

## Summary

In Fiscal Year 2008, responding to Delaware's critical need for funding for the preservation of federally-subsidized, multi-family rental housing, DSHA proposed to the State Budget Office a three-year program to supplement its \$4.0 million base budget with an additional \$8.0 million per year from the State General Fund. Although funding has not been available to the extent originally requested due to declining state revenues, the State of Delaware has shown remarkable support for DSHA's preservation initiative over the past two years. DSHA has been successful in stretching the reduced dollars further than originally anticipated, assisting 555 units in seven DSHA bond-financed sites using \$12.5 million - not from the General Fund, as originally requested, but from a different source, the State General Obligation Bonds.

## An Innovative Solution

DSHA originally anticipated the additional preservation funds would be provided from the State's General Fund. When it became apparent that these funds would instead be provided from the State's General Obligation Bonds, DSHA found it necessary to modify its approach because tax-exempt bond proceeds cannot be counted as part of the eligible basis under the Low Income Housing Tax Credit Program - the chief vehicle for preservation funding in Delaware. On tax credit deals, DSHA managed to utilize these General Obligation proceeds by laddering the funds with other state and federal gap financing. For smaller refinancing projects, where a tax credit deal would not be cost effective, DSHA used the General Obligation Bond proceeds as the sole source of funding.

## Replicability

The financing of affordable housing through the General Obligation Bond of the state has been relatively rare in Delaware. Typically these funds are allocated to schools and roads. However, the General Obligation Bond is the logical source of one-time funding for critical preservation needs and state gap financing during difficult state budget years. DSHA's history of successful administration of the state's Housing Development Fund (HDF) over the years, combined with the agency's communications stressing the critical nature of saving federally subsidized multi-family rental housing, convinced officials in the State Budget Office to fund this preservation initiative.

## Responds to an Important State Need

DSHA demonstrated in its Fiscal Year 2008 budget submission that it was in imminent danger of losing one or more federally subsidized multi-family rental housing sites, and it came up with a list of 10 sites with severe cash-flow and physical infrastructure needs. The key issue for the State Budget Office in approving funding for this initiative was the threat of losing the federal subsidies forever if state funding was not made available. *(Note: Please see attached document, "Affordable Rental Housing Preservation Program," which outlines the challenges facing Delaware's affordable housing stock. The document was presented to the Bond Bill Committee on April 27, 2009.)*

### **Demonstrates Measurable Benefits to Targeted Customers**

The measurable benefits of preserving seven sites to date are: \$6,546,000 in annual federal rental subsidies preserved, and project leveraging of other funds totaling \$50,018,000. These two measurable benefits clearly outweigh the first two years' costs of \$12.5 million.

*Note: Please see DSHA's April 14, 2009 Status Report on FY08 and FY09 Preservation Funds, attached. DSHA anticipates full disbursement of FY2009 Preservation Funds by December 2010 and full disbursement of Leveraged funds by early 2011.*

### **Effectively Employed Partnerships**

DSHA effectively employed partnerships, first with the Governor's Office and the General Assembly, and then with nonprofit and for-profit owners, to preserve the affordable housing use of these federally subsidized multi-family rental housing sites.

### **Achieves Strategic Objectives**

DSHA's Preservation Initiative achieved important external and internal strategic objectives. The preservation of federally-subsidized multi-family rental housing sites met the agency's most pressing rental housing objective, and the refinancing of these DSHA bond-financed sites allowed DSHA's original financing to be made whole while extending the affordable housing use of these sites into the foreseeable future.

## April 14, 2009 Status Report on FY08 and FY09 Preservation Funds

*DSHA anticipates full disbursement of FY2009 Preservation Funds by December 2010 and full disbursement of Leveraged funds by early 2011.*

<b>FY 2008</b>								
Site	Units	Preservation Funds Committed by Council on Housing	Pres. Fund Expenditures	Pres. Fund Balance	Leveraged Fund Commitment	Lev. Fund Expenditure	Lev. Fund Balance	Annual Federal Subsidy Preserved
Capitol Green	132	\$1,500,000	\$ 883,161	\$616,839	\$12,473,499	\$9,343,248	\$3,130,251	\$1,443,600
Compton	55	2,108,823	1,731,619	377,204	2,409,101	1,699,677	709,424	569,712
Huling Cove	65	3,891,177	3,891,177	-0-	400,684	400,684	-0-	510,852
<b>TOTAL</b>	<b>252</b>	<b>\$7,500,000</b>	<b>\$6,505,957</b>	<b>\$944,043</b>	<b>\$15,283,284</b>	<b>\$11,443,609</b>	<b>\$3,839,685</b>	<b>\$2,524,164</b>

<b>FY2009</b>								
Site	Units	Preservation Funds Committed by Council on Housing	Pres. Fund Expenditures	Pres. Fund Balance	Leveraged Fund Commitment	Lev. Fund Expenditure	Lev. Fund Balance	Annual Federal Subsidy Preserved
Bethel Villas	150	\$ 450,000	\$ 450,000	-0-	\$22,367,485	\$5,910,304	\$16,457,181	\$1,902,744
Lexington Green	100	2,750,000	-0-	2,750,000	12,367,502	-0-	12,367,502	1,747,572
Carvel Gardens Annex	30	792,200	-0-	792,200	N/A	N/A	N/A	186,200
King Plaza	23	1,007,800	-0-	1,007,800	N/A	N/A	N/A	185,400
<b>TOTAL</b>	<b>303</b>	<b>\$5,000,000</b>	<b>\$ 450,000</b>	<b>\$4,550,000</b>	<b>\$34,734,987</b>	<b>\$5,910,304</b>	<b>\$28,824,683</b>	<b>\$4,021,916</b>