Presenters

• David Edgell, Office of State Planning Coordination
• Penny Pierson, Delaware State Housing Authority
• Rick Ferrell, Retail Market Answers, LLC
• Karen Horton, Delaware State Housing Authority
• David Baylor, Delaware City
Agenda

• DDD Rebate Overview (Penny Pierson)
• DDD Resource Team (Rick Ferrell / Karen Horton)
• Delaware City DDD Program (David Baylor)
DOWNTOWN DEVELOPMENT DISTRICTS

DDD Rebate Program

Administered by
Delaware State Housing Authority
DOWNTOWN DEVELOPMENT DISTRICTS PROGRAM

• A partnership between the State of Delaware and local governments to **promote revitalization of designated downtown areas**. Created to leverage state resources in designated downtowns to:
  - Spur private investment
  - Improve commercial vitality
  - Build a stable community of long-term residents

• Funding is allocated annually through the General Assembly to DSHA to administer the **DDD Rebate Program**.
DESIGNATED DISTRICTS

January 11, 2015
Dover, Seaford, Wilmington

August 10, 2016
Georgetown, Harrington, Laurel, Milford, Smyrna

August 19, 2019
City of New Castle, Clayton, Delaware City, Middletown
DDD REBATE PROGRAM

• Primary incentive to support and encourage investment in designated Districts.

• Available to Qualified District Investors who make a Qualified Real Property Investment (QRPI) within a designated District.
  ▪ Investments must be for the rehabilitation, expansion, or new construction of a commercial, residential, industrial, or mixed-use building or facility.

• Investors can receive rebates up to 20% of the QRPI.

• Rebates are performance-based; therefore, investments must be completed, paid for and placed-in-service prior to applying for a rebate.
BASIC MINIMUM THRESHOLD REQUIREMENTS

• The QRPI must be:
  ▪ made within the boundary of a District;
  ▪ made in conformance with the District Plan;
  ▪ made after the date the real property is officially incorporated into the boundary of a District; and
  ▪ in excess of the minimum required investment.

• Investors must meet site control requirements.
  ▪ Legal title or owner’s consent (tenants)

• Work must be performed by a Delaware-licensed contractor.

Please refer to the DDD Rebate Program Guidelines for additional requirements that are specific to large and small projects.
QUALIFIED DISTRICT INVESTORS

- **Property Owners** (occupant and non-occupant)
- **Tenants** making leasehold improvements may apply with property owner’s permission.
- **Investors** can be for-profit developers, nonprofit organizations, businesses, and homeowners.

Federal, state or local agencies and quasi-governmental organizations are **ineligible** to participate as an **investor** or a **property owner**.
Funding Set-Asides

DSHA established two funding set-asides to ensure a variety of projects have access to rebate funding.

• LARGE PROJECTS
  ▪ QRPI greater than $350,000
  ▪ Rebate calculated at 20% for QRPIs up to $2.5M
  ▪ QRPIs over $2.5M calculated at a lower-rate
  ▪ Maximum rebate $1.5M ($27.5M QRPI)

• SMALL PROJECTS
  ▪ QRPI between $25,000 and $350,000
  ▪ Rebate calculated at 20% of final QRPI
  ▪ Maximum rebate $70,000
LARGE PROJECT REBATES

• Large Project investors must **apply for** and **receive** a Reservation.

• Reservation applications are accepted **up to twice a year**, **subject to funding availability**.

• Application process can be competitive.

• Reservations **guarantee funding availability only**.

• Investments must be completed, paid for and placed-in-service **prior** to applying for a rebate. Investors must apply within **60 days** from the **placed-in-service date**.

  ▪ Requires an Attestation of Actual Costs by an **Independent CPA**.
SMALL PROJECT REBATES

• QRPI between $25,000 and $350,000
• Rebate calculated at 20% of final QRPI
• Must have a minimum of $25,000 in qualified costs
• Maximum rebate $70,000
• Project must be completed within 12 months from initial building permit or construction commencement date
• Construction must be continuous, no inactivity for more than 60 days.
• Investments must be completed, paid for and placed-in-service prior to applying for a rebate. Investors must apply within 60 days from the placed-in-service date.
ADDITIONAL REQUIREMENTS

• Work must be performed by a Delaware-licensed contractor.

• Name on application, deed or lease, and payment instrument(s) must be identical.

