DDD Rebate - 101 for District Administrators

Delaware State Housing Authority

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Program Overview

Introduction
The Downtown Development District (DDD) program is a partnership between the State of Delaware (the State) and local governments to promote the revitalization of designated downtown areas. This partnership, combined with meaningful incentives, is making great strides to overcome barriers to redevelopment and spur private investment via new commercial development, enhanced residential opportunities, and improved quality of life.

Roles and Responsibilities

Delaware Code guides the DDD program establishing criteria and procedures for designating districts and eligibility criteria for investors seeking incentives. The State provides staff time and technical assistance for the program. The Office of State Planning Coordination (OSPC) administers the District designation process and the Delaware State Housing Authority (DSHA) administers the DDD Rebate.

Local governments with a designated District are responsible for the following activities:

- Appointing a District Administrator as the chief point of contact responsible for marketing, managing and reporting for the DDD program;
- Connecting potential investment opportunities - such as Key Priority Projects - to potential Investors;
- As the first point of contact, having sufficient knowledge of the DDD Rebate to provide meaningful assistance to Investors so they can successfully apply for a rebate; and,
- Ensuring that Investors receive local incentives, and are able to navigate the local review and approval processes for permits and licenses needed to complete their project.

This Guide is to help District Administrators provide accurate information on eligibility criteria and the application process to Investors pursuing the DDD Rebate.
The Investor

District Investors are virtually anyone who invests in real property within a District. This includes property owners, tenants, for-profit developers, nonprofit organizations, businesses, and homeowners.

Can tenants of a building or one of multiple owners of a building apply?
Yes, but they must demonstrate coordination with the property owner, other tenants and/or other owners. Forms to verify coordination are available at DSHA’s DDD Website.

Is there a limit to how often an Investor can apply for the Rebate?
No, an Investor can apply for multiple projects within a fiscal year and District.

Are federal, state and local governments eligible?

NO - Instead, local governments with Districts have an important role to market and provide outreach to Investors, and ensure each Investor receives applicable incentives.

Small Project Investor
Typically a small, family-owned or independent business who invest mostly in their existing business. They have minimal experience in development and often need assistance in navigating the local development process and incentives available to them.

Large Project Investor
This investor is more familiar with the development process, enjoys economies of scale, and has significant capital for investments.

Both are critical to Downtown revitalization and need different types of assistance to be successful!
District Rebate

District Investors who make Qualified Real Property Investments (QRPI)'s within a designated District are entitled to a rebate of up to 20 percent of their investment.

What is a QRPI?
Eligible expenses chargeable to a capital account and incurred after the real property is officially incorporated into a District.

Capital expenses necessary for the rehabilitation, expansion or new construction of a commercial, residential, industrial, or mix-use building or facility.

“Hard costs” associated with building structure and often includes labor and material required to construct building envelope and interior.

Rebate Limit
Rebates are limited to $1,500,000 per building or facility within a 5-consecutive-year period, starting with the first year awarded.

Performance-based
The project must be complete and placed-in-service before rebate is issued.

Minimum Investment
At least $25,000 in QRPIs is required to be eligible for the rebate.

DISTRICT PLAN CONFORMITY

The Project Conformity form requires the District Administrator’s signature and is submitted with the application.

- Ensures that project conforms with and supports the goals of the District Plan.
- Helps both the District and DSHA monitor incentive usage.
- Provides critical information for reporting purposes - please fill out completely!

Project Conformity form is available on DSHA’s DDD Website.

Must Conform to Transform!
# Eligible vs. Ineligible Expenses

District Investors should determine if they meet the $25,000 minimum in Qualified Real Property Investments before applying for the DDD Rebate. The following are examples.

<table>
<thead>
<tr>
<th>ELIGIBLE EXPENSES</th>
<th>INELIGIBLE EXPENSES</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Eligible Expenses</strong></td>
<td><strong>Ineligible Activities</strong></td>
</tr>
<tr>
<td>Hard Construction Costs</td>
<td>‘Adult Entertainment Establishments’ as defined in 24 Del. C. 16, check cashing facilities, gambling facilities, pawn or gun shops, tanning salons, tattoo parlors, vape shops, tobacco-only retailers or recreation-only marijuana retailers.</td>
</tr>
<tr>
<td>Structurally part of Building/Facility</td>
<td>Institutional related activities, defined by this program as hospitals, public and private schools, colleges and universities.</td>
</tr>
<tr>
<td>• Carpentry</td>
<td>• Federal, state or local government-related activities, defined as libraries, post offices, and public safety services.</td>
</tr>
<tr>
<td>• Drywall</td>
<td>• Soft Costs</td>
</tr>
<tr>
<td>• Roofing</td>
<td>• Appraisal, architectural, engineering or interior design fees</td>
</tr>
<tr>
<td>• HVAC</td>
<td>• Land or building acquisition</td>
</tr>
<tr>
<td>• Doors/windows</td>
<td>• Legal, accounting, realtor and other professional fees</td>
</tr>
</tbody>
</table>

