $250,000 per building/facility
- Two ways to apply:
  - May receive a reservation good for 6 months if building permit issued
  - May submit an application after project is complete
- Applications submitted on a rolling basis, as long as funds remain available
- $1 million set-aside for small projects
Two Set-Asides

Large Project Set-Aside

- For projects with total investment over $265,000
- Allocated through a Reservation process *prior* to beginning project
- Assures investors their projects will be funded once successfully completed
- Available funding split equally between District Pools and a General Pool
- Each District guaranteed at least one eligible Large Project awarded from the District Pool each funding round
Small Project Grant

**DDD Grant Application**

- Investor applies when project is fully completed, placed in service and all project costs are paid in full
- Application and all required documentation must be submitted within **60 days** of project placed-in-service date
- Documentation of QRPI
  - Copies of invoices/receipts and proof of check or credit card payment
  - Cash transactions are highly discouraged, require receipts signed by both parties and confirmation from contractor that work is complete and contract is paid in full

**Any contractor conducting business activity in Delaware is required to be registered with and obtain a business license from DE Division of Revenue.**

- DSHA confirms information provided is accurate, costs are eligible and work is compliant with Grant Program
- DSHA distributes funds within 60 days
Large Project Grant

• Investors **must** apply for a Reservation
• Applications accepted once per year
• Additional **minimum requirements**:
  – Project must be substantially commenced within **1** year from date of Reservation
  – Project must be completed in **3** years
  – Must engage with a CPA to perform an Attestation of Costs
• Large Projects **ineligible** for Grant consideration:
  – Projects that have completed more than **35%** of the estimated QRPI **prior** to the date the real property location is officially incorporated within the boundary of a designated District
  – Large Projects that will place in service within **60** days of application deadline
Large Project Grant
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
- Readiness to Proceed
- Creates permanent jobs
- Creates or sustains mixed-use development
- Expands housing opportunities
- Protects historic resources
- Adaptively reuses existing structures
- Promotes sustainable practices

Investors must submit documentation of meeting priorities at time of Reservation application.

Detailed information regarding funding priorities may be found in DDD Program Guidelines and the Priority Area Scoring Guidelines at www.destatehousing.com/DDD.
## DDD Awards

<table>
<thead>
<tr>
<th></th>
<th>Number of Projects</th>
<th>DDD Reservation Award</th>
<th>Total Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large Project (FY2015)</td>
<td>13</td>
<td>$5.6 M</td>
<td>$114.5 M</td>
</tr>
<tr>
<td>Large Project (FY2016)</td>
<td>22</td>
<td>$8.5 M</td>
<td>$176.5 M</td>
</tr>
<tr>
<td>Small Projects</td>
<td>8</td>
<td>$236,591</td>
<td>$1.2 M</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>43</strong></td>
<td><strong>$14.3 M</strong></td>
<td><strong>$292.2 M</strong></td>
</tr>
</tbody>
</table>
Important Dates

**September 19, 2016**

- Fall 2016 Funding Round Opened

**December 10, 2016**

- Large Project Applications Due
  - Applications must be submitted by no later than 4:00 p.m.

Applications, forms, and guidelines can be accessed at [www.destatehousing.com/DDD](http://www.destatehousing.com/DDD).
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