• Investors will receive an IRS 1099-MISC form for the tax year in which the rebate is issued.
QRPI ELIGIBLE COSTS

- “Hard costs” or “brick-and-mortar costs” directly related to the physical construction of a building’s structure.
  - Exterior, interior, structural, mechanical and electrical
- Demolition of a primary building when replaced with a new building.
- Limited costs related to site improvements.
- Limited costs related to non-residential appliances/equipment.

Work must be performed by a Delaware-licensed contractor to qualify for a rebate.
**INELIGIBLE COSTS**

- Costs typically referred to us “soft costs” such as acquisition, insurance, architectural, engineering, permit, and impact fees.
- Computer network installation and equipment, office equipment, and point of sale equipment.
- Most exterior and interior signage.
- General maintenance type repairs and service calls.
- Outbuildings, road repairs, new roads, curbing, perimeter and public sidewalks, fencing, playgrounds and equipment, swimming pools, boat docks and landscaping.
- Labor and materials for work performed by **unlicensed** contractors or individuals including homeowners.
**INELIGIBLE ACTIVITIES**

- Business activities referred to by the Internal Revenue Code as “sin” businesses
- Adult entertainment establishments, check cashing facilities, tobacco-only retailers, vape shops and recreational-only marijuana retailers
- Institutional related activities (hospitals, public and private schools, colleges and universities)
- Federal, state or local government related activities (libraries, post offices, and public safety services)
SMALL PROJECT REBATES

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DDD SMALL PROJECT REBATE APPLICATION CHECKLIST

- Exhibit 1: Project Description-District Conformity Form
- Exhibit 2: Proof of Site Control
- Exhibit 3: Proof of Property Condition (before/after)
- Exhibit 4: Final Placed-In-Service Documentation
- Exhibit 5: Proof of Investment
  - Itemized invoices, contractor’s DE-business license
  - Proofs of payment
- Exhibit 6: Certification of Application Submission
- Exhibit 7: IRS Form W-9

Applications are accepted on a rolling basis, subject to funding availability.
Commercial Investment

<table>
<thead>
<tr>
<th>Program</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td>DDD QRPI</td>
<td>$235,297</td>
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<tr>
<td>DDD Rebate</td>
<td>$47,059</td>
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<tr>
<td>District Incentives</td>
<td>$1,000</td>
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<tr>
<td>Kent County Grant</td>
<td>$10,000</td>
</tr>
<tr>
<td><strong>Value of Incentives</strong></td>
<td><strong>$58,059</strong></td>
</tr>
</tbody>
</table>
Residential Single-Family

- **DDD QRPI**: $94,017
- **DDD Rebate**: $18,803
- **District Incentives**: $851
- **Kent County Grant**: $1,500

**Value of Incentives**: $21,154
Delaware City
DDD Rebates
TIPS FOR A SUCCESSFUL REBATE

• **Read** the DDD Rebate Program Guidelines.

• **Discuss** project with your District Administrator and find out what incentives are out there to help your project.

• **Discuss** your project with DSHA prior to the start of construction.

• **Discuss** licensing and invoicing requirements with contractor(s).

• **Organize** your paperwork throughout the construction process.

• **Ask questions** - both the District and DSHA are here to help!
NEED ASSISTANCE?

DDD REBATE TEAM:

Penny Pierson
DSHA, Community Development Manager
Penny@destatehousing.com
Direct: 302-739-0246

Tunisha Scott
DSHA, Community Development Analyst II
Tunisha@destatehousing.com
Direct: 302-739-0221

Brittany Klecan
DSHA, Community Development Analyst I
Brittany@destatehousing.com
Direct: 302-739-0205
DDD Resource Team

Contact Information:

Rick Ferrell, Retail Market Answers LLC
(917) 335-1961
rickferrell@hotmail.com

Karen Horton, Delaware State Housing Authority
(302) 739-4263
KARENH@destatehousing.com

David Edgell, Office of State Planning Coordination
(302) 739-3090
David.edgell@delaware.gov
Delaware City DDD Program

Contact Information:

David Baylor, City Manager, Delaware City
(302) 834-4573
dbaylor@ci.delaware-city.de.us
Questions and Answers

Thank you for attending the workshop!

Some helpful links:

DDD Program Overview and Resources
http://www.stateplanning.delaware.gov/about/ddd.shtml

DSHA Rebate Information

Delaware City DDD Program
https://delawarecity.delaware.gov/community/downtown-development-district-ddd/