**Clarifications:**

- Land improvements such as excavation, grading, paving - only as part of the new construction or rehabilitation of a building/facility.
- Demolition - only when replaced by a new building.
- Investor-owned solar panels - must:
  - Be part of new construction or rehabilitation
  - Own panels and be receiving Renewable Energy Tax Credit
  - Be attached to rooftop.
- Businesses selling alcohol by bottle must also sell food and alcohol by glass.
- Businesses manufacturing alcohol on the premise are eligible as industrial use.

<table>
<thead>
<tr>
<th>Ineligible Expenses</th>
<th>Ineligible Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Soft Costs</td>
<td>• Furnishings, fixtures, window treatments</td>
</tr>
<tr>
<td>• Appraisal, architectural, engineering or interior design fees</td>
<td>• Machinery, tools, and other equipment</td>
</tr>
<tr>
<td>• Land or building acquisition</td>
<td>• Temporary facilities</td>
</tr>
<tr>
<td>• Legal, accounting, realtor and other professional fees</td>
<td>• Site utility work, hook-up or access fees</td>
</tr>
<tr>
<td>• General maintenance repairs, minor repairs and service calls</td>
<td></td>
</tr>
</tbody>
</table>

The DDD Rebate is for private investment that improves commercial vitality, stimulates job growth, and builds a community of long-term residents.

For a complete list, see Appendix B: Cost Eligibility Definitions by Line Item of the DDD Rebate Program Guidelines for more information.
# Small Project and Large Project Set-Asides

<table>
<thead>
<tr>
<th>SMALL PROJECTS</th>
<th>LARGE PROJECTS</th>
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<tbody>
<tr>
<td><strong>Qualified Investment</strong></td>
<td><strong>Qualified Investment</strong></td>
</tr>
<tr>
<td>• $25,000 to $250,000</td>
<td>• Over $250,000</td>
</tr>
<tr>
<td><strong>Maximum Rebate</strong></td>
<td><strong>Minimum Investment</strong></td>
</tr>
<tr>
<td>• $50,000 (20% Rebate)</td>
<td>• $25,000 (deductible)</td>
</tr>
<tr>
<td><strong>Can Submit Applications Anytime</strong></td>
<td><strong>Maximum Rebate</strong></td>
</tr>
<tr>
<td>• Rebate based on fund availability (currently being replenished as needed)</td>
<td>• $1,500,000 (Up to 20%)</td>
</tr>
<tr>
<td>• Signed Project Conformity Form</td>
<td><strong>Requires a Reservation</strong></td>
</tr>
<tr>
<td>• Copies of Invoices/Receipts</td>
<td>• Application rounds occur annually in the fall, and in spring - only as funds are available.</td>
</tr>
<tr>
<td>• Placed-in-Service Documentation</td>
<td>• Competitive process based on Priority Considerations established by DSHA.</td>
</tr>
<tr>
<td><strong>Option to Apply for Lite-Reservation</strong></td>
<td><strong>Reservation ensures funding availability only.</strong></td>
</tr>
<tr>
<td>• Proof of site control</td>
<td>• Signed Project Conformity Form</td>
</tr>
<tr>
<td>• Copy of building permit (or letter from District Administrator)</td>
<td>• 3 Years to Complete Project</td>
</tr>
<tr>
<td>• Estimate/bid of scope of work from Delaware-licensed contractor.</td>
<td>• Requires CPA Attestation of Costs</td>
</tr>
<tr>
<td>• Lite-Reservation expires within 9 months Even after expiration, the District Investor can still apply - if funds are available.</td>
<td><strong>District Allocation</strong></td>
</tr>
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<td></td>
<td>• The Large Project set-aside includes a District Pool based on population to ensure all Districts have access to DDD funds.</td>
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**Always encourage Investors to submit ‘before’ and ‘after’ pictures!**

**DSHA will physically inspect property to verify completeness, parcel location, building or facility use, and conformity with Scope of Work.**

**Investors must apply for Rebate within 60 days of ‘Placed-in-Service’ date.**

- It is Investor’s responsibility to contact the District Administrator as soon as possible to discuss placed-in-service requirements.

- Documentation can vary depending on the nature of the project. It could be a final Certificate of Occupancy (CO) or Final Building Inspection.

- If a CO or Final Building Inspection is not required, a letter from the District Administrator is required stating no permits were needed. DSHA will use invoice documentation for placed-in-service date.
# Large Projects: When Applications Exceed Available Funds

In the event that applications for Large Project Reservations exceed available funding, applications that meet mutual state and local objectives are given **priority consideration**.

## PRIORITY

### Project Identified as a Key Priority Project
- Clearly identified in District Plan as Key Priority Project

### Readiness to Proceed
- Building permits secured prior to Reservation application

### Creates Permanent Jobs
- Creates 5 or more permanent full-time employees*
- Creates 20 or more permanent full-time employees*

### Creates or Sustains Mixed-Use Development
- Includes residential above 1st floor
- Includes at least 2 uses vertically mixed
- And street level pedestrian friendly uses

### Expands Housing Opportunities
- Provides mixture of housing types or tenure
- Creates homeownership or converts rental to homeownership via non-profit entity

### Protects Historic Resources
- Preserves or reuses building of historical significance

### Adaptively Reuses Existing Structures
- Adapts old structures for new purposes while retain architectural uniqueness

### Promotes Sustainable Practices
- Receives LEED Silver Certification*
- Participates in a Delaware Sustainable Energy Utility (DSEU) program

* **See the appendixes of the DDD Rebate Program Guidelines for more information**

## DOCUMENTATION

### Project Identified as a Key Priority Project
- Reference page in District Plan

### Readiness to Proceed
- Copy of building permit, dated to allow activity to begin and end according to District rebate

### Creates Permanent Jobs
- Documentation of employer commitment along with number of permanent full-time employees*

### Creates or Sustains Mixed-Use Development
- Verified from proposal and site plan

### Expands Housing Opportunities
- Verified from proposal and site plan
- A non-profit applicant with proposal (mission and proof of 501©3)

### Protects Historic Resources
- Copy of SHPO determination of ‘Part 1 - Certification of Historic Property’, SHP Tax Credit Application

### Adaptively Reuses Existing Structures
- Verified from proposal, site plan and pictures

### Promotes Sustainable Practices
- Include signed DSEU letter certifying participation with Reservation application
District Administrators: More Good Information to Know

**Taxability of Rebate**
The Rebate is considered taxable income and an IRS 1099 Form will be issued to the Investor for each Rebate.

**Federal and State ADA**
As a District administrator, please coordinate with your inspection and planning department for accessibility requirements. Projects that do not meet required accessibility requirements may not be eligible for the Rebate.

**Site Control**
Site control is required - evidenced by legal title, sales agreement, or investors consent.

**Is it a Building or Facility?**
A facility is defined as a complex of buildings, co-located at a single location within a District and are all necessary to conduct the same residential, trade, or business use. The following exceptions are considered a facility:
- Multi-family rental that are ‘scattered-site’.
- Separate homeownership units developed by a non-profit.

**Rebate Calculation**
- Rebates less than $500,000 (or $2,525,000 in QRPI) are calculated at 20 percent.
- Rebates greater than $500,000 (or $2,525,000 in QRPI) are calculated at a lower rate up to $1,500,000.

**General Contractors**
A valid contract must be in place between the Investor and General Contractor and made available to DSHA. Limitations include:
- Investors who serve as their own GC cannot include overhead and profit.
- Investors who contract with a third-party GC may include overhead and profit up to 10 percent of the QRPI.

**Third-Party Contractors**
All contractors are required to be licensed in Delaware. Only eligible expenses from work performed by a third-party Delaware-licensed contractor are eligible.

**Cash Transactions**
*Do not do it!* Cash transactions are highly discouraged. DSHA will solely determine whether such expenses are QRPI.

**When you still cannot answer the question …..**

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Resources to Help You Succeed!

Central Incentive Website
Potential investors can view all available incentives at this centralized website. It contains links to each municipality’s incentives as well as incentives from other partners.

DDD Story Map
This interactive map highlights private investment for both Large and Small Projects within each District through Fiscal Year 2018. In addition, the maps identify the type of project in terms of commercial, residential, and/or mixed-use development.

DDD Boundary Map
This interactive map helps determine if a property is located within a designated District. If still unclear, check parcel number.

Education and Training
Both OSPC and DSHA provide technical assistance, share best practices, and obtain feedback on issues and potential improvements through workshops with all Districts, as well as individual Districts.

This Guide is to help District Administrators provide accurate information on eligibility criteria and the application process to Investors pursuing the DDD Rebate. If questions remain or more information needed, please refer to the DDD Rebate Program Guidelines available at www.DeStateHousing.